

Theme for 2013: **Revitalising the Districts of PNG: Achieving Effective Community Participation for Quality and Sustainable Public Services in the Districts**

Sub theme: **Ensuring effective Public Accountability Systems and Processes- Challenges and Issues**

Opening remarks:

- Minister for National Planning and Rural Development and Chairman of CIMC, **Honourable Charles Abel**
- Governor of Western Highlands- **Hon Paias Wingti**
- All the distinguished presenters (Too many to name)
- Deputy Governor- **Mr Wai Rapa**
- Acting Administrator of Western Highlands- **Mr. Joseph Neng**
- Other important people, and observers
- Ladies and Gentlemen

I am indeed honoured on behalf of the Auditor General of PNG, Mr. Philip Nauga to be standing before you to speak in this very important forum. My gratitude goes to the CIMC for inviting the Auditor General to contribute to this year's Development Forum: **Revitalising the Districts of PNG: Achieving Effective Community Participation for Quality and Sustainable Public Services in the Districts.**

Introduction

Subtheme: Ensuring effective Public Accountability Systems and Processes- Challenges and Issues

I am going to speak on the challenge that arises from the shift in focus to rural area and pursuit of effective service delivery to the districts... from the Auditor General Office perspective, how it will affect us as the Office who is entrusted to audit to ensure that public accountability of funds received by agencies and the keeping of proper accounts and records and internal controls exist and the challenges and issues before the AGs Office.

Ladies and Gentlemen, we all know that it is essential to have proper financial management and governance systems to be able to achieve our desired

objectives of development. In this case, rural or district level growth and development. Good governance arrangements are essential to demonstrate to stakeholders an agency can be trusted.

Commitment to a strong financial management and accountability regime is challenging in PNG with all the diversity in cultures, languages, literacy levels and so forth. But Strong financial management and Accountability is essential to drive improvement in Governance and Accountability. There is a need to for robust, transparent and accountable arrangements for financial reporting and management.

However, the challenge is not only the systems and processes in place but the transparent demonstration or display or use by the people who are the custodians of those systems. The challenge includes being able to account for all the funds being budgeted and channelled to the districts. The challenge is also being able to prepare and maintain proper accounts and records to account for these funds- capacity issue. The challenge is also being able to maintain and keep safe custody of all assets purchased including projects completed.

General principles of good governance and accountability also include –being accountable, being good stewards (exercise powers for the good of district, province, nation and not for private reasons), have integrity, transparent, provide good leadership, be efficient (best use of resources).

Results of Poor Financial Management and Governance and accountability are obviously;

- Increases corrupt practices which legitimises bad governance by diverting funding and energy away from development plans and achievement of District, provincial and National Goals.
- Declines in service delivery.

Impediments to good financial Management Systems and governance observed during our experiences at the districts and elsewhere include;

- Shortage of skilled staff, poor training and ineffective recruitment processes

- Lack of understanding of the importance of good financial management for effective service delivery
- Lack of financial management infrastructure
- Deficiencies in financial data and budget management.

What then is the Auditor General Offices Role in Financial Management , governance and Accountability processes.

The primary function is to inspect, audit and report on the use and controls concerning public moneys and property of PNG. The overall basis for audit is provided by the Constitution (Section 214) and Audit Act, 1989.

There are various types of audits we do- financial, compliance and performance audit (newly established).All results of audit are presented in an audit report. For financial audit, we undertake an independent examination of the financial statements and controls and the results are evaluated to express an opinion.

An effective internal control environment is key effective financial management and governance. Key business processes and associated control activities we review are;

- Corporate governance and internal audit
- Appropriation and budget management
- Revenue, receivables, purchases and payables
- Cash, asset and trust management

In conducting our audits, we encourage improvements in all and in key areas of public administration and financial management.

We also strongly emphasis proper management of resources, and report on related controls and accountability issues.

Our audits are done to ensure that agencies are transparent and accountable.

What's our experience?

Audit reports over the years in relation to Provincial Governments and National Public Accounts and many other government agencies and state

owned enterprises have been **disclaimers- The AGO was unable to form an opinion**, due to very significant weaknesses.

Proper functioning internal controls are fundamental- Our audits indicate that these are not robust and are in fact poor. These are mainly results of impediments raise above and reiterated with additions below.

Major factors include;

- Management failure to promote measures and responsibilities for transparent and compliant spending
- Considerable abuse and diversion of government funds
- Reduced incentives for efficient management of funding
- Lack of experience and competency
- Lack of coordination and communication
- Management also fail to implement our recommendations which add to non clearance of anomalies uncovered.

What should happen?

Management of agencies should ensure that the financial management and governance systems should be followed. And audit recommendations are followed and implemented on a timely basis.

Conclusion and going forward

A strong and effective financial management framework is essential-the challenge is to deliver and maintain such a framework.

We must be realistic about what can be achieved.

We can assist in further workshops on identifying common areas where improvements can be made in accountability and control issues as was the case in the past in 2010 and 2011 where AGO met with Provincial Government officials.

And if all stakeholders hold hands and work together honestly and with diligence, we can achieve vast transformation in our rural communities in terms of improved accountability.

Thank you.