



Kundu

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Foreword



This month we discuss why and how Internal Audit teams must remain agile in the context of a rapidly changing risk landscape. We also start touching upon the very important topic of environmental, social, and governance (ESG) reporting, that will be a major focus going forward. In terms of the renewal of PNG work permits for non-citizens, new requirements have been published that need to be taken into consideration when appointing and continuing with a non-citizen. KPMG is very proud to have formally opened our new offices at Nambawan Plaza Level B2 in the city centre. Please reach out for a tour if you have not attended our launch event. Finally,

and as always, some important IRC updates are discussed this month.

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Please enjoy this month's Kundu and reach out to us at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

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Internal audit's role in unstable times

by Sylvia Semei, Assistant Manager, Advisory Services

In an increasingly volatile and disrupted world, Internal Audit teams must remain agile in the context of a rapidly changing risk landscape. Drawing from KPMG's lens across the Asia-Pacific, below are six areas for consideration for your planning in Papua New Guinea.

Economic Risks (including geopolitical)

The strength of the recovery in the global economy, spending patterns switching towards goods and away from services, and COVID-19-related disruptions in logistic networks have generated significant inflationary pressures.

Internal Audit response

Consider how the first and second lines are identified and assess where these risks and pressures are likely to impact the organization. Internal audit should also review third-party suppliers exposed to economic shifts, and more broadly consider organizational capital planning and capital management, net interest margins, credit/default risk, debt recovery, and claims management.

Environmental, Social, and Governance (ESG)

ESG reporting is being rapidly adopted globally as expectations are increasing from investors, shareholders, customers, and employees for organizations to operate with an ESG lens on all that they do. Internal Audit should play a key role in supporting all organizations to effectively manage ESG risk.

Internal Audit response

For organizations at an early stage of their ESG journey an internal audit should provide advisory support in understanding ESG risk and supporting the design and development of robust governance frameworks and control environments.

For organizations further progressed on their ESG journey, an internal audit provides assurance over relevant governance frameworks, organizational strategies, commitments, policies, and plans, including the integrity of ESG reporting. Compliance with ESG risk management and relevant legislative requirements should also be considered.

Cybersecurity

Remote working and the speed at which new technologies are adopted, coupled with global players increasingly using cyber disruption as a critical tool in their arsenal, means organizations must remain hyper-vigilant to their cyber security risk. This accentuates the need for greater scrutiny of IT security and workforce awareness of malicious and non-malicious threats.

Internal Audit response

Assess the veracity of controls to mitigate cyber security risk and consider applying the NIST Cyber Security Framework: Identify, Protect, Detect, Respond and Recover. Possible reviews could include Cyber Security Governance, Identity Management, Awareness and Training, Security Assessment of Cyber Controls (including detection and response management), Cyber Security Health Check, Post COVID-19 New Ways of Working Review, Data Security practices, Incident Response and Recovery strategies.

Privacy and data protection

In a data-driven world powered by digitization and remote working, intersecting economy regulators continue to increase their vigilance, and privacy and data protection risks continue to pose significant challenges to organizations.

Internal Audit response

Assess privacy and data protection controls related to how and what data is being collected, used, stored, secured, retained, and disposed of, in line with regulatory requirements and industry-leading practices. Consider the management of organizational data to which third-party providers have access. Perform a gap analysis against any relevant legislative reforms or a maturity assessment against the current industry good practice Privacy Principles.

Fraud and corruption

Many PNG organizations are now more vulnerable to fraud and corruption than they were before the pandemic and there is no indication the risk is subsiding. The increased vulnerability stems from extended periods of remote working, cost-cutting, or diverting resources during the pandemic.

Internal Audit response

Assess the organization's fraud and corruption control framework, fraud and corruption risk assessment procedures, together with fraud and corruption detection and response capability. As we emerge from the pandemic, consider fraud detection measures including targeted data analytics to identify indicators of fraud and misconduct.

Digital disruption and new technologies

Digital disruption, transformation and adoption of new technology have accelerated through the pandemic including AI, Predictive Analytics, Cognitive Computing and Robotic Process Automation. While all of these advances may not be completely present throughout PNG these still bring new risks such as those relating to data and cloud storage, usage and privacy.

Internal Audit response

Assess the digitisation strategy and program together with associated risk management controls and provide assurance over specific digitisation projects including AI design integrity, algorithm testing, exception management, remediation, change management controls, third-party provider, and software vendor management. Provide advice on governance and control frameworks to ensure long-term technology and cyber risks (post-implementation) are monitored and mitigated.

Environmental, social and governance reporting by Simbarashe Zhou, Manager, Audit and Assurance

The world today has evolved with organizations under pressure from regulators and the market to prove that they are acting responsibly and sustainably. Organizations are striving to move beyond an operating model that purely focuses on maximizing shareholder value, to focus on making a positive contribution to society. An important part of the global push towards sustainability practices involves a need to report on sustainability - sometimes referred to as environmental, social, and governance (ESG) reporting. Publishing ESG reports is becoming more important although ESG reporting, and programs are very new to many organizations.

The newly formed International Sustainability Standards Board (ISSB) aims to create a global baseline for sustainability reporting that is focused on the needs of investors. IFRS Sustainability Disclosure Standards (the Standards) will put sustainability reporting on an equal footing with financial reporting and facilitate much-needed connectivity between sustainability-related financial information and financial statements. Reporting would be required at the same time, and for the same period as the financial statements.

This new and fast evolving area is a keen focus area for KPMG, and we will have more articles to follow in the coming months.

Greater focus by ICA on work permit renewal conditions

The Immigration and Citizenship Authority (ICA) recently issued a circular advising they have noted some compliance issues regarding the renewal of work permits for non-citizens. In particular, a condition of the work permit is that every non-citizen must train their national counterparts. ICA is concerned that in some cases non-citizens are applying for multiple work permit renewals for the same position which implies they have not trained up national counterparts into the position. Going forward ICA will want the following to be provided with all renewal applications:

1. A letter from the employer justifying why they are applying for renewal for the particular position.

2. A detailed training report from the company and the non-citizen identifying the training provided to national employees, skills acquired, skills gap, the dates of training, the facilitators or institute, the list of nationals undergoing training. The training report must be signed and dated by the HR manager or by the MD where there is no HR manager. The training report must be accompanied by the succession plan which identifies the successor to the position.
3. The organisational structure identifying the number of citizens in the positions.

The ICA commented that it understands for certain technical positions that it may take longer to train a citizen to competently replace a non-citizen and in such cases the employer is encouraged to seek advice from ICA.

IRC updates

IRC issued its 2022 mid-year performance in recent days announcing a tax take of PGK5.945bn being PGK1.28bn over budget and PGK2.28bn ahead of last year. Taxpayers should expect increased IRC activity over the coming months.

IRC have said it is on track to launch the Tax Administration Act in Q4 2022 while the new Income Tax Act is expected for 2023.

Our new office launch

During June we had the pleasure of launching our new office at Level B2, Nambawan Plaza. Due to Covid protocols we had to limit the numbers attending but were delighted at the turn out and were proud to provide tours of our new office. If you missed the event and would like to visit our new office, please reach out.

For the partners at KPMG the new office signals our substantial growth over the past five years and heralds a new era for the firm. With c. 120 employees here in Port Moresby, a multi-disciplined workforce and high technology office space we are well placed to serve our PNG clients.

Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage www.kpmg.com.pg and Facebook <https://www.facebook.com/pngkpmg/>

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