



DEPARTMENT OF FINANCE

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PUBLIC SECTOR AUDIT PROGRAM (PSAP) – AUDIT COMMITTEE MEETING PROGRAM

Legal Requirement: The establishment of Audit Committees is required under Section 5 of *Public Finances (Management) Act 2016*. This requires National Departments, Statutory Authorities, Provincial Governments and Local Level Governments to establish the functions of Audit Committees and Internal Audit Units.

This requirement was introduced in November 2004 and operation of the amended legislation became effective on 1st March 2005.

DOF has been rolling out Public Sector Audit Committee Program since 2005. To date forty five (45) audit committee are established in different government agencies. The government agencies comprise of national departments, statutory bodies and provincial administrations. Department of Finance is now moving to further develop and ensure substance of the program. Finance has set out the actions that need to take place to be able to expand the number of audit committees in operation, maximize the effectiveness of those committees and agency internal audit units, and ensure that both agencies and the committees continue to build capability and effectiveness.

From 2005 to 2009 the Public Sector Audit program (PSAP) was funded by Department of Finance and from 2010 to 2015 the program was a joint initiative of the Australia and PNG Government to introduce financial improvements and good governance practices into all PNG Government agencies receiving financial support from National Government through the Annual Budget. The Aus-Aid support ceased at the end of 2015. Department of Finance (DOF) has been the government agency responsible for implementation of the Public Sector Audit Program.

As at the end of 2018, 45 Audit Committees were established in the public sector. As at 30 June 2018, we have a total of 45 committees, with the last one being the Public Services Commission.

National Departments
1. Correctional Institutional Services
2. Commerce & Industry
3. Agriculture and Livestock
4. Justice & Attorney General
5. Labour Relation & Industry
6. Defence
7. Finance
8. Lands & Physical Planning
9. Police
10. Transport
11. Works
12. Provincial & LLG Affairs
13. Education
14. Health

15. National Judicial Services
16. Higher Education, Research, Science & Technology
17. Prime Minister & NEC
Province Name
1. Central Province
2. Eastern Highlands Province
3. East New Britain Province
4. Enga Province
5. Gulf Province
6. Milne Bay Province
7. Manus Province
8. Madang Province
9. Morobe Province
10. New Ireland Province
11. Oro Province
12. Southern Highlands Province
13. Sandaun Province
14. Western Highlands Province
Statutory Body Name
1. Civil Aviation Safety Authority.
2. Coffee Industry Corporation Limited (Goroka)
3. PNG Customs
4. PNG Electoral Commission
5. PNG Post
6. Internal Revenue Commission
7. Mineral Policy & Geo-hazard Management
8. National Airports Corporation
9. National Capital District Commission
10. National Housing Corporation
11. University of Goroka
12. University of Technology, Lae
13. University of PNG
14. Public Service Commission

45 Audit Committees have been established to date under the Public Sector Audit Program by Department of Finance. They comprise of 17 National Departments; 14 Provincial Governments; and 14 Statutory Bodies of which the following 6 have become Non-functional Audit Committees and efforts are on to revive them:

- Corrective Institutional Services
- Department of Agriculture & Live stock
- Eastern Highlands Province
- Madang Province
- New Ireland Province
- National Airport Corporation

- New Audit Committees planned for 2018 and successfully established
 - Department of Personnel Management
 - Magisterial Services
 - Western Province
 - East Sepik Province

- Audit Committee Program presentations done to 2 Agencies (ready for Launch)
 - Department of National Planning
 - Department of Treasury

- New & Old request pending: 05
 - Department of Community Development
 - Department of Environment & Conservation
 - Law & Justice
 - Tourism Promotion Authority
 - Western Province

1. PROGRAM STATISTICS (2005-2018)

Core Activities	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Audit Committees established to date	17	19	24	27	28	36	40	41	43	44	45
Number of meetings held to date per year	59	63	80	76	60	71	84	95	43	27	31
Number of Independent Members appointed	4	19	37	42	47	51	52	52	57	73	33
Independent Members as Chairman	0	0	0	4	11	12	15	15	16	17	12
Secretariat Support: Agencies taking their own minutes	0	0	1	6	8	11	15	15	15	17	17
Agencies Paying sitting Fees and Stipends for Ind Members	0	0	0	0	1	2	2	2	4	4	5

Expansion of the Program

Despite continuous challenges this program is expanding and has established 45 audit committees to date. 8 new agencies have made formal request indicating their readiness to come on board the program. Internal audit and compliance division is looking at considering setting up 4 to 6 new committees this year. These will primarily depend on the availability of support resources and the readiness of the receiving agencies.

2. TRAINING PROVIDED TO INTERNAL AUDITORS

Under this program training of over 100 internal auditors within the public sector agencies that have established Audit Committees was sponsored by the Department of Finance through the Public Sector Audit Programme Trust Account which is co-funded by AusAid and GoPNG. The training provided was in two phases and in addition they were provided on the job training as well as soft skill development training.

Training running at PNG University of Technology, Lae

There is a Memorandum of Understanding (MoU) signed between Department of Finance and PNG University of Technology in Lae, to provide refresher course in internal auditing. This training program commenced in 2015 and 66 internal auditors across public sector attended. A total payment of K 800, 000.00 (Eight Hundred Thousand) was paid to the university to deliver the training in 2015 and 2016. A total of four batches completed their training over the course of the two years.

There is ongoing support available to assist agency internal audit capacity from PSAP funds, under the Papua New Guinea – Australia Partnerships for Development agreement. The AusDFAT assistance to the program ceased in November 2015. European Union has assisted the program by providing the services of a technical advisor in 2015 and 2016 and with the unfortunate demise of the advisor in December 2016, this assistance ceased. Department of Finance is supporting the program with its current activity budget to allow for Alternative Independent members representing Finance Secretary to chair audit committees where he is unable to attend. The Internal Audit and Compliance Division of Department of Finance had submitted a funding proposal under the Public Investment Program (PIP) and was allocated Kina 5 million (Five Million) over 5 years from 2019-23.

Department of Finance Secretary Representative

1. Mr Jerry Wemin
2. Mr John Dotson (Is no longer available as he is now in full time employment with Department of Fisheries)

Audit Committee secretariat provides support services to these appointed committee members such as processing their fees, organise travels to provinces, deliver meeting papers, prepare appointment instruments, etc.

3. APPOINTMENT OF INDEPENDENT MEMBERS

- Private individuals are recruited as part of this program to bring in their expertise in their respective fields. Both male and female are appointed to various committees. To date about 57 people are appointed as independent committee members
- New interests are expressed by people and number will increase in the years to come. This will have great impact on the limited serving staff to provide required secretarial support services.
- There is a need to expand the group of experienced independent chairs and members if the requirement of the new Public Finance Management Act in respect of audit committees has to be complied with by all the agencies receiving public funds. The structure of audit committees requires two independent members. Through screening and interviewing members of the industry/community, Department of Finance ensures that independent members are appropriately qualified and are prepared to put the interests of the agency ahead of their own personal or business interests. The majority come from the private sector or accounting/auditing profession and contribute well to discussions. This is a very positive aspect of audit committees and one with good potential to build upon as greater involvement by the private sector has the potential to build the service delivery capability of the public sector through enhanced accountability and transparency.

- *Survey conducted on Effectiveness of Audit Committees*

The survey on the effectiveness of audit committees was carried by Price Waterhouse Coopers (PwC) in two years in 2010 and 2013. In each survey report, it was revealed that the intention of the program to improve accountability process in the public system is a great initiative by Department of Finance. The statistics from the survey show that there are some improvements in agencies where regular meetings were conducted. The audit reports were seen and discussed at audit committee meetings. The management letters (ML) from Auditor – General Office were addressed. Despite indication of improvements, there was also non-compliance issues noted and stated in both surveys reports. The other main issue raised was agency heads not taking ownership and showing little interest in the audit matters including deferrals of scheduled meetings. Other issues were stated in the surveys as well.

Department of Finance in 2017 engaged Internal Audit Solutions to undertake a baseline study on Audit Committee Performance and its overall value adding in bringing disciplined practices within the agencies in relation to good financial management, governance processes in effective internal controls and oversight framework. The respondents of the surveys were Secretaries, Chief Executive Officers, Provincial Administrators or their delegates at Deputy Levels, Audit Managers (usually Chief Internal Auditors), appointed independent members and the Auditor – General or his delegates.

4. ANTICIPATED ESTABLISHMENT OF 300 AUDIT COMMITTEES

The Act requires setting up audit committees and internal audit units in national agencies, provincial administrations, public bodies and Local – Level Governments (LLGs). This requirement implies that over 300 Audit Committees are to be established across the entire public sector. This is a big task for the Department of Finance. From 2005 to 2018 (13 years period), only 45 committees are established in total. The remaining balance of 255 agencies (300 – 45) are yet to be covered under this program as required by PFMA.

Many issues continue to affect the effectiveness of internal audit functions within agencies. Those agencies that recognized the positive benefits of effective audit processes, and have engaged effectively with the program, have begun to move ahead in developing improved management and operations. There are some agencies, however, that are not fully committed to the audit committee program. Support of senior management is the most crucial factor in whether an audit committee will be effective or not. As at end of 2018, there were some agencies where the committee did not meet during the year, or met only once.