



DEPARTMENT OF LABOUR AND INDUSTRIAL RELATIONS
(Office of the Chief Internal Auditor)

CONFIDENTIAL

INTERNAL AUDIT UNIT (IAU)

AUDIT REPORT

**POSSIBLE DOUBLE DIPPING AND PAYROLL FRAUD
BY MR GEORGE TAUNAKEKEI DEPUTY
SECRETARY OPERATIONS, DEPARTMENT OF
LABOUR AND INDUSTRIAL RELATIONS**

APRIL, 2020

(DOCUMENTS DON'T LIE)

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A: INTRODUCTION AND PURPOSE

Several Claims were lodge by the Deputy Secretary Operations (DSO) Mr. George Taunakekei and payments made to him as advances and alleged outstanding or unpaid salaries and allowances. Amongst these payments to him were compulsory payments for his (6%) and the employer's (8.4%) membership subscriptions to Nambawan Super Limited. Instead of these payments made by the Department of Labour & Industrial Relations (DLIR) Payroll Branch directly to Nambawan Super these were paid to him.

The purpose of these inquiries by the Internal Audit Unit (IAU) is to establish if these advances and alleged outstanding or unpaid salaries and allowances including Nambawan Super Subscriptions were:

1. Legal, correct and were/are part of his Employment Contract.
2. Breaches, if any to the PFMA, PSMA and the Superannuation General Provisions Act.
3. Breaches, did these breaches amounted to possible double dipping, misappropriation and payroll fraud.

B: FACTS AND CONSIDERATIONS

1. Mr George Taunakekei was employed by the DLIR on the 17th November, 2015 thereabouts as Deputy Secretary Operations, prior to that he was with the Department of Personnel Management (DPM).
2. On his employment with the DLIR the DPM failed to facilitate and legitimised his employment with the DLIR resulting in him not been put on the Public Service Payroll through the DLIR. At the time of this report the IAU is not privy to reasons why the DPM refused to facilitate and legitimize his employment with the DLIR.
3. As a result of him not been put on the DLIR Payroll he was paid offline through the then Work Permit Trust Account (WPTA), Annual Recurrent Budget and possibly Capacity Building Project Funds and other Trust Accounts under the DLIR.
4. The Human Resources Branch including the Finance & Expenditure Branches through its respective Managers failed to provide Mr Taunakekei's Personal File and hard copies of Payment documentation for us to ascertain:
 - 4.1 Reasons behind the DPM not facilitating and legitimising his employment with the DLIR.
 - 4.2 Terms and Conditions of his Employment Contracts since 17th November, 2015.
 - 4.3 Offline salaries paid to him every fortnight since 17th November 2015.
 - 4.4 Advances and alleged outstanding or unpaid salaries and allowances including Super Subscriptions paid to him since 17th November 2015.
 - 4.5 Sources he allegedly claims that are owing him government payroll back-payment to assist him reimburse these advances and outstanding or unpaid salaries and allowance advanced and back-paid to him since 17th November, 2015.

C: FINDINGS

There exist certain factual and material evidence that are crucial and critical to this report as alluded to in correspondences between the then Secretary, current Secretary and the Deputy Secretary Operations (DSO) and the Manager Human Resources (HRM) including the DPM that are not available to the IAU to assist in this report.

Therefore these findings made hereunder are based on documentation and information available to the IAU at the time of this report.

1. The failure to provide information and documentation by the Manager Human Resources, Manager Payroll and Manager Finance & Expenditure as requested by the IAU raises very serious questions about the genuineness and sincerity of these claims by Mr George Taunakekei therefore raising red flags. Only documentation will prove if these claims are genuine and sincere or not. A Minute dated December, 23rd 2019 requesting the Manager Human Resources and Manager Finance & Expenditure for documentation by the Acting Chief Internal Auditor that was not responded to is attached as **Annex: A** for ease of reference.

A similar Minute dated 18th March, 2020 attached as **Annex: B** was also send to the Payroll Officers involved in the calculation and certification of these advances and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions paid to Mr Taunakekei, unfortunately this Minute was not responded to at time of this report.

2. A Minute from Mr Taunakekei to the then Secretary (Mary Morola) dated September, 02nd 2016 and subjected, Request for Payment of Unpaid Salaries From 17th November, 2015 to 14th September, 2016.

Amongst other things Mr Taunakekei in page 2 of this Minute writes and **quote**: The HR Branch has advised that I will be required to repay the monies paid to me by the Department in full once I am eventually placed on the payroll. In this respect, I have undertaken to repay the monies advanced to me as unpaid salaries and allowances to the amount specified above (K69, 105.82 net), at the appropriate time. In conclusion he recommended that his unpaid salaries from the DLIR be paid from WPTA. **End of quote**. A copy of this Minute is attached as **Annex: C** for ease of reference.

***IAU Observations:** Mr Taunakekei is asking for alleged outstanding or unpaid salaries and allowances owed to him to be settled by the DLIR, (outstanding or unpaid salaries and allowances against advances). Why is he saying advances to be repaid at the appropriate time if these are his outstanding or unpaid salaries and allowances, this is confusing and suspicious?*

Meantime Mr Taunakekei requested that this payment be made from WPTA which breaches the WPTA Trust Deed and amounts to misappropriation.

*This request to the then Secretary is misleading from the fact that Mr Taunakekei was already receiving offline fortnightly salaries in net and back-payments in cash for the said period, that is between March, 29th 2016 and September, 28th 2016 through the Recurrent Budget, this totalled K46,442.96 in net payments. Refer copy of Payee History Report attached as **Annex: D** for ease of reference.*

*At the same time, he was also receiving back-payments for the same reasons (advances, and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions) for the said period that is between January 01st 2016, and October, 09th 2016 totalling K56, 664.45 in net payments. Refer copy of Back-pay calculation by Max Ovora (Senior Payroll Officer) and approval by Mary Kila (HR Manager) dated February, 06th 2018. attached as **Annex: E** for ease of reference.*

*He was paid a total of K103, 107.41 in net payments offline through Recurrent and possibly WPTA for the said period apart from the period November, 17th 2015 to December, 31st 2015 for K5, 993.23, this period is included in Calculations by Max Ovora and Nancy Turalom Senior Payroll Officers for the payment of K77, 691.92, this is referred to as **Annex: J** page 6 for ease of reference. Knowingly that he was paid from two (2) separate Accounts fortnightly he asked again, ridiculous.*

In a handwritten note on the same Minute to the Manager Human Resources, Mrs Mary Kila the then Secretary requested options to address the request from Mr Taunakekei. To this end we do not know what transpired as there are no further communication and documentation available to go by.

3. In another Minute from Mr Taunakekei to the incumbent Secretary dated December, 05th 2018 and subjected, Salary Back-payment to Date of Commencement and Superannuation Contributions. Mr Taunakekei requested back-payment of advances and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions for three (3) years beginning November, 17th 2015 and ending November, 20th 2018.

A copy of this Minute is attached as **Annex: F** for ease of reference. The IAU have decided to **quote** the contents of this Minute hereunder as it raises many issues so as to make its (IAU) observations and appropriate responses.

I write regarding the above subject matter and thank you for the opportunity this morning to speak with you in person on the same.

As I intimated, I was finally hired on to the government payroll on Pay No. 24 of 2018 (21 November 2018), after over three (3) years since recruitment to DLIR. However, I was only paid my base salary for one fortnight but not the contractual entitlements to the Office of the Deputy Secretary Operations.

In addition, I was not paid any salary back-payment for the period since I was recruited up to and including Pay No. 23 of 2018.

IAU Observation: *This is misleading as the DSO was paid offline as follows:*

1. K46, 442.96 (net) from March, 29th 2016 to September, 28th 2016 from the 2016 Recurrent Budget, refer **Annex: D** above.
2. K56, 664.45 (net) from January, 01st 2016 to October, 10th 2016 from possibly WPTA refer **Annex: E** above.
3. K36, 026.45 (net) from March, 16th 2017 to August, 01st 2017 from the 2017 Recurrent Budget, refer **Annex: G**.
4. K12, 500.00 from Labour Administration through Recurrent as Approved by the Acting Executive Manager LA, **Annex: H**.

5. *K15, 500.00 from Labour Administration through Recurrent as Approved by the Acting Executive Manager LA, Annex: I.*
6. *K77, 691.92 (net) from November, 17th 2015 to December, 31st 2017 from possibly WPTA (10%Opps Account), Annex: J.*
7. *To date a total of K244, 825.78 (net) including K82, 469.41 in 2016 and 2017 offline fortnightly salaries were paid to Mr Taunakekei between November, 17th 2015 and December, 31st 2019. K162, 356.37 for reasons of advance, alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions.*

Mr Taunakekei should have asked for calculation of his first Employment Contract backdated to November, 17th 2015 as against payments he was receiving offline and variations, if any paid to him and not misleading to double dip with the intention to defraud the DLIR Payroll.

Briefly, whilst DLIR was seeking the necessary approvals from the Department of Personnel Management (DPM) for my New Hire application, I sought and was granted approval by the former Secretary to be paid from savings on the recurrent budget whilst the matter was being sorted out. This decision was made on the basis that I had commenced work and needed to receive a fortnight salary to support myself and my family. In addition, the approval was based on the condition that I repay the monies paid to me from the expected salary back-payment upon placement on the payroll.

IAU Observation: *This is misleading as there exist no documentation from the IAU's perspective to prove that the former Secretary granted approval for him to be paid from the annual recurrent budget (earlier was WPTA), let alone seeking advice from the Manager Human Resources for options to address the DSO's request.*

He was paid offline knowingly he is asking again, this is a request for double payment amounting to double dipping, which is an offence. Back Payment if any, should be variation of his offline payments as against his first employment contract.

The then Secretary in her own wisdom knowing that the DSO was receiving fortnightly salaries offline sought advice from HRM, this advice from HRM was pending until November, 26th 2019, that is a period of over three (3) years, this is very, very suspicious. Why did it take the HRM three (3) years to respond and provide options?

I am fully aware that the salary back payment that will be generated will result in salary "double payment" given the situation I have described above. However, I do not see this as an issue because I have already made a written commitment to repay these monies to the State which was endorsed by the former Secretary (see copy of letter attached).

IAU Observation: *The DSO has admitted that this is a "double payment: as he was been paid offline yet continues to seek and granted approval for further advances with the same reason/excuse. The DSO is misleading again to claim that the former Secretary endorsed his request as there are no documentation to prove this claim.*

He should not have been paid earlier and now, this amounts to double dipping, and any alleged outstanding payroll back-payment owed to the DSO to repay these double dipping is misleading and if paid will amount to triple dipping and should not be entertained. There is also no evidence (from IAU perspective) to show that the DSO is repaying these advances and double payments through pay deductions now that he is on the DLIR Payroll since November, 2018.

Albeit, my main concern is related to my service and the six (6) percent superannuation contributions which should have been commenced from the date I was recruited to DLIR on 17 November 2015. Currently, my commencement date with the Department is 21 November 2018 which is incorrect.

The State Share superannuation component of 8.5 percent for the last three (3) years is also outstanding and needs to be considered.

IAU Observation: *Simple communication with Nambawan Superannuation Limited by the DLIR Human Resources Branch with back-payment of Mr Taunakekei's membership subscriptions composing his six (6) percent and the States eight-point four (8.4) percent to Nambawan Superannuation Limited would have alleviated this minor problem. This includes his commencement date (17th November, 2015) with the DLIR locked in to avoid inconvenience and disadvantage to his service period.*

Mr Taunakekei was paid K14, 632.54 which is the employer contribution of 8.4 % together with payments referred to in Annex: J page 6. This is in direct contravention of the Nambawan Superannuation General Provisions Act, quote. (Employer is required to contribute on behalf of each employee; it is also required to deduct employee contributions from employees' salaries. These are then remitted to an ASF at the end of each month and each fortnight respectively.

Failure by an employer to comply with these requirements amounts to an offence under Section 78 of the Superannuation (General Provisions) Act 2002, which carries a fine not exceeding K 500, 000.00 or imprisonment for 10 years or both.

In view of the tougher penalties, which are now in force and to avoid the Central Bank from taking extreme measures against the defaulters, employers are urged to remit all contributions within the time required) End of quote.

Nambawan Super will be very interested to know of these payments to Mr Taunakekei. This is from the further fact that to claim Superannuation Subscriptions you must be a Member with an established Superannuation Fund, of which Mr Taunakekei was not one to claim Super Subscriptions unless he pays all subscriptions backdated to November, 17th 2015.

Another issue that needs to be considered is that once my commencement date is affected and the salary back-payment is paid, this will result in "double taxation" (personal income tax).

That is, I will be paying taxation twice – the first arises from the DLIR salary payments that have been made so far and second from the government payroll back-payment.

LAU Observation: *Off cause the DSO admitted to these payments amounting to double payments so what, personal income taxes are doubled as a direct result of double payments, what do you expect? (the DSO is all of a sudden concern about tax, yes, it's a burden on the DLIR and someone must be responsible to reimburse the DLIR of these unnecessary taxes).*

The DSO has and is been seeking and been granted approval for advances and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions amounting to thousands of kina and five (5) years on he is still alleging he is been owed government payroll back-payment. When is he getting this government payroll back-payment and from whom (DPM or DLIR) to repay these thousands of advances or alleged outstanding and unpaid salary and allowances paid to him illegally to date?

Why would he be back-paid when he owes monies in double payments, if any back-payment is owed to him it should be calculated, and only variations paid to him if any? Otherwise the State through DLIR does not owe him any back-payment, instead the DLIR should now ensure appropriate actions are taken to recoup double payments made to him. (LAU opinion is from the DLIR perspective not DPM).

In relation to the personal income tax matter, I am willing to forgo the ensuring tax refund due to me from the monies I will owe the State from the back paid salary. This option will lessen the total liability I will have to the State.

LAU Observation: *DSO should lodge for Tax Rebate from IRC and see what the IRC will say or do relating to these payments to him and IRC's Tax component, not DLIR. Believe us, the DLIR will be embarrassed by the actions of its staff if the IRC is let in on these payments.*

Act Secretary, I have waited for over three years just to get on to the government payroll. I am loath to wait a similar period for my super contributions to be paid. I therefore respectfully request that the salary back-payment is allowed to be processed for Pay No. 26 in order that my commencement date on the government payroll is corrected together with the payment of my superannuation contributions. In addition, I undertake again to repay the monies owing to the State less the amount of personal income tax due to me from the salary payment paid.

LAU Observations: *There should not have been any payments in the past nor any further payments now of so call advances or alleged outstanding or unpaid salaries and allowances including Nambawan Super. This includes what the DSO is allegedly claiming to be government payroll back-payment.*

Instead DLIR Payroll must be instructed to calculate his contractual salaries since 17th November, 2015 up to and including 21st November, 2018 less all offline payments including advances, alleged outstanding or unpaid salaries and allowances paid to him to establish if there exist any variations and if these variations are in his or DLIR's favour. The so call alleged government payroll back-payment he has/is been referring to for the last 5 years if paid will amount to triple payment, and must not be entertained.

Thank you in advance for your time and I look forward to your favourable decision.
End of quote.

4. A Minute from the Manager Human Resources, Mrs Mary Kila to the incumbent Secretary dated November, 26th 2019 and subjected, Deputy Secretary Operations Request for Salary Back-Payment to be paid to Him from Date of His Commencement and Superannuation Contribution.

A copy of this Minute is attached as **Annex: K** for ease of reference. The IAU have decided to **quote** the contents of the Minute as it raises many issues so as to make its (IAU) observations and appropriate responses.

You will remember that on the 05th December, 2018 Deputy Secretary Operations wrote to your office requesting for approval for salary back payment for the period from 17.11.2015 to 07.11.2018 to be paid to him and this will include his Nambawan Super contribution that he missed out because there was no back payment processed in the Payroll System.

***IAU Observations:** The HR Manager is misleading from the fact that a total of K425, 389.90 in Gross for advances, and alleged outstanding or unpaid salaries, allowances and Superannuation Subscriptions and K310, 818.39, in net were paid to Mr Taunakekei between 17th November, 2015 and 31st December, 2019 in fortnightly offline salaries and back-payments through the Recurrent Budget and possibly Work Permit Trust Account (WPTA).*

*Mary Kila is fully aware including Mrs Maria Lovaga (Deputy Secretary Policy) who approved the K28, 000.00 requisition from Mr Moses Maki this excludes the K77, 691.92 approved by the Secretary in December, 2019. Yet Mary Kila is knowingly misleading to realize a certain outcome. **FRAUD.***

You have given your approval for the back payment to be fully paid to him from 17th November, 2015 to 06.11.2018. He understands that he will be double paid which he mentioned in his letter, however, if paid he will recoup from his salary fortnightly.

***IAU Observation:** The Secretary may have been misled by the DSO and HRM to give his approval in the knowledge that he trusted them, unfortunately they misled the Secretary. They both knew that this was a three (3) years double payment while he was paid offline fortnightly and through back-payments in alleged outstanding or unpaid salaries and allowances including Superannuation subscriptions and advances through both the Recurrent and WPTA Accounts.*

This K77, 691.92 request is not a one-off payment request but follows a string of several back-payments he had received earlier. The Secretary may have been misled to believe and approve this claim thinking it was a one-off payment.

The HRM instead of advising/instructing the Payroll Officers to reconcile and calculate Mr George Taunakekei's Employment Contracts Terms and Conditions as against his offline salaries and allowances paid earlier and to back-pay him variance if any, she misleads with the cover of "general salary back-payment", ridiculous.

The Manager Human Resources was/is encouraging, assisting and sanctioning the Deputy Secretary Operations of the DLIR to receive double payments in three (3) years salaries and allowances including superannuation subscriptions while still receiving his fortnightly salaries offline, this is unprecedented in the Public Service Remuneration history.

The DSO went on the DLIR Payroll in November, 2018 yet he continues to seek and gets approval for back-pay for the same reasons, advances, and alleged outstanding or unpaid salaries and allowances including superannuation subscriptions, the latest is March, 2020, refer Annex: L.

This relates to the back-payment of outstanding Superannuation Subscriptions of which:

- 1. The 6% Employee contribution of K15, 858.91 was/is outstanding in full.*
- 2. The 8.4% of the Employer Contribution of K22, 202.47 was paid in part earlier totalling K14, 632.54 leaving the balance of K7, 569.93. Instead of requisitioning for K7, 569.93 an attempt to defraud K14, 632.54 is evident in this requisition.*

Is it not the time for the DSO to start payroll deductions to reimburse these massive overpayments and cease these continuous request for alleged outstanding or unpaid salaries and allowances including Superannuation Subscription?

The IAU declined to clear this K38, 061.38 claim and at time of this report have not receive any response to its Minute dated March, 17th 2020, Annex: M for ease of reference.

The HRM is saying these advances and alleged outstanding or unpaid salaries and allowance will be recoup from the DSO's fortnightly salaries while the DSO is claiming from his alleged outstanding government payroll back-payment. Who is telling the truth here, HRM or DSO or is it a scam to mislead and defraud the DLIR Payroll.

The Payroll Officers have tried to their best to process but the System keeps on throwing him out indicating that the period from 01.01.2018 to 07.11.2018 been paid, therefore, I have directed my Payroll Officers to recalculate from 17.11.2015 to 31.12.2017 so he can be paid from other sources within the Department as per advised by Department of Personnel Management. Copy of DPM letter attached.

The Nambawan Super calculations are separate from the outstanding salary payment.

***IAU Observations:** The Payroll System has been designed to reject double payments as in this case as the period 17th November, 2015 to November, 07th 2018 has been paid on several occasions through Recurrent and WPTA. Therefore the HRM knowing this fact recommended he be paid from other sources (source not identified so properly recurrent, or 10% OPPS Accounts or some other Accounts). Paying him from other sources will also evade monitoring by Finance Department as restrictions are in place for these types of payments.*

It is also clear that the HRM by instructing Payroll Officers to calculate (2017 –vs- 2018) and pay from other sources avoiding the Concert Payroll is an act of authorized and sanctioned fraud of the payroll.

The IAU is not privy to correspondence from DPM as referred to here, and if there exist such correspondences the IAU is of the view that the DPM may have been misled or ill advised to give clearance for this illegal payment.

*If the truth was/is made known to DPM they may have questioned these payments, and the possibility of DPM been used here to realize a desired outcome, **FRAUD**, by the HRM and DSO is real.*

The Tax will also be double paid which he will forfeit to the State if approved.

***IAU Observations:** Off cause the Tax will be double paid as a result of double dipping, a burden to the DLIR. Someone has to reimburse these taxes to the DLIR, this is wishful thinking. The IRC would be very interested in this matter.*

Attached are calculations on both claims Nambawan Super and Outstanding payment calculated and if it approved I have options to:

1. If funds available let us pay him off and have nothing to do with it any more a total of K77,691.92 remaining from what is paid out.
2. Pay him out six (6) monthly at K38,995.96 or
3. Quarterly at K19, 422.98.
4. Nambawan Supper at K25, 079.03.

***IAU Observations:** This K77, 691.92 Net payment (Annex: J) is inclusive of alleged outstanding salaries and allowances, Nambawan Superannuation and Personal Taxation between 17.11.2015 and 31.12.2017.*

This was paid several times through WPTA and Recurrent amounting to several double and triple payments and any further alleged outstanding back-payments amounts to quadrupled payments as in this case.

*The IAU initially declined to clear the K77, 691.92 claim to ensure pre-audit prior to clearance but was cleared anyway after an understanding was reached to conduct post audit to avoid any physical confrontation after in person altercation between DSO and the Acting Chief Internal Auditor. Refer copy of Understanding attached as **Annex: N** for ease of reference.*

*This is a scam and colluded fraud orchestrated by the DSO, HRM, Payroll Officers and possibly Finance & Expenditure staff to realise one outcome, **FRAUD**.*

*Ridiculously, you now have another back-payment Claim for K38, 016.38 in March, 2020 specifically for Nambawan Super for the period 17th November, 2015 to 07th November, 2018. Are these not covered/paid in Annex: J. This is absolutely, absolutely ridiculous and a total scammed to realize a certain outcome by those involved. **FRAUD, payroll fraud**.*

I submit the request for your decision and approval once again. **End of quote.**

5. Both Mrs Mary Kila, the Manager Human Resources and Mr George Taunakekei, the Deputy Secretary Operations colluded and collaborated amongst themselves and with others defrauded the DLIR Payroll using their authority, position and influence. The two (2) misleading Minutes they submitted to the incumbent Secretary confirms and provides testimony to these collusion and collaboration.

This is corruption at the DLIR's highest level involving staff with power, authority and influence to make decisions for others. In this instance these power, authority and influence was abused, misused, corrupted and applied to benefit oneself amounting to a breach of the PFMA and the PSMA including the General Orders (GO)).

Not forgetting laws governing the IRC and Nambawan Super Ltd. This act borders on criminality.

The breaches of the PFMA and PSMA was by those who have/are been tasked with the responsibility to ensure and enforce these Acts, but they failed miserably.

6. The DSO apart from seeking advances and alleged outstanding or unpaid salaries and allowances including Super Subscriptions from/through the Payroll he also requested and received K28,000.00 from the Labour Administration (LA) Division in 2018 thereabouts for the same reason "will reimburse through alleged outstanding government payroll back-payment (when and from whom?).

Meantime the PLO's are suffering silently. A copy of this Minute to the Acting Executive Manager LA is attached as **Annex: O** for ease of reference.

This is from LA, there may be other payments under similar circumstances from other DLIR sources that is not available to the IAU.

7. From calculations (rates and figures) by the Payroll as referred to in Annex: D and E the IAU reconciled and calculated its own estimated entitlements allegedly owing to the DSO, details are attached as **Annex: P** for ease of reference. IAU's estimated calculation from the period 17th November, 2015 up to and including 21st November, 2018 are to be confirmed by actual documentation held by Payroll and Finance & Expenditure Branches.

These IAU Estimate Calculations are based on:

1. Mr George Taunakekei's First Employment Contract, November, 2015 to November, 2018, held by Payroll Branch.
2. Offline Payment calculations held by Payroll Branch.

From this estimate calculations the IAU is of the opinion that DSO is not owed any monies by the DLIR instead the DSO owes the DLIR K1,080.96 including the K190,287.60 in advances, and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions totalling K191,368.56 paid to Mr Taunakekei..

These payments, specifically the K77, 691.62 and the K38, 061.38 would have been avoided if the good Secretary had allowed the IAU to complete its enquiries if he did not alleged "witch hunting" in early 2019 when the initial red flag was raised by the Payroll Branch.

8. Below is the Tabulated Summary of advances and alleged outstanding or unpaid salaries, allowances and superannuation subscriptions paid to Mr Taunakekei.

Figures as tabulated are derived from the 2016 and 2017 Recurrent Budget and WPTA Payee History Reports provided by IAU Sources. Unfortunately, we were not provided with the following documentation by the DLIR Human Resources, Payroll and Finance & Expenditure Branches despite our request to fully analysis and understand how much was paid to Mr Taunakekei up to and including in 2020.

1. Payee History Reports for 2018, 2019 and 2020 for Recurrent and WPTA including 10% Operations Account.
2. Payee History Reports for 2016, 2017, 2018, 2019 and 2020 for Capacity Building Funding Account.

3. Hard copies of documentation relating to offline payments from 2016 – 2020.
4. Copies of Employment Contract for Mr Taunakekei.
5. Mr Taunakekei's Personal File
6. Copies of correspondences between DLIR and DPM on this matter.

The failure to provide these documents as requested raises red flags in itself and brings into question the genuineness and honesty of these Claims by Mr Taunakekei.

Summary Table

Period	Cross Claims	Less Super (8.4%)	Less Super (6%)	Less Tax	Net	Comments
17. 11.2015 – 31.12.2015	K10,085.09	K781.50 (paid)	K558.23	K2,752.13	K5,993.23	Annex: J
PPE 01 – 10/2016 Wages	K12,500.00				K12,500.00	Annex: H
PPE 01 – 10/2016 Wages	K15,500.00				K15,500.00	Annex: I
01.01.2016 -09.10.2016	K96,707.70	K0.00	K0.00	K40,043.25	K56,664.45	Annex: E
01.01.2016 – 31.12.2016	K85,033.16	K6,925.52 (paid)	K4,686.50	K23,606.18	K49,814.96	Annex: J
01.01.2017 - 31.12.2017	K85,033.16	K6,925.52 (paid)	K4,686.50	K23,606.18	K49,814.96	Annex: J
17.11.2015 – 07.11.218	K38,061.38	(K22,202.47)	(K15,858.91)	K0.00	K38,061.38	Annex: L
Sub Total	K342,920.49	K14,632.54 (paid)	K9,931.23 (O/S)	K90,007.74	K228,348.98	
29.03.2016 – 09.12.2016	K46,442.96				K46,442.96	Annex: D
16.03.2017 – 01.08.2017	K36,026.45				K36,026.45	Annex: G
Sub Total	K82,469.41	K0.00	K0.00	K0.00	K82,469.41	
Grand Total Cross	K425,389.90	K14,632.54	K9,931.23	K90,007.74	K310, 818.39	
Less IAU Query Claim					K38,061.38	
					K272,757.0-1	
Less Offline Net Fortnightly Salaries					K82,469.41	
					K190,287.60	
Add IAU Estimate Cross Salaries, Contract Allowances, Super and Gratuities 17.1115 – 23.11.18					K1,080.96	Annex: O
Grand Total (Estimate Total Net Defrauded from the DLIR Public Funds)					K191,368.56	

9. Archiving, filing and storage of DLIR documentation including up keep of retrieved and returned of these documentations is none existence in the DLIR, specifically Personal and Financial documents. This issue has been raised by the IAU, Auditor General and Finance Inspectors on many occasions. There has been no improvement to date.

The total lack of archiving, filing and storage of important documentations relating to the use and application of public funds raises red flags as these are intended to realize corrupt outcomes and must be looked into with some serious urgency for rectification.

D: GENERAL IAU OBSERVATIONS

As we have alluded to in our last IAU Report, we would like to repeat it here again, that the following are based on observations by the IAU basically to add value to this and other Reports on issues of corruption within the DLIR to assist the Secretary to deliberate and arrive at some serious decisions for the DLIR's progress going forward.

This is in efforts by the DLIR through its Management to support the National Governments anti-Corruption Campaign that resulted in the passing of the Whistleblowers Legislation and the tabling in Parliament of the ICAC Bill recently now undergoing parliamentary processes before the Bill is passed.

It is important and incumbent on us that we play our leadership roles in ensuring transparency and accountability in the use and application of public funds under our care and responsibility to assist the government in its ant-corruption efforts.

Brief background on possible or alleged misdemeanors by Mr. George Taunakekei, Deputy Secretary Operations and Mrs. Mary Kila, Manager Human Resources to assist in deliberation and decision making as it relates to this Report.

1. Mr George Taunakekei – Deputy Secretary Operations

- 1.1 Why did the DPM refused to legitimize, clear and release Mr Taunakekei to the DLIR in November, 2015 until November, 2018, which is a period of three (3) years thereabouts?
- 1.2 Payments to him as salaries and allowances from other Accounts other than from Personnel Emoluments is a breach of the PFMA and the PSMA.
- 1.3 Sometime during his employment he was receiving vehicle allowance despite using a government vehicle.
- 1.4 Instructed Executive Manager Corporate Services to pay a company K379, 225.00 in advance for ICT Infrastructure for Gaukara Rumana Building (DLIR HQ). After this payment the contractor failed to deliver this contract and the DLIR is left without proper ICT Infrastructure to this day.
- 1.5 Alleged to be involved in defrauding K1.2 Million in September, 2017 in collaboration with Mary Morola (former Secretary) and Manu Udalū (Office assistant IRIC and others) by way of direct bank credit to several small national companies Bank Accounts from the Work Permit Trust Account (WPTA) and proceeds possibly shared amongst the perpetrators. From these companies one each are owned by Manu Udalū and Max Kenori, both current staff of the DLIR.
- 1.6 K10.3 Million in total PIP funding in 2015, 2016 and 2017 for Capacity Building Projects under his responsibility as Chairman has not been acquitted. This resulted in no PIP funding for 2018 until the intervention of the former Minister, Hon Merrah Kipefa resulting in the funding of K3.8 Million in late 2018.

- 1.7 Supported Mr. Remi Yariyari's airfares claim for travel Port Moresby to Tufi and return totaling K21, 839.00. This claim was found to be excessive by K11,762.00 and an attempt to defraud the DLIR. This fraud was successful with the help of the DSO despite the IAU declining to give clearance.
- 1.8 Successfully orchestrated in collusion and collaboration with others the recent fraudulent payment of K293, 147.00 to Virtual IT Systems which is the subject of the last IAU Report.

With these eight (8) serious allegations against the Deputy Secretary Operations, including the subject of this IAU Report Mr. Taunakekei is not a fit and proper person to be tasked/entrusted to continue to hold or participate in any/all his roles and responsibilities as Deputy Secretary Operations for the DLIR as his reputation is now been brought into question and disrepute and is not good for the position he occupies and the DLIR.

2. Mrs. Mary Kila

- 2.1 In June, 2013 on the passing of late Tom Yandimowai (LA Staff) and after arranging his funeral expenses she wrote a letter using DLIR official letterhead dated June, 14th 2013 requesting Lilian Nicholas Tom (late Yandimowai's widow) to loan her K5,000.00, this is after many verbal request failed. Why, the family needs that money to meet funeral arrangements to Wewak, and the family is moaning the loss of a love one, no respect in haste for money and without shame asking for money after providing a service you have been paid for by the government.

To this day Lilian Nicholas Tom is still pursuing for the reimbursement of her K5, 000.00 through the Police after Mary Kila failed to repay.

- 2.2 February/March, 2017 she asked Andrew Pyapao (Assistant Manager LA) for K3, 000.00 which was given, and as a result of no repayment Andrew threaten her causing her to escape from her official responsibilities and later getting her son in-law (Mr. Emmanuel Aina;au) to repay the principle amount without the interest that accumulated to over K4, 500.00 which is still outstanding to be settled, this Andrew is pursuing.

This request by Mary Kila to Andrew Pyapao is suspicious as the money was requested on the heels of his appointment as Assistant Manager LA through Staff Advice No. 09/2017 Subjected Staff Changes- Labour Administration Program – Executive Branch dated February, 07th 2017. All staff affected in the Advice are still waiting accept Andrew, and it's now into three (3) years.

It now begs the question, is Mary Kila awaiting some form of appreciation from those affected to comply with the Staff Advice from the then Secretary?

- 2.3 Lack of compliance and implementation of changes to positions within Labour Administration since the then Secretary issued the Staff Advise is causing administrative chaos and instability as those staff affected are unsure of their position as it has been held in limbo for over three (3) years now. This none implementation of instructions/directions is tantamount to serious insubordination and is a disciplinary offence.

- 2.4 Mary Kila authorised the payment of Gratuity to late Timothy Topa (former Payroll Manager) and Harry Masin (former HR expert) outside their Contract duration and without the approval of the then Secretary (late George Vaso).

The possibility of Mary Kila being appreciated in this illegal payment is real as a direct result of her quest for money, and to the date of this report Mary Kila has failed to respond to IAU request to explain her part.

An Audit Report into this payment has not been action hence Mary Kila's insistence on perpetrating corruption with impunity.

- 2.5 As a direct result of Mary Kila's hunger and quest for money she went outside of her Employment Contract and provisions in the GO to work and claim for overtime in late 2015 thereby her actions amounting to double dipping.

- 2.6 Mary Kila's lack of advice to the former Secretary (ies) and her lack of insight into the workings of the Public Services Disciplinary processes and procedures has resulted and continues to result in the reinstatement of all terminated staff thus far. Mary Kila is squarely responsible for this embarrassment to the DLIR, but won't take blame from the fact that she will blame former Secretary (ies) as they are not here to defend themselves. It is time we tell Ace and Ace?

With these six (6) serious allegations against the Human Resources Manager including the subject of this IAU Report. Mrs. Kila is not a fit and proper person to be tasked/entrusted to continue to hold or participate in any/all her roles and responsibilities as Manager Human Resources for the DLIR as her reputation is now been brought into question and disrepute and is not good for the position she occupies and the DLIR.

In a more than two (2) hours of briefing in November, 2018 thereabouts in the then Ministers Office (Hon Merrah Kipefa) between the Minister, IAU and the incumbent Secretary detailed discussions were centered around the administrative and operational aspects of the DLIR.

This included a written Brief and Draft Documentation presented to the Minister and the incumbent Secretary for serious consideration for possible implementation, unfortunately these discussions and documentation failed to see the light of day as we continue the legacy of the past, and our hopes for change for the better going forward diminished and evaded us.

For prove of these discussions the attached Draft Disciplinary Notices for Mr Taunakekei (**Annex: Q**) and Mrs Kila (**Annex: R**) for ease of reference. May be this was not taken seriously then, this Report has now prove otherwise. This is/are the unsuccessful efforts the IAU had pursued in its efforts to assist the DLIR to arrest the ongoing problems associated with corruption within the DLIR.

E: CONCLUSION

The Deputy Secretary Operations, Mr George Taunakekei in collusion and collaboration with the Manager Human Resources, Mrs Mary Kila knowingly:

1. Misled the Secretary DLIR to authorise and approve these questionable and false advances and alleged outstanding or unpaid salaries and allowances including Superannuation Subscriptions which amounted to double dipping and outright fraud of the DLIR Payroll.
2. Misled the DLIR Payroll and Accounts Officers to involve themselves in these questionable and false Claims or were possibly willing participants in this fraud.

Mr George Taunakekei if he was honest and genuine in his claim should have given written instructions to the Payroll Manager requesting calculations for his alleged outstanding salaries and allowances (if any) as against what he was receiving then (17th November, 2015) prior to his Employment Contract to ascertain if there exist any variations in his salaries, and these variations be paid to him. These includes Personal Income Tax to IRC, and Membership Subscriptions to Nambawan Super Limited.

This request would have allowed a total and one off calculation to arrive at one (1) claim and one (1) payment or instalments depending on amount instead of these many conflicting calculations and claims meant to deceit and fool those no meticulous in this business as in this case.

Instead he in collusion and collaboration with the Human Resources Manager scammed and defrauded the DLIR Payroll despite receiving his fortnightly salaries through offline payments fortnightly.

His claim to any alleged outstanding or overdue government payroll **BACK-PAYMENT** which he has been alluding to for over five (5) years now to reimburse these false claims he was double dipping is false, if entertained and paid will amount to **TRIPPLE PAYMENT**.

Both the DSO, Mr George Taunakekei and the HRM, Mrs Mary Kila colluded and collaborated amongst themselves and with others defrauded the DLIR Payroll using their authority, position and influence. The two (2) misleading Minutes they submitted to the incumbent Secretary confirms and are testimony to these collusion and collaboration.

This is corruption at the DLIR's highest level involving staff with power, authority and influence to make decisions for others.

In this instance this power and authority was abused, misused, corrupted and applied to benefit oneself amounting to a breach of the PFMA and the PSMA including the General Orders (GO). This act amounts to an act of criminality.

The breaches of the PFMA and PSMA was by those who have/are been tasked and entrusted with the responsibility to ensure and enforce these Acts, they failed.

If Mr Taunakekei and Mrs Kila in their opinion view that these claims by Mr Taunakekei are correct and genuine, the pardon of prove is now on them.

In appreciating and understanding the incumbent Secretary's position in not to deal with issues that occurred prior to his time during many of our discussions relating to IAU Reports we appeal that the contains of this report is dealt with, with some serious punitive actions as these have occurred under the incumbents watch.

Secretaries have come and gone but perpetrators and their antics and actions have not changed, they live and derive on within their networks and the systems weaknesses as a direct result of indecisiveness and weak leadership. Are we going to continue living this legacy?

SYSTEMIC AND SYSTEMATIC ALLEGATIONS OF CORRUPTION PERPETRATED BY THOSE IN AUTHORITY AS IDENTIFIED AND REPORTED AS IN THIS CASE MUST NOT BE TAKEN LIGHTLY AND MUST NOT BE IN VAIN.

F: RECOMMENDATION (S)

1. Immediately refer this Report to the Police Fraud & Anti-Corruption Directorate to conduct criminal investigations into the conduct of:
 - 1.1 Mr George Taunakekei – Deputy Secretary Operations.
 - 1.2 Mrs Mary Kila – Manager, Human Resources.
 - 1.3 Mr Kema Vele – Manager Finance & Expenditure.
 - 1.4 Mr Max Ovora – Acting Senior Payroll Officer.
 - 1.5 Mrs Nancy Turalom – Acting Senior Payroll Officer.
2. Immediate disciplinary actions (suspensions) to be imposed against the following staff for their part in the payments made to Mr George Taunakekei.
 - 2.1 Mr George Taunakekei
 - 2.2 Mrs Mary Kila
 - 2.3 Mr Kema Vele
 - 2.4 Mr Max Ovora
 - 2.5 Mrs Nancy Turalom

While these five (5) staff are under indefinite disciplinary suspension an internal investigation headed by the IAU should be conducted to establish fully the circumstances involved and surrounding this fraud. There may be others of similar nature that may have gone un-noticed including the lack of documentation for such important transactions.

3. Mrs Maria Lovaga (Deputy Secretary Policy) must be show-caused to explain her part in authorising parts of these Claims.
4. Serious consideration and efforts be undertaken into the archiving, filing and storage of both Financial and Personal Records of the Department in hard and soft copies. These files must be under lock and key with access by authorised persons with file movement's upkeep by an Archive's Clerk.

-End-

Decent Work for all, freely chosen, in human dignity

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