BRIEF INFORMATION PAPER

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Minister for Public Service
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Cc: -Secretary
   Department of Personnel
   Management

-Secretary
   Department of Petroleum

-Secretary
   National Executive Council
   Secretariat
   Department of Prime Minister &
   NEC

KONEBADA PETROLEUM PARK AUTHORITY
PO Box 614, Vision City
Port Moresby, NCD

Date: March 28th, 2019

SUBJECT: PUBLIC SECTOR ORGANISATIONAL REFORMS;
CURRENT STATUS OF KONEBADA PETROLEUM PARK AUTHORITY

1 PREAMBLE:

1.1 Establishment of Konebada Petroleum Park Authority (KPPA)

Konebada Petroleum Park Authority is a statutory authority established by an Act of
Parliament called KPPA Act 2008 (as amended 2009). KPPA being a statutory authority
is subject to Regulatory Statutory Authorities (Appointments to Certain Offices) Act 2004,
the Public Services Management Act 1995, the Public Finance Management Act and
the Constitution.

Konebada Petroleum Park Authority is the authority responsible to provide an
appropriately managed and serviced industrial precinct for the establishment and
operation of large scale green fields petroleum processing and energy projects which
add value to the petroleum resources of Papua New Guinea. The Petroleum Park
Authority is to be primarily responsible the operationalization of all National Government policies and plans for the petro chemical downstream industry in the oil and gas sector.

1.2 Board - Konebada Petroleum Park Authority

Konebada Petroleum Park Authority is managed and overseen by KPPA Board pursuant to Section 9 of the KPPA Act 2008. KPPA Board was sworn into office in 2016 by the then Minister for Petroleum and Energy, Hon. Nixon Duban MP. Prior to KPPA Act 2008, the administration of the Park Authority was run by the Konebada Petroleum Park Authority Working Group. This was due to the act being passed and was never gazetted in accordance with its preamble to come into operation. On March 21st 2012, the then Head of State, Sir Michael Ogio, published a notice of commencement for the KPPA Act to come into operation. Subsequently on March 23rd 2012, a notice was published in the National Gazette No G109 of 2012 gazetting the effectiveness of the KPPA Act 2008 and KPPA as a Authority.

1.3 Organisational Structure of KPPA:

On August 2009 under the supervision of the Department of Petroleum and Energy (DPE), KPPA submitted the proposed functional and management structure of KPPA to the Chairman of the Salaries Conditions and Monitoring Committee (SCMC), Department of Personal Management (DPM). SCMC and the Department of Personal Management in a response letter dated 26th March 2010 approved the functional and organisational structure being consistent with the KPPA Act 2008 (as amended 2009) and further rejected KPPA’s proposal to align the structure to the Public Service Performance Based Salary Structure (PBSS). KPPA was recognised and established as a semi-commercial organisation in 2010.

SCMC approved KPPA organisational structure consists of up to 80 positions and being consistent and compliant with the KPPA Act 2008.

The staff ceiling at the time when KPPA was forced out of their office in mid June 2017 and culmination to its abolishment on November 17, 2017 is 29 staff and 2 consultants as per listings provided to Department of Finance and Treasury.

Current staff ceiling listing is 29 staff only as approved by Board and provided to Department of Finance dated 25th July 2018 following reinstatement (by NEC Decision 15/2018) of the Authority.

1.4 Government Policy Directions relating to Konebada Petroleum Park Authority.

Konebada Petroleum Park Authority formally ceased its functional operations on November 17th 2017 following NEC Decision No. NG 57/2017. The National Executive Decision was to abolish Konebada Petroleum Park Authority and transfer all its financial
powers back to Finance Department and Assets back to the Department of Petroleum and Energy.

On February 1st, 2018 under the subject Public Sector Organisational Reform, the NEC in their special meeting 01/2018 and Decision No. 15/2018 approved to reaffirm their decision for the amalgamation and abolishment of KPPA to continue with following amendment;

- KPPA not to be abolished
- KPPA Board to be investigated
- Portions of land sold by KPPA to be re-acquired by the Minister for Lands & Physical Planning and APEC immediately

The 2019 National Budget Policy Directions under Non-Financial Instructions, Vol 01, Economic and Development Policies issues specific policy directions to transfer the management of Konebada Petroleum Park Authority (KPPA) under Kumul Petroleum Holdings Ltd (KPHL) and policy under Department of Treasury. This is fitting and appropriate since Konebada Petroleum Park Authority is under review for merger and amalgamation in 2019 by the Public Sector Organisational Reform Committee (PSORC).

The amalgamation and merger of KPPA with another agency is an important expenditure efficiency measure to improve and solidify states participation in all future and prospective LNG Gas downstream Projects.

2 PURPOSE

The purpose of this information paper is to inform:

I. The status of Konebada Petroleum Park Authority since the NEC decision No. NG57/2017 to abolish the Petroleum Park Authority and the latter NEC decision No. 15/2018 from special cabinet meeting No. 01/2018 being not to abolish Konebada Petroleum Park Authority but to investigate the affairs and dealings of its board and executive management.

II. Continuous negligence of the Chief Executive Officer of the Petroleum Park Authority in complying with statutory financial instructions from the finance controller to acquit all funds of the Petroleum Park Authority and its subsidiary company for years ending 2014, 2015 and 2016.

III. Unsanctioned and costly legal proceedings undertaken by the CEO of the Petroleum Park Authority without due approval of the KPPA board to engage the Petroleum Park Authority as a statutory entity in a legal court proceeding.
3 FACTS AND CONSIDERATION

3.1 Introduction

Konebada Petroleum Park Authority is the authority responsible to provide an appropriately managed and serviced industrial precinct for the establishment and operation of large scale green fields petroleum processing and energy projects which add value to the petroleum resources of Papua New Guinea.

The Petroleum Park Authority has not been operationally self-sustaining over the years since its operationalization in 2009 under the KPPA Act 2008 and has over the years (2009-2017) depended mostly on National Government budget allocations and grants to manage its operations and affairs as a statutory Authority.

3.2 Payments through KPPA Trust Account

Existing and current staff members were off payroll since May 2017 up to and until the NEC Decision to Abolish KPPA on 17th November 2017.

Konebada Petroleum Park Authority Trust Account (A/c# 12434650) with ANZ Bank was subsequently closed by Finance Department (Trustee) on January 22nd 2018 with Finance Department taking full control of all financial operating functions and powers of KPPA as the trust fund custodian of the Authority due to irregularities found in the establishment and operations of Petroleum Park Authority Trust Account.

3.3 Trust Account Review and Request for Financial Statements

In August 2017 per circular instruction 05/2017, Department of Finance issued instructions into the management and operation of Trust Accounts to all agencies and statutory bodies.

The Financial Controller during his trust account review exercise made specific directions in a letter dated September 01st 2017 to the Chief Executive Officer of Konebada Petroleum Park Authority for all annual financial statements and reports for the Park Authority and its Subsidiary company for periods ending 2014, 2015 and 2016 as well as details of all monies received by the Authority by way of grants and subscriptions; investment and borrowings, disposal of assets; for goods or services provided by the Authority including utilities; all rents or levies of any type paid to the authority and all other monies received by the Authority since 31st December 2008.

Furthermore, on September 21st 2017 the Financial Controller issued an action statement for Konebada Petroleum Park Authority to again provide the required financial statements and further placed restrictions on the Trust Account of Konebada Petroleum Park Authority (Trust A/C No. 12434650) with ANZ Banking Group.
The Financial Controller again issued its second set of directions on September 25th 2017 directing KPPA to cut its payroll costs, ratify its over K6m unpaid IRC tax payments and immediately terminate all consultancies and immediately arrange a meeting with Finance Department and the Department of Petroleum to discuss downstream petroleum policy and its development and operationalization issues.

On November 14th 2017, the financial controllers' issued its final directions noting (3) specific and important instructions and a failure to comply with each set of directions will result in the CEO being prosecuted under the PFMA Act as an offence against Section 103A of the Act.

Financial controllers’ directions include:

1. CEO and Staff of KPPA and its subsidiary shall surrender all assets of the Konebada Petroleum Park Authority and its subsidiaries to the financial controller by no later than 4pm Wednesday 22nd November 2017.

2. CEO and staff of KPPA and its subsidiary companies deliver the complete operational and financial records of KPPA and its subsidiary to the financial controller by no later than 4pm Wednesday 22nd November 2017

3. The CEO and the staff of KPPA and its subsidiary companies are to make no financial commitments that bind KPPA or its subsidiary companies from the date of this letter.

3.4 Gross negligence of KPPA CEO and Board to remit financial records.

The CEO of KPPA failed to furnish the required financial information and records to the Financial Controller despite numerous attempts and request being made by the Financial Controller.

The CEO of KPPA opted to challenge the powers of the Financial Controller through a National Court Judicial Review Application (OS (JR) 887 of 2017) seeking legal interpretations on the powers of the Financial Controller under PFMA that warrants him to issue such directions. Matter was deliberated forthwith in both the National and the Supreme Court with both being decided in the favour of the Financial Controller.

Continuous negligence from the CEO to comply with financial instructions and submit mandatory financial reports to the financial controller resulted in a final notice being issued by the financial controller on November 14th of 2017 noting the failures of the CEO of Konebada Petroleum Park Authority and his negligence to comply with the Financial Management Act (PFMA). Mr Donald Valu however failed in his capacity as the CEO of Konebada Petroleum Park Authority to diligently adhere to the following financial directions;

I) First Directions: September 01st 2017

II) Second Directions: September 21st 2017
3.5 National & Supreme Court Proceedings to challenge financial directions

The Chief Executive Officer, Mr. Donald Valu through his lawyers filed legal proceedings on November 17th 2017 seeking leave in the National Court (OS (JR) 887of 2017) for the review of the powers and position of the financial controller to administer PFMA and to issues various directions being dated September 01st, 21st and 25th and November 14th 2017 respectively.

3.6 Interim Restraining Orders (OS (JR) 887/2017)

On the 21st of November 2017, the National Court consisting of his Honour Justice Shepherd made interim restraining orders amongst others staying the decision of the First Respondent. Also his honour restrained the respondents and their servants and agents from interfering with the performance of and functions of KPPA, its board and its staff. The restrictions placed on KPPA operating account at the ANZ Bank were also uplifted in order for KPPA to carry out its operations and pay its staff salaries.

3.7 National Court Decision (OS (JR) 887/2017)

Application for leave in the National Court by the CEO of Konebada Petroleum Park Authority was refused with cost by its order dated June 21st 2018. Cost to be paid personally by the first and second plaintiff. In this case being Mr. Donald Valu (CEO KPPA) as the first plaintiff and Konebada Petroleum Park Authority (KPPA) being the second plaintiff.

3.8 Supreme Court Appeal (SCM 13/2018)

The CEO of Konebada Petroleum Park Authority appealed to the Supreme Court of Justice against the decision of the National Court in regards to the leave application review and its subsequent decision to refuse the leave with costs granted by His Honor Justice Shepherd.

An urgent appeal application was filed on the 25th of June 2018 at the Supreme Court by the CEO of Konebada Petroleum Park Authority. His Honor Justice Neill granted leave to motion (SCM 13/2018) on June 29th 2018 and issued specific orders/directions staying the decision of the National Court and actions that will be undertaken by the financial controller (Finance Department and Finance Secretary) to prosecute Donald Valu under PFMA act for non-compliance to statutory financial instructions. Order was issued pending the hearing of the appeal without delay.
3.9 Objection to Competency (SCM 13/2018)

Finance Department through the state lawyers filed an objection to competency on July 13th 2018 to disqualify the appeal as lacking competency to be heard in the Supreme Court. The primary grounds of objection to competency being the fact that:

I) Lawyers representing Donald Valu (CEO KPPA) and Konebada Petroleum Park Authority (KPPA) failed to obtain approval from the Attorney-General prior to engaging Jema Lawyers to institute the appeal proceedings. As a result, Jema Lawyers have no authority to sign and file the notice of motion constituting the appeal. Order 10, rule 3(d) of the Supreme Court Rules, Section 7 of the Attorney-General Act, 1989 (“AG Act”) and Section 10 of the PMMR Act was referred to as a source of the courts powers to strike out the appeal as being incompetent.

II) Lawyers representing Donald Valu as the CEO of Konebada Petroleum Park had no approval from KPPA Board that authorises them to commence proceedings in OS (JR) No.887 of 2017. Furthermore CEO and Jema Lawyers were not authorised to act for the appellants and did not obtain board approval under Section 10 of the Public Money Management Regularisation Act 2017 (PMMR Act).

3.10 SC 1723 - Supreme Court Appeal (SCM 13 of 2018) Decision

On October 29th and 30th of 2018, a three (3) man bench Supreme Court hearing and deliberations by of His Honor Justice Cannings, His Honor Justice Makail and His Honor Justice Geita ordered that the respondents (Department of Finance and Finance Secretary) objection to competency is upheld and that the appeal is dismissed as being incompetent. The order for stay dated June 29th 2018 is to be discharged forthwith and the appellants shall pay the respondents’ costs of the objection and appeal on a party/party basis to be taxed if, not agree.

3.11 Show cause notice to CEO KPPA and Board Chairman of KPPA.

Finance department issued a show cause notice to the Chief Executive Officer of Konebada Petroleum Park Authority on December 5th 2018 instruction full compliance forthwith.

3.12 Prosecution of CEO KPPA - (OS (JR) 08 of 2019

On the January 13th 2019, Finance Department filed a non-compliance civil proceedings against the CEO of KPPA, Donald Valu in the National Court for non-compliance to statutory financial instructions in accordance to PFMA and alleged misappropriation of the Petroleum Park Authority Funds totalling over K13m during the periods 2010 to 2015.
Allegation charges includes:

i. Official misappropriation of **K10,294,143.00** in his capacity as the CEO of Konebada Petroleum Park Authority.

ii. Extravagant hire care payments in excess of **K2,800,00.00**

iii. Payments claimed and made personally to himself totalling **K1,499,00.00** without adherence to proper administrative processes.

Mr. Donald Valu does not have the KPPA board approval to engage KPPA as a Statutory Authority in the original court proceedings of OS (JR) 887/2017. Mr. Donald Valu prosecuted the case under his own behalf and not the governing board of directors of KPPA as per case history and hence Donald Valu is liable to personally settle the costs of the application totalling K250,000.00

3.13 Interim stay injunction Applications filed by CEO of KPPA.

On January 25th 2019, CEO of Konebada Petroleum Park Authority, Mr Donald Valu and lawyers representing him filed an urgent application seeking interim restraining orders to stay his prosecution on alleged misappropriation charges. The hearing date is yet to be scheduled by the National Court Registry.

3.14 Serious misappropriation issues.

Serious misappropriation issues and non-compliance to statutory directions by both the management and the board of Konebada Petroleum Park Authority is a matter of grave concern to the future prospects of Konebada Petroleum Park Authority and its ability to operationalize the National Government Policy on LNG Gas downstream and petro-chemical business development in Papua New Guinea.

The negligent actions of the CEO of Konebada Petroleum Park Authority is in serious breach of the Leadership Code and the Regulatory Statutory Authorities (Appointments to Certain Offices) Act and it would only be fitting and proper for his contract to be suspended as he is currently being faced with serious allegations of misappropriation and official gross negligence.

Current Operation Status of Konebada Petroleum Park Authority.

Operations of Konebada Petroleum Park Authority has been stalled since the closure of KPPA trust account and the NEC decision No. NG57/2017 to abolish the Petroleum Park Authority and the latter NEC decision No. 15/2018 from special cabinet meeting No. 01/2018 being not to abolish Konebada Petroleum Park Authority but to investigate the affairs and dealings of its board and executive management.
Further to that is the decision by the CEO to relocate the Park Authority office into Kennedy Estate at 8 mile outside Port Moresby without the authority of Office Allocation Committee. Staff members were not able to attend to their regular jobs due to transportation and security problems getting to work inside Kennedy Estate and going without regular salaries since May 2017.

### 3.15 Staffing and Employment Issues of Konebada Petroleum Park Authority.

Furthermore, Staff of the Konebada Petroleum Park Authority were never briefed of the current National Government Decision to abolish the Authority (NEC Decision or were never laid off in accordance with proper administrative procedures and directions from the Department of Personnel Management).

### 3.16 Staff of KPPA are being prejudiced by the unsanctioned legal proceedings.

The CEO of Konebada Petroleum Park Authority has prejudiced the staff of Konebada Petroleum Park Authority by engaging in unsanctioned legal proceedings to challenge financial directions from the financial controller.

The CEO of the Authority had also grossly neglected the welfare and future employment prospects of the staff of the Authority for over one year and seven months or so since NEC Decision (No. **NG 57/2017**)

### 4 RECOMMENDATIONS

In making the recommendations, the recent media statement by Public Service Minister Hon. Elias Kapavoro dated 6th February 2019 to tighten up accountability process per the amendments to the Public Service Act and General Orders is noted.

The following recommendation are therefore being made in light of the current situation by considering the legitimate fact that the CEO has engage Konebada Petroleum Park Authority as an independent entity in an unsanctioned and costly civil proceedings as well as his inability to lead and effectively manage the administrative and financial affairs of the Petroleum Park Authority.

Recent National Executive Decision (No. **NG 15 of 2018** from special cabinet meeting No. **01/2018** being not to abolish Konebada Petroleum Park Authority but to investigate the affairs and dealings of its board and executive management is also taken into considerations in forming the recommendations in this brief.

**It is therefore recommended that:**

1) Future employment prospects of KPPA employees is given due consideration as a result of the recent cabinet decisions and management failures by the Chief Executive Officer.
II) An Acting Chief Executive Officer be appointed within the current KPPA structure to take carriage of the ongoing restructure exercise that is currently being undertaken by Public Sector Organisational Reform team (PSORT).

Alternatively, the management of KPPA be transferred under Chair of Public Sector Organisational Reform team to take carriage of the ongoing restructure exercise.

III) Chief Executive Officer of Konebada Petroleum Park Authority be immediately suspended over non-compliance issues and misappropriation allegations of the funds of the Authority in excess of K13m.

IV) Board of KPPA be suspended and investigated in compliance to NEC Decision No. NG 15 of 2018 to investigate the board of KPPA.

Enclosures:

The following relevant and supporting documents are attached for further information relating to the brief beforehand.

i. NEC Decision (NG 57/2017) to abolish the Authority dated November 17, 2017.

ii. NEC Decision (15/2018) to reinstate the Authority and investigate the Board dated February 1, 2018 (direction#5 noted).

iii. Extract pages of 2019 National Budget, Vol 01, Economic and Development Policies; Section 9.2.2 Public Sector Reform_Mergers of National Departments and Agencies.


Enclosure i: NEC Decision (NG 57/2017) to abolish the Authority dated November 17, 2017

Decision No: NG57/2017

Special Meeting No: NG06/2017

Subject: 2018 NATIONAL BUDGET

On 17th November 2017, Council:

1. noted the content of Policy Submission No. NG50/2017;

2. approved total expenditure of K14,717.8 million (including K1,024.6 million in grants and K593.9 million in loans) and a Budget deficit of K1,987.3 million or 2.48 per cent of projected GDP for 2018;

3. noted the estimated tax, non-tax revenue and grants to be collected in 2018 as set out below:

   Table 10: 2018 Total Revenue and Grants (Kina Million)

<table>
<thead>
<tr>
<th></th>
<th>2018 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Revenue</td>
<td>9,639.4</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>2,066.7</td>
</tr>
<tr>
<td>Grants</td>
<td>1,024.6</td>
</tr>
<tr>
<td><strong>Total Revenue and Grants</strong></td>
<td><strong>12,730.7</strong></td>
</tr>
</tbody>
</table>

   Source: Department of Treasury

4. noted the recommendations as outlined in Policy Submission No. NG51/2017 to improve taxation policy objectives and administration that will contribute to a modern, robust and efficient tax system that is able to support the financing requirements of the 2018 Budget and medium term economic and social development needs;

5. approved an additional funding of K19.0 million, bringing the total funding for the Internal Revenue Commission (IRC) to K105.0 million for the 2018 Budget. This additional work is expected to raise K600.0 million in 2018. IRC’s total collection in 2018 is expected to be around K7.4 billion;
approved an additional K5.0 million on top of the K65.5 million budget allocation to undertake a revenue recovery exercise through the post clearance audit and cargo clearance process. This is expected to bring an additional K155.0 million in 2018. Total collections expected from PNG Customs Service (PNGCS) in 2018 are around K1.8 billion;

7. approved and directed all heads of State Owned Enterprises to remit all dividends set out in 2018 Budget:
   (i) Kumul Petroleum Holdings Limited, K300.00 million;
   (ii) Kumul Consolidated Holdings Limited, K100 million;
   (iii) Ok Tedi, K200.0 million;
   (iv) Bank of PNG, K150.0 million;
   (v) National Fisheries Authority, K400.0 million;
   (vi) Motor Vehicle Insurance Limited, K25.0 million; and
   (vii) National Gaming Board, K75.0 million.

8. approved and directed the Department of Finance to work with the Department of Treasury to review and amend all respective legislation that allows agencies to collect fees and charges to enable the required remittance of funds into CRF;

9. approved the immediate transfer of funds from the National Fisheries Authority (K400.0 million), National Gaming Control Board (K75.0 million), Mineral Resources Authority (K30.0 million), National Maritime Safety Authority (K10 million), Conservation Environment Protection Authority (K10 million) and Kumul Consolidated Holdings Limited (K40 million) to an account where the sole signatory is the Treasurer, with a view to remitting funds to the WPA on the first business day of 2018;

10. noted that a number of fiscal and economic risks such as the exchange rate and slow economic growth could threaten the implementation of the Budget. In particular, failure to progress the revenue reforms will affect economic development in 2018 and over the medium term;

11. noted that a number of revenue items are one-off; thus, expenditure reflects this fact by avoiding the locking in of expenditure into multi-year expenditure items;

12. directed the Departments of Personnel Management, Finance, Treasury and National Planning and Monitoring to immediately establish the OSPEAC Secretariat (to be housed in the Department of Treasury) to continue:
Enclosure i: NEC Decision (NG 57/2017) to abolish the Authority dated November 17, 2017

(i) working on all government Personnel Emoluments issues;
(ii) conducting an exercise on possible merging of agencies outlined in Table 8 below:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Merged Into</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border Development Authority</td>
<td>Department of National Planning &amp; Monitoring, Treasury and Department of Provincial and Local Level Government Affairs.</td>
</tr>
<tr>
<td>Konebada Petroleum Park Authority to be abolished</td>
<td>Funds to be transferred to Miscellaneous and Assets to Department of Petroleum &amp; Energy.</td>
</tr>
</tbody>
</table>

Source: Department of Treasury

and

(iii) Improving the ALESCO payroll system with stringent access and controls.

13. directed that no new agencies be created without consulting the Department of Treasury and Department of National Planning & Monitoring;

14. directed agencies to look at cost cutting measures for efficiency and to limit expenditures on utility bills, vehicle purchases and travel;

15. directed the Department of National Planning & Monitoring to update NEC on Monitoring and Evaluation of activities under the capital budget and, specifically, on projects that are 50% or more complete, as well as the implementation of guidelines regarding SIPs. All projects will be approved by central agencies to ensure their alignment with the Medium Term Development Plan (MTDP) 2/3 as well as financial sustainability;

16. noted the K8.1 billion in Committed Undisbursed (Undrawn) Loan Balances that cost between K15 million and K30 million in commitment fees annually;

17. directed all Government agencies currently pursuing financing directly from multilateral, bilateral or other financial institutions to cease and refer everything to the Department of Treasury;

18. directed the Department of Treasury to take the lead and continue the process (approved in NEC Decision No. NG13/2017) with assistance from the Office of the State Solicitor and other relevant State Agencies that may be co-opted from time to time for the issuance of the inaugural Sovereign Bond for Papua New Guinea in 2018;
19. approved the Centralized Borrowing Policy for implementation commencing 01st January 2018;

20. approved the Budget Strategy Paper and the Medium Term Fiscal Strategy, inclusive of the Medium Term Debt Strategy as the guide for the medium term fiscal path;

21. directed the Secretary for the Department of Treasury to prepare the detailed 2018 Budget for tabling in Parliament on 28th November 2017; and

22. directed the First Legislative Counsel to prepare the Appropriation Bills including the following, in accordance with the approved drafting instructions:

   (i) Income Tax (2018 Budget) (Amendment) Bill 2017;
   (ii) Income Tax (2018 Budget) (Amendment) Regulations 2017;
   (iii) Oil and Gas (2018 Budget) (Amendment) Bill 2017;
   (iv) Goods and Services (2018 Budget) (Amendment) Bill 2017;
   (v) Customs Tariff (2018 Budget) (Amendment) Bill 2017;
   (vi) Excise (2018 Budget) (Amendment) Bill 2017; and

I certify the above to be a correct record of the Decisions reached by the National Executive Council

IL AGI VEALI, MBE, MPS Secretary, NEC

Date: 21st November 2017

Enclosure ii: NEC Decision (15/2018) to reinstate the Authority and investigate the Board dated February 1, 2018 (direction#5 noted)

PAPUA NEW GUINEA GOVERNMENT
NATIONAL EXECUTIVE COUNCIL.

Decision No: 15/2018  
Special Meeting No: 01/2018

Subject: PUBLIC SECTOR ORGANISATIONAL REFORMS

On 01st February 2018, Council:

1. noted the content of Policy Submission No. NG66/2017;

2. noted the status of the following NEC Decisions: 145/2013; 173/2013; 280/2016; 68/2017; 99/2017 and 108/2017 relating to the amalgamation and abolishment of certain organisations as outlined in Appendix 1 and Appendix 2, attached;

3. approved to re-affirm these Decisions for the amalgamation and abolishment of these organisations to continue but with the following amendments:

<table>
<thead>
<tr>
<th>Decision No.</th>
<th>Reform Actions</th>
<th>New Direction (supersedes earlier direction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>280/2016</td>
<td>Abolish Konebada Petroleum Park Authority and transfer policy functions to Treasury and management functions to Petroleum &amp; Energy</td>
<td>KPPA not to be abolished.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>KPPA board to be investigated.</td>
</tr>
<tr>
<td></td>
<td>Amalgamate the National Coordination Office of Bougainville Affairs to PM&amp;NEC</td>
<td>Portions of land sold by KPPA to be re-acquired by the Minister for Lands &amp; Physical Planning &amp; APEC immediately.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not to amalgamate as it has an important function.</td>
</tr>
</tbody>
</table>

4. directed the Secretary for the Department of Personnel Management, as Chair of PSORC, to give effect to these NEC Decisions, and to provide transition plans and three monthly updates to the NEC on the status of the transition plans for the reforms; and

CONFIDENTIAL
ENCLOSURE II: NEC Decision (15/2018) to reinstate the Authority and investigate the Board dated February 1, 2018 (direction#5 noted)

5. Directed the Secretary for the Department of Personnel Management as Chair of PSORC, to fully consult the relevant agencies and other stakeholders engaged in the implementation of reforms.

I certify the above to be a correct record of the Decisions reached by the National Executive Council

ILAGI VEALI, MBE, MPS Secretary, NEC

Date: 16th February 2018

Distribution: PRIME MINISTER/MINISTER FOR JUSTICE & ATTORNEY GENERAL/MINISTER FOR PUBLIC SERVICE/DEPUTY PRIME MINISTER & MINISTER FOR TREASURY/MINISTER FOR NATIONAL PLANNING/MINISTER FOR FINANCE/PERSONNEL MANAGEMENT/TREASURY/NATIONAL PLANNING & MONITORING/FINANCE/PMNEC/JUSTICE & ATTORNEY GENERAL/
2019 NATIONAL BUDGET

VOLUME 1
ECONOMIC AND DEVELOPMENT POLICIES

For the year ending 31st December 2019

PRESENTED BY
HON. CHARLES ABEL, MP
DEPUTY PRIME MINISTER AND MINISTER FOR TREASURY
ON THE OCCASION OF THE PRESENTATION OF THE 2019 NATIONAL BUDGET
9.2 PUBLIC SECTOR REFORM

The Government will build on past reforms by continuing to drive existing reform initiatives and look for further reform opportunities to improve the efficiency and effectiveness of the public service and create an environment that is conducive for private sector investment and growth.

The Government’s Vision 2050 strategy envisages further devolution of responsibilities from the National Government to the Provinces. In parallel, the MTDP III aims to secure the future through inclusive sustainable economic growth. This will ensure improved targeting of resources to priorities to enhance the lives of our people.

In this respect, the 2019 Budget focuses on establishing a number of key reforms that are consistent with these high-level policy objectives and targets.

In 2019, the Government will refocus its attention on accomplishing new service delivery standards by trimming excessive spending and resource wastage, and redirecting funds to key priority impact projects at all levels of Government in the areas of Health, Education, infrastructure and Law & Order.

9.2.1 Equitable Resource Allocations to Provincial Governments

The intergovernmental financing system focuses on ensuring that the total revenue of the provinces and the costs of delivering a minimum set of basic services are taken into consideration when determining the grants for the Provincial and Local Level Governments. Under this system, the Intergovernmental Relations (Functions and Funding) Act 2009 sets out the revenue sharing formula among National, Provincial and Local-level Governments.

The amount that is allocated to the sub-national levels of the Government annually is referred to as the Equalisation Amount. This mainly becomes the pool of funding for the Functional Grants and is the minimum level of funding that the Provincial and Local Level Governments can expect to receive.

The Equalisation Amount is contingent on a set proportion of Tax Revenue, excluding variable mining and petroleum taxes, and which is referred to as Net National Revenue available to the National Government each year. This is to provide greater certainty for provincial and local-level governments, provided that it is a revenue sharing arrangement and the calculation of the equalisation amount will be responsive to the revenues received by the National Government.

The legislation indicates that the current equalisation amount is 6.6 per cent of Net National Revenues (NNR). The NNR amount is the total tax revenue received by the National Government excluding mining and petroleum tax revenue. The NNR calculations for the 2019 Grant distributions further exclude GST and Bookmakers Tax transfers to provinces, since these were already assessed as part of provinces fiscal capacities. This process involved subtracting K463.2 million (sum of both GST & Bookmakers Tax) from K9,141.4 million\(^{28}\).

For the 2019 Fiscal year, the Equalisation Amount has increased by K15.4 million, a slight increase from K547.3 million in 2018 to K562.7 million. The increase is essentially due to the improved total tax revenue collections in 2017 compared to 2016.

The following table shows how the NNR amount for 2019 was calculated (Kina, Million).

---

\(^{28}\) Tax Revenue – 2017 FBO report
The minimum funding level for the equalisation amount in 2019 is calculated according to the following formula (Kina million):

\[
\text{NEFC estimate of 2019 equalisation amount} = \frac{\text{Net National Revenue (2019)}}{6.57\%} = \frac{K5,564.6}{6.57\%} = K562.7
\]

### 9.2.2 Mergers of National Departments and Agencies

A recently endorsed NEC Decision No. 15/2018 reaffirms a range of earlier cabinet decisions regarding the amalgamations and abolition of various organisations. This NEC decision is currently being implemented by the newly established Public Sector Reform Organisational Team (PSORT). This team consists of departmental heads of Prime Minister & NEC, Personnel Management, Finance, Treasury and Justice and Attorney General.

This Group will be re-tasked as an ongoing strategic committee overseeing the actual amalgamation work carried out by OSPEAC. OSPEAC will then report to PSORT. Both groups/committees will be resourced sufficiently from existing departmental resources to effectively carry out its assigned duties, including the amalgamation exercise.

The amalgamation of agencies is an important expenditure efficiency measure to improve the productivity of the public service. This policy will help in achieving the Government’s aim of rightsizing the public service and providing service delivery in a more coordinated and cost efficient manner.

The proposed mergers for 2019 are as follows:

#### Table 33: Merging Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Merged into</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal Fisheries Development Agency</td>
<td>National Fisheries Authority</td>
</tr>
<tr>
<td>National Economic Fiscal Commission</td>
<td>Department of Treasury</td>
</tr>
<tr>
<td>National AIDS Council Secretariat</td>
<td>Department of Health</td>
</tr>
<tr>
<td>National Coordination of Bougainville Affairs</td>
<td>PM &amp; NEC</td>
</tr>
<tr>
<td>Integrated Financial Management System (IFMS)</td>
<td>Finance and ICT</td>
</tr>
<tr>
<td>National Tripartite Consultative Council</td>
<td>Department of Labor and Industrial Relations</td>
</tr>
<tr>
<td>National Narcotics Bureau</td>
<td>Department of Justice and Attorney General (DJAG)</td>
</tr>
<tr>
<td>Office of Urbanization</td>
<td>Department of Lands</td>
</tr>
<tr>
<td>Border Development Authority</td>
<td>Department of National Planning and Monitoring, Treasury and Department of Provincial and Local Level Government Affairs (DPLGA)</td>
</tr>
<tr>
<td>Department of Public Enterprise</td>
<td>Department of Treasury</td>
</tr>
</tbody>
</table>
9.2.3 Budget Reforms

The Government will continue to undertake reforms to improve budgeting processes to enhance its effectiveness and efficiency in order to contain wastage and derive value for money given constrained financial resources against substantial needs for development spending and improved service delivery.

Significant progress has been made in recent years, including implementation of the "Two Stage Budget process" which allows for rationalisation of high cost public service proposals early in the budget process. The Government will further strengthen the integration of the former development and recurrent budgets to prevent funding duplication and ensure expenditures from both components of the budget are aligned by establishing an inter-departmental committee.

The committee, to be co-chaired by the Department of National Planning and Monitoring (DNPM) and Department of Treasury (DoT), will comprise relevant state departments and agencies to appraise and oversee the technical, financial and accountability aspects of new projects.

The Government will continue to introduce reforms with the aim of improving the efficiency in allocation of public funds and, at the same time, improving the integrity and efficiency of the budget process and reporting arrangements.

9.2.4 Management of Manpower and Personnel Emolument Ceilings

The Government has taken measures to reduce the increasing cost of PE to ensure the cost savings can be redirected to other priority areas. An equally important outcome will be to have a public service that is responsive to service delivery and development needs.

The Government will continue to support measures to establish mechanisms to control costs and institute efficiencies with agencies in performing their roles and functions.

A key initiative which the OSPEAC has undertaken since 2016 and which will continue in 2019 is to establish an accurate PE budget. A number of issues will be addressed in 2019. In this respect, agencies have not provided Treasury with correct manpower data as the Department of Personnel Management does not have a master file, making it difficult to assess staff on strength.

The Alesco system generates manpower data but this varies from fortnight to fortnight. Approval of new agency structures and entering these new structures into the Alesco system without reference to budget ceilings has added to the lift in payroll costs. There are also inconsistencies in staffing data between agencies and DPM over established structures, staff on strength and funded vacancies, and these inconsistencies are not monitored on a fortnightly basis. The growth in off-line payments remains a concern.

Importantly, the ALESCO payroll system currently does not have the capability to load annual approved budgets for target checking against the annual appropriations by specific agencies. The Payroll is processed in isolation to IFMS and reports are sent to the Department of Treasury for approval.
PAPUA NEW GUINEA
IN THE SUPREME COURT OF JUSTICE

SCM NO. 13 OF 2018

BETWEEN

DONALD VALU, Chief Executive Officer of KONEBADA PETROLEUM PARK AUTHORITY
(First Appellant)

AND

KONEBADA PETROLEUM PARK AUTHORITY
(Second Appellant)

AND

DR. KEN NGAGAN, Secretary of Finance
(First Respondent)

AND

THE INDEPENDENT STATE OF PAPUA NEW GUINEA
(Second Respondent)

Waigani: Cannings J, Makail J & Geita J
2018: 29th & 30th October

Cases cited:

Waghili Savings and Loan Society Ltd v Bank South Pacific Ltd (1980) SC185

Counsel:

Mr. L. Evore, for Appellants
Mr. M. Wangatau, for Respondents

RULING ON OBJECTION TO COMPETENCY

30th October, 2018

1. BY THE COURT: From the material before us and what we have heard from counsel for the parties, we are able to work out that the second appellant is an Authority established under Section 5 of the Konebada Petroleum Park Authority Act, 2008 (“KPPA Act”). It is has and is run by a Board established under Section 9 of the KPPA Act.

2. On 17th November 2017 Jema Lawyers acting on behalf of the appellants commenced proceedings in OS (JR) No 887 of 2017 and sought leave for judicial review of certain decisions and actions of the first respondent in relation to assets and funds of the second appellant.

3. No approval was obtained from the Board to commence OS (JR) No 887 of 2017 proceedings. It was not until 5th December 2017 that approval was obtained. On 21st June 2018, the National Court refused the application for leave holding that the appellants failed to establish the requisite standing to bring the application for leave because no approval was obtained from the Board prior to commencing proceedings under Section 9 of the KPPA Act.

4. The primary judge further held that Jema Lawyers were not authorised to act for the appellants because the appellants did not obtain approval from the Board under Section 10 of the Public Money Management Regularisation Act, 2017 (“PMMR Act”).
5. On 25th June 2018 Jema Lawyers filed this appeal as lawyers for the appellants to challenge the decision of the primary judge to refuse the application for leave. Four days later, on 29th June 2018 the appellants obtained an order to stay the decision of the National Court and further, amongst other things, restrained the first respondent, his servants, agents and associates from accessing, dealing, disposing and conducting any transactions on the funds of the second appellant held at Bank South Pacific Ltd including conducting an investigation into the affairs of the Board. The order has not been set aside and is currently in force.

6. On 13th July 2018 the respondents filed an objection to competency. The objection is based on the failure by the appellants to obtain approval from the Attorney-General prior to engaging Jema Lawyers to institute this appeal. As a result, they allege that Jema Lawyers have no authority to sign and file the notice of motion constituting the appeal. The respondents refer to Order 10, rule 3(d) of the Supreme Court Rules, Section 7 of the Attorney-General Act, 1989 (“AG Act”) and Section 10 of the PMMR Act, as source of the Court’s power to strike out the appeal as being incompetent.

7. The respondents’ objection turns on the question of authority of Jema Lawyers to institute and prosecute this appeal for the appellants. There is no contest that the ground of objection raises the question of whether the jurisdiction of the Court has been correctly engaged by the appellants: Waghi Savings and Loan Society Ltd v. Bank South Pacific Ltd (1980) SC185.

8. The respondents submit that Section 10 of the PMMR Act, 2017 is mandatory and as an Authority, the second appellant was obliged to compliance with Section 7 of the AG Act, 1989 and obtain approval from the Attorney-General prior to engaging Jema Lawyers to institute this appeal.

9. The appellants did not contest these submissions but contend that as a separate entity with capacity to sue and be sued, it was open to the second appellant to engage its own lawyers to act for the appellants and Section 10 of the PMMR Act, should not operate as a bar to their right to engage a lawyer of their own choice.
10. Section 10 of the PMMR Act states:

“10. Legal representation of public and statutory bodies.

(1) For the purposes of this Act, a public or statutory body shall not engage legal representation, commence any action or other proceeding in any court or tribunal or procure or contract for legal representation for any purpose other than in compliance with the Attorney-General Act 1989.

(2) Prior to the Attorney-General exercising his powers pursuant to Section 7 of the Attorney-General Act 1989 —

(a) the State Solicitor shall certify to the Attorney-General whether the lawyers to be appointed are, in the opinion of the State Solicitor, experienced and with sufficient professional competence in the area of law to represent a public or statutory body; and

(b) the Attorney-General shall satisfy himself that all procurement laws in Papua New Guinea have been complied with to the extent necessary for him to exercise his powers.

(3) Legal representatives of public and statutory bodies shall not receive or charge for any fees or disbursements other than taxed party-party or solicitor-client costs on the scale of fees of the appropriate Court.

(4) For the purposes of this section and Section 11 —

"public body" means an agency which is part of the State Services established under Part VII of the Constitution and includes a Provincial Government or Local-level Government established under the Organic Law on Provincial Governments and Local-level
Government; and

"statutory body" means a body, authority or instrumentality (incorporated or unincorporated) established under an Act of the Parliament or howsoever otherwise for governmental or official purposes, including a subsidiary statutory body that is not a public body, and includes a body, authority or instrumentality (incorporated or unincorporated) established by a Provincial Government or Local-level Government or their subsidiary statutory bodies that are not public bodies.”

11. We accept the respondents’ submission that Section 10 is expressed in mandatory terms. This means that all public or statutory bodies must comply with the AG Act, 1989. According to Section 7(j) the duties, functions and responsibilities of the Attorney-General include instructing lawyers within or outside the country to appear for the State in any matter.

12. The second appellant would be categorised as a statutory authority under Section 10(4) of the PMMR Act and therefore required by Section 10(1) to comply with the AG Act and obtain approval from the Attorney-General to engage lawyers within or outside the country to appear for it in this appeal. Thus, notwithstanding that the second appellant is a separate entity and capable of suing and being sued, it must still comply with the requirement of Section 10 of the PMMR Act and seek approval from the Attorney-General to engage lawyers to act for it.

13. As there is no contest that the second appellant did not obtain approval from the Attorney-General prior to engaging Jema Lawyers to institute this appeal, we are satisfied that the appellants have failed to comply with Section 7 of the AG Act and Section 10 of the PMMR Act. We are further satisfied that Jema Lawyers did not have the requisite authority to sign and file the notice of motion constituting the appeal under Order 10, rule 3(d) of the Supreme Court Rules.

14. We come to the conclusion that the appellants did not correctly engage the jurisdiction of the Court and the appeal is incompetent. The appeal will be dismissed in its entirety and the order staying the National Court proceedings
and restraining the respondents dated 29th June 2018 will be discharged forthwith.

15. The orders are:

1. The respondents’ objection to competency is upheld.

2. The appeal is dismissed as being incompetent.

3. The order for stay dated 29th June 2018 is discharged forthwith.

4. The appellants shall pay the respondents’ costs of the objection and appeal on a party/party basis, to be taxed if, not agreed.

Jema Lawyers : Lawyers for Appellants
Acting Solicitor-General : Lawyers for Respondents
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

21 September, 2017

Mr. Donald Valu
Chief Executive Officer
Konebada Petroleum Park Authority
P O Box 614, VISION CITY
National Capital District

Dear Chief Executive Officer;

REFERENCE: KONEBADA PETROLEUM PARK AUTHORITY TRUST ACCOUNT REVIEW ACTION STATEMENT

Following a review of the Konebada petroleum Park Authority Trust Accounts by the Inter-Departmental Committee, the following tables detail the actions required to be taken by the Konebada petroleum Park Authority. It is noted that these are all time constrained and we look forward to hearing from you at your earliest convenience on these matters.

We make the following observations:

A. Trust Accounts
   1. Konebada Petroleum Park Authority Working Group Trust Account (495)
      The purpose of Konebada Petroleum Park Authority Working Group Trust Account (495) was to hold funds from –
      (a) Appropriations from the National Budget provided the Budget authorised payment to a Trust Account;
      (b) Loans, provided Part VI of the PFMA was complied with in full;
      (c) Funding from third parties

      On expiry, the balance in the Trust Account was required to be paid to the Consolidated Revenue Fund. This Trust Account expired on 31/12/2008 and the funds were not paid to the Consolidated Revenue Fund. The KPPA continued to use this expired Trust Account bank account as an operating account.

   2. Konebada Petroleum Park Trust Account (584)
      The purpose of Konebada Petroleum Park Trust Account (584) was to hold appropriations from the National Budget provided the Budget authorised payment to a Trust Account for the purpose of the development of Konebada Petroleum Park Infrastructure. An account was required to be opened for this Trust account with Bank PNG or any commercial bank.

      On expiry, the balance in the Trust Account was required to be paid to the Consolidated Revenue Fund. This Trust Account expired on 31/12/2012 and the account was closed, funds were not paid to the Consolidated Revenue Fund.
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st, September, 25th September and 14th November 2017 respectively

(c) include financial statements for the accounting period completed and signed in accordance with Section 33;
(d) describe any change in accounting policies made during the accounting period;
(e) state particulars of any interest disclosed by a member of the Board under Section 20(1) during the accounting period;
(f) state, in respect of each member or former member of the Board (including the Chief Executive Officer and any former Chief Executive Officer), the total of the remuneration and the value of other benefits received by that member or former member during the accounting period;
(g) state the number of employees or former employees of the Authority, not being members of the Board, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, the value of which in aggregate was or exceeded K50,000 per annum, and is to state the number of such employees or former employees in brackets of K10,000;
(h) state the total number of any donations or commissions paid by the Authority during the accounting period;
(i) state the names of the persons holding office as members of the Board at the end of the accounting period and the name of any person who ceased to hold office as member of the Board during the accounting period; and
(j) be signed on behalf of the Board by the Chairman and the Chief Executive Officer.

The Table at the end of this communication is an analysis of compliance of the documents delivered by KPPA to the Financial Controller against the requirements of Section 36 of the KPPA Act. The documents delivered by KPPA comply with none or the requirements of the KPPA with respect to annual reports and are therefore not annual reports.

The CEO failed to comply with the direction of the Financial Controller to deliver annual reports for KPPA for FYs 2014, 2015 & 2016 as required by the Financial Controller on 16th August 2017 to deliver to the IDC the Financial Reports, Annual Reports & Audits.

2 Financial Statements
Under Section 33 of the KPPA Act, financial statements are required to be delivered to the Minister within 5 months of the close of a FY. The ‘financial statements’ delivered to the Financial Controller are between 2 to 7 years late.

Under Section 33 of the KPPA Act, the financial statements of the KPPA are to comply with generally accepted accounting practice. The accountants who prepared the financial statements, Makena Geno & Associates, appear to have used generally accepted accounting practices. These financial statements date back for 7 years and were not prepared by KPPA accounts staff, notwithstanding that KPPA employs –
- A project accountant
- An accountant
- An accounts clerk

Under section 33 of the KPPA Act, financial reports are required to be signed for and on behalf of the Board and the CEO. None of the ‘financial reports’ are signed by the KPPA Board or the CEO.

The CEO failed to comply with the direction of the Financial Controller to deliver financial reports for KPPA for FYs 2014, 2015 & 2016 as required by the Financial Controller on 16th August 2017 to deliver to the IDC the Financial Reports, Annual Reports & Audits as no financial reports for FY 2016 were delivered and the other documents delivered are not signed for and on behalf of the Board or by the CEO.
The CEO has failed to comply with the direction of the Financial Controller to deliver audit reports for KPPA for FYs 2014, 2015 & 2016 as required by the Financial Controller on 16th August 2017 to deliver to the IDC the Financial Reports, Annual Reports & Audits as no audit reports were delivered. Since at least FY 2010, some members of the staff of KPPA have engaged in fraud against the IRC by not paying the IRC the required taxation deductions. The following table details the amounts involved.

D. Diversion of IRC Payments
As is demonstrated in the draft financial statements and as was admitted to the IDC, the KPPA has continuously failed to remit to the IRC tax deductions that were lawfully made. The KPPA allegedly used those amounts for operational costs. The amounts involved are very large. The table immediately below demonstrates that almost K 6 million was diverted from the IRC and the public revenue.

<table>
<thead>
<tr>
<th>KPPA DIVERTED IRC FUNDS</th>
<th>FY</th>
<th>Amount K</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>499,504</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>894,969</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>1,951,135</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>122,448</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>950,988</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>1,512,515</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5,931,559</td>
</tr>
</tbody>
</table>

This will be referred to the IRC for appropriate action. Additionally, it is clear from the salary records that were produced that –
1. KPPA has substantially undertaxed many of the senior staff and they owe the IRC very substantial sums.
2. KPPA total annual wage bill is higher than its total recurrent appropriations and it has no other source of income. This has been reported to the Financial Controller of KPPA who will make appropriate directions.

I look forward to your response on these matters.

Yours sincerely,

DR. KEN NGANGAN PhD CMA CPA
Secretary

CC: Mr. Kepsy Puiye
Acting Secretary
Department of Petroleum & Energy

MR. STEPHEN NUKUITU
Deputy Secretary – Operations & Financial Controller
Department of Finance
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

<table>
<thead>
<tr>
<th>Requirement</th>
<th>FY 2010</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Report on performance and management of operations and activities referred to in the annual report and operations and activities referred to in the annual report and operations and activities referred to in the annual report</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
<tr>
<td>2. Financial statements completed and signed in accordance with CFO or CEO</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
<tr>
<td>3. Change in the composition of the Board or CEO as required</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
<tr>
<td>4. Total remuneration and other benefits to Board &amp; CEO</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
<tr>
<td>5. NO of Committee members</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
<tr>
<td>6. Former Chairman and CEO</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
<td>Not stated</td>
</tr>
</tbody>
</table>

*Not signed by Board or CEO as required*
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

<table>
<thead>
<tr>
<th>No</th>
<th>Legacy Code</th>
<th>Type</th>
<th>Account</th>
<th>Status</th>
<th>Date of Creation</th>
<th>Date of Withdrawal</th>
<th>Date of Expiry</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>344</td>
<td>Trust Account</td>
<td>Konebada Petroleum Park Authority Trust Account</td>
<td>Expired</td>
<td>15/06/2012</td>
<td>13/09/2013</td>
<td>20/12/2012</td>
<td>To be reviewed</td>
</tr>
<tr>
<td>2</td>
<td>495</td>
<td>Trust Account</td>
<td>Konebada Petroleum Park Authority Working Group Trust Account</td>
<td>Expired</td>
<td>13/09/2009</td>
<td>31/12/2009</td>
<td>31/12/2009</td>
<td>To be reviewed</td>
</tr>
<tr>
<td>3</td>
<td>749</td>
<td>Trust Account</td>
<td>Konebada Petroleum Park Authority Trust Account</td>
<td>Expired</td>
<td>20/12/2012</td>
<td>20/12/2012</td>
<td>20/12/2012</td>
<td>To be reviewed</td>
</tr>
</tbody>
</table>
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

DEPARTMENT OF FINANCE
Office of the Deputy Secretary – Operations

25 September, 2017

Mr. Donald Valu
Chief Executive Officer
Konebada Petroleum Park Authority
P O Box 614, VISION CITY
National Capital District

Dear Chief Executive Officer,

REFERENCE: KONEBADA PETROLEUM PARK AUTHORITY TRUST ACCOUNT REVIEW ACTION STATEMENT

Following the review of the Konebada Petroleum Park Authority Trust Accounts by the Inter-Departmental Committee, I have read the communication to you from the Secretary of Finance dated 21 September, 2017 and I have viewed the salary payments and arrangements for the KPPA.

The current appropriation for the KPPA is K 2 million per annum for all operational costs, including salary, operations, rental and the like. However, you have an establishment that has a payroll cost that exceeds your annual appropriation.

Further, I am very concerned that KPPA has engaged in a behaviour over very many years of withholding payment of taxes to the IRC, which totals at least K 6 million in the period 2010-2015. I will attempt to make arrangements to have other potential appropriations paid to IRC.

I note that the Department of Finance staff had to rework the salary calculations and this disclosed that most of your senior staff have been severely undertaxed and have very large commitments to the IRC.

I therefore, as Financial Controller, direct that –

1. KPPA immediately cut its total payroll cost to no more than one-third of the total annual appropriations. In other words, the total payroll cost shall not exceed K60,000 per month, including payments to IRC;
2. KPPA arrange within seven days a meeting between IRC, the Department of Finance and KPPA to discuss the resolution of the issues that have arisen in respect of payments to IRC;
3. That KPPA immediately terminate all consultancies.
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

14 November, 2017

Chief Executive Officer
Konebada Petroleum Park Authority
P.O Box 614
Vision City
WAIGANI
National Capital District

Dear Chief Executive Officer,

SUBJECT: KONEBADA PETROLEUM PARK AUTHORITY FAILURE TO COMPLY WITH FINANCIAL CONTROLLER DIRECTIONS

I refer to your letter of 29th September 2017. Your request is refused.

To date, the Financial Controller has given you two sets of directions and you have failed to comply with a single one of the directions. Pursuant to Section 8A(4) of the Public Finances (Management) Act, every person shall fully comply with any direction of a financial controller with respect to compliance with the Public Finances (Management) Act or the financial procedures established under the Public Finances (Management) Act. Failure to comply with the Public Finances (Management) Act is an offence against Section 106A of the Act and is punishable by imprisonment for 15 years and a fine of K2 million.

I, as Finance Secretary, now give you these following directions and if you fail to comply with any of them, you will be prosecuted under the Public Finances (Management) Act for every instance where you have failed to comply with a direction. You are directed that-

(a) The Chief Executive Officer and Staff of the Konebada Petroleum Park Authority and its subsidiary companies shall surrender all assets of the Konebada Petroleum Park Authority and its subsidiaries to the Financial Controller by no later than 4pm Wednesday 22 November 2017, including all vehicles, telephones, computers and related equipment;

(b) The Chief Executive Officer and staff of the Konebada Petroleum Park Authority and its subsidiary companies deliver the complete operational and financial records of KPPA and its subsidiary companies to the Financial Controller by no later than 4pm Wednesday 22 November 2017;

Dr. Ken Ngangan, CMA CPA PhD
Secretary

Department of Finance
Office of the Secretary
Enclosure v: Sets of financial directions dated 15th August 2017 and September 21st September, 25th September and 14th November 2017 respectively

(c) The Chief Executive Officer and staff of the Konebada Petroleum Park Authority and its subsidiary companies are to make no financial commitments that bind KPPA or its subsidiary companies from the date of this letter.

After you have complied with this direction, I will arrange meetings with the Department of Petroleum and Energy and the IRC to deal with the future of KPPA and the payment by staff members of the taxes they owe to IRC. No payments of any type for any reason will be authorized further in respect of KPPA.

Yours Sincerely,

DR KEN NGANGAN, PhD CMA CPA
Secretary