

Foreword

As KPMG is the only professional services firm in PNG with dedicated in-house specialists in all of the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory as well as tax and assurance, we are well placed to provide a truly multi-disciplined approach to business advisory. We hope you enjoy our regular KPMG Kundu.

How audit committees can improve the quality of their audit by Herbert Maguma, Head of Audit and Llewelin Gwekwete, Manager

A key element of effective audit committees is the existence of a strong and robust relationship with external audit. This relationship should be built on open, regular and frank communication between the committee and the auditors.

The benefits of a strong relationship can be two-fold:

- It can enhance audit quality.
- The committee can use the technical knowledge and experience of the external auditors to help facilitate discussion on key issues at committee meetings.

Supporting and promoting audit quality

Audit committee meetings should provide a forum for promoting, supporting, and where appropriate, challenging audit quality. The committee should consider:

- If the auditors demonstrated commitment to audit quality.
- Whether the auditors have devoted sufficient resources to the audit including an appropriate level of involvement and commitment from the engagement lead and senior team members.
- Whether the auditors have demonstrated a sufficient understanding of the entity, its operations and key risks to be able to plan and conduct the audit efficiently and effectively.
- Whether key milestones for financial reporting agreed by management and the auditors are appropriate and in line with the committee's expectations.

Audit committees should also consider expanding the audit committee's report to provide investors more insight into how the committee carries out its oversight responsibilities, particularly its role in helping to ensure audit skepticism and maintain audit quality.



Utilisation of the auditor's knowledge and experience

The external auditors may be able to use their knowledge and experience to assist the committee in facilitating broader discussion on matters at committee meetings. This could include providing insights and contributing to discussions on:

- The entity's financial operations.
- The quality of internal control systems and governance frameworks.
- Key developments and better practices identified across sectors or industries.
- Emerging accounting issues and financial reporting processes.

Communications between audit committees and external audit

Regular, two-way communication where relevant information is exchanged in a timely manner is important in ensuring both auditors and committee members can effectively discharge their roles.

It is considered better practice that external auditors are invited to attend all audit committee meetings for the whole of the meeting.

In addition to the normal attendance at audit committee meetings, the relationship between the committee and the external auditors can be enhanced through:

- The auditors having open access to the chair and other members of the committee outside of meetings.
- In-camera sessions at meetings where the committee can talk freely with the auditors without management or other observers present.

Proposed foreign investment reform in PNG – second act

By Shane Kennedy, Manager, Business Advisory Services

In our earlier (February) article we highlighted the tabling in Parliament of the Foreign Investment Regulatory Authority Bill 2018 (the Bill) and the potential changes to the PNG compliance landscape for foreign investors.

There have been a number of developments in the meantime. The Bill in its tabled form is no more, however, a committee has been set up to consider what aspects of the Bill can be incorporated into the current Investment Promotion Act 1992 (the Act).

We understand that members of the Committee include key personnel from:

- The Investment Promotion Authority, the body established by the Act to execute its purposes.
- Key government departments including Commerce, Trade & Industry
- The Constitutional Law Reform Commission.
- The PNG Chamber of Commerce & Industry and
- The Business Council of PNG.

Some of the proposed changes highlighted in the consultative paper include changes to the functions of the IPA, exemptions, reserved and restricted activities, application for certification and ongoing compliance in relation to certification, to name a few.

The consultative paper is available on the IPA website (www.ipa.gov.pg) where comments on the proposed changes can be submitted prior to 5pm Friday 29 March 2019.



We will continue to monitor these events and assess how these changes may impact the investment landscape in PNG.

Is your health and safety ready for the next resource boom? by David Wessels, Director, Advisory

Working in the field in the extractive industry is a high risk occupation, especially when risk is not appropriately understood and managed. Complex high pressure equipment, remote and inhospitable locations and unpredictable weather can all lead to significant health, safety and employee wellbeing risks.

The industry in general has improved in leaps and bounds over the last few decades with companies investing heavily in overall employee wellbeing and to make their work environment safer for employees and contractors. The cost of a poor safety record can have a substantial impact on reputation, accessing and retaining talent and ultimately, profitability.



Health and safety risk cannot be completely eliminated, however it can be managed through good planning, robust policies and processes.

How does this impact me? When engaging as a contractor or supplier to a multinational corporation, there is an expectation that the contractor will have appropriate health and safety policies and procedures in place. Typically, the contractor will be required to provide these policies and procedures, and demonstrate that they are in operation and adhered to. This could range from no drink or drug driving right through to a functioning IT disaster recovery plan. This is then followed by ongoing compliance audits. I was once told of a lucrative contract being terminated because the contractor's employees ran across a busy road to a coffee shop – this was considered an unacceptable risk.

It is therefore important that businesses get on the front foot and ensure that:

- Policies and procedures are up to date.
- Employment contracts cover adherence to health and safety policies and procedures.
- Employees are receiving appropriate leadership and training.
- Business continuity and disaster recovery plans are current and tested.
- Monitoring and reporting processes are adequate and adhered to.
- Incidents are dealt with appropriately and in a timely manner.

Meeting these requirements can initially be onerous and time consuming. However, failure can result in not winning contracts, excessive compliance checks or having a contract terminated.

Audit committee institute

On 26 March 2019 the first Audit Committee Institute (ACI) of 2019 was held at the Grand Papua Hotel, led by Mitchell Petrie. The ACI functions as a forum and ideas exchange for audit committee members in PNG.

Topics discussed in this roundtable included:

- Lessons from the Australian Royal Commission into the finance sector.
- The role of the audit committee in fraud risk management.
- Discussions with the external auditor in the audit completion process.

If you are interested in participating in future ACI's, please contact Carsten Goebel, Advisory Senior Manager.

2020 pre-budget tax policy submission

The Department of Treasury is inviting tax policy submissions from the general public, community groups, private sector and other non-governmental organisations on their views for 2020 National Budget priorities. Submissions should be consistent with PNG's overarching development frameworks such as MTRS 2018-2020, PNG Vision 2050, PNG Development Strategic Plan 2010 – 2030, National Strategy for Responsible Sustainable Development and the Alotau Accord II. The submission deadline is 30 April 2019.

Income tax deadlines

Just a reminder that the income tax deadline is 30 April 2019 for taxpayers with taxable returns who are on a tax agent lodgement listing but did not file their 31 December 2017 income tax return by 31 December 2018. The tax deadline for other taxpayers with taxable returns and on a tax agent lodgement listing is 30 June 2019. The IRC are becoming more stringent with the granting of extensions so we recommend taxpayers work to meet the tax deadline and do not assume extensions will be granted beyond the deadline.

Also the first instalment of provisional tax for 2019 is due by 30 April 2019. Notices have been issuing in the past week. If taxpayers believe their tax for 2019 will be lower than the provisional tax assessed by the IRC they should speak with their tax adviser to see if a variation is appropriate.

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