



Kundu

July No.2 2022



## Foreword



In this second newsletter this month, we talk about how companies can start to understand how best to capture, store, retain and leverage their data, in order to understand the story their data wants to tell them. We also discuss the top geopolitical risks FY2022-23 and what they could mean for businesses. Also, the recent IMF visit to PNG to collect economic and financial information resulted in their assessment report being published this month and is an interesting read. We provide an update on the IPA's progress against their 2021 to 2023 strategic plan, on the moratorium for PR visa holders and finally remind companies that 31 July is the deadline for non-taxable

returns for companies with a 31 December year-end.

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](mailto:kmcentee@kpmg.com.au) if you would like to see KPMG cover specific topics in future editions.

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## What does your data want to say to you?

by Sylvia Semei, Assistant Manager, Advisory Services

Data, when used correctly, can speak to you in powerful ways. Most organisations sit on mountains of data. It is not until organisations start to understand how best to capture, store, retain and leverage their data that they will be able to understand the story their data wants to tell them.

To ensure your data speaks the truth, you will need to create an environment where your data can speak to you. This will involve cleaning your data, categorising it and creating a healthy data environment to enable your data to reveal its secrets through your data analysis. The analysis of data is the process of inspecting, cleaning, transforming and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making.

With vast amounts of data increasing every day, the ability to draw actionable insights and communicate findings to stakeholders for decision-making is more important than ever. There is no need to be highly technically skilled in IT, statistics, or economics to design and develop business insights for management decision-making. There are many tools (MS Power BI, Tableau, Qlikview, etc.) and resources available for

anyone who can use a computer and be creative in answering management questions, using available data from your Finance, Payroll and HR systems.

Once organizations can understand how to use their data we have seen them leverage it in ways that have helped them build a stronger operating environment. They can better understand their operations and where they want to refine their focus. Some other ways we have seen businesses use their data has included:

- Building custom table reports to show tabular information, to show what they want to show
- Easily designed infographics to show trends, analysis and visual representation of key performance indicators for different functions of your business
- Interacting with financial data to measure budget against actuals
- Interacting with financial journal entry data to perform comparisons, assess key risk criteria and to identify spending or purchasing trends
- Interacting with timesheet information to assess and compare staff performance
- Interacting with accounting information to identify key revenue generators, debtor trends etc
- Interacting with payroll information to identify trends in staff movement across time
- Interacting with tax information to gain an insight into tax expenses or liabilities

The above list is not exhaustive as the tools can be designed and tailored to suit any business. To demonstrate the ease of use, we have used PowerBI to create custom views and interact seamlessly with our internal data allowing leadership teams to view insights into WIP, invoicing, billing, time incurred, timesheet information, productivity and utilisation of resources all through graphs or tabular information.

Your data is waiting for you to help it speak with you. What do you think your data wants to say to you?

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## Top geopolitical risks FY2022-23: What do they mean for businesses?

Adapted from a report by Australia Geopolitics Hub, KPMG Australia

The current geopolitical environment is becoming increasingly fluid and complex, and it has a significant impact on businesses. In recent years, geopolitical megatrends have presented businesses with new and rapidly evolving challenges.

Structural changes to the international system, rising global mistrust, Industrial Revolution 4.0, and the dramatic impacts of the climate crisis have all been exacerbated by the COVID-19 pandemic. Geopolitical risks tend to be highly interconnected and contagious. As such, they should not be considered in isolation. For businesses, global megatrends take shape in specific individual risks. These can then be grouped into scenarios or 'risk clusters' based on their interconnectivity and the degree of contagion among them.

The KPMG report, Australia's top risks FY2022-23 sought to identify these risks. As our nearest neighbour, Australia's geopolitical risks may be relevant to and/or applicable to us also.

Our experts believe Extreme Weather Events and The Russian Challenge to be the most likely and severe geopolitical risks for Australian businesses for FY2022-23. However, they are not highly interconnected with other risks, and not likely to trigger or be impacted by other risks. Individually China Politics ranked lower in likelihood and severity, however the network analysis shows that it is important to watch given its risk interconnectivity. The same is true for the risks of China Economics, Regional Unrest and Economic Volatility. The interconnectedness of these risks means they could trigger a domino effect with a more severe collective impact on the business environment.

### How do these geopolitical risks affect businesses?

Three major risk cluster scenarios with important impacts for businesses are:

#### ***Increased public scepticism and scrutiny of business***

*Individual risks: Truth and Trust; One Step Forward? and Corporate Stakeholder Evolution.*

This risk cluster shows a relationship among government and media misdirection, loss of confidence in governments, and the slow pace of change in decarbonisation and sustainability efforts. This cluster is unique in that these risks are not shared in another cluster.

Three key questions for businesses to consider in 2022:

Walk the walk: How can you better translate your stated values into action and ensure they are lived experience in your corporate culture?

Know your audience: What can you do to stay on top of rapidly shifting public sentiments and the government's policy response?

Partnering for success: What opportunities exist for you to build social license through mutually beneficial relationships with key stakeholder groups?

### ***Economics and politics collide in the region***

*Individual risks: China Economics; China Politics; Economic Volatility; and Regional Unrest.*

As the main economic and trade engine in the region, economic and political developments in China have potential spill-over effects/impacts on neighbouring countries or other countries that are economically interdependent with China. This cluster, with four risks, has the potential to generate the greatest impact within the shortest timeframe.

Three key questions for businesses to consider in 2022:

G-Zero-ready business: How will your business manage in a world where no one country is willing or able to assume global leadership? How should your business focus on markets that operate under very different social, political and economic models?

Supply chain resilience: How flexible and resilient are your businesses' supply chains to geopolitical unpredictability in the region?

Geopolitical intelligence investment: Has your business invested in understanding the interconnected nuances of political, social and economic volatility?

### ***Inability to adapt to an evolving region***

*Individual risks: China Politics; Island Nation; and Regional Unrest.*

This risk cluster indicates that the Asia-Pacific region is changing rapidly, and Australian relations with the region are evolving. This is in large part driven by Australia's increasingly complex relationship with China. The question is, is Australia keeping up with the changes?

Three key questions for businesses to consider in 2022.

Risk vs uncertainty: What geopolitical trends in the region pose a clear risk to your business? Which are uncertain?

Understand the impact: What sectors of your business are vulnerable to geopolitical volatility in the region? What is the likelihood and severity of this risk?

Build resilience: How can you ensure that your business is resilient to geopolitical volatility and adverse shocks in the region?

The insights in this report should prompt business leaders to consider whether they are sufficiently aware of and prepared for this rapidly evolving risk environment.

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## IMF update

Under Article IV of the IMF's Articles of Agreement the IMF holds bilateral discussions with members usually every year. As a result, a staff team visited PNG to collect economic and financial information and to discuss with officials the country's economic developments and policies.

The IMF published its assessment this month. Mentioned was that growth is projected to strengthen in 2022, before slowing to 3.0 percent over the medium term. Recovery is expected in the resource sector with Ok-Tedi and Simberi mines returning to normal operations in 2022. The reopening of the Porgera gold mine is assumed in late 2022, which will increase growth in 2023. The gradual easing of containment measures and higher capital spending by the government should support recovery in the non-resource sector. The war in Ukraine is impacting PNG through higher commodity prices and higher inflation.

With this backdrop, some key matters noted in the Executive Board assessment include:

- PNG's economy has weathered the pandemic well despite many challenges and that the medium-term outlook is positive, supported by the resource sector.
- The main policy priorities are to implement fiscal consolidation and strengthen the monetary policy framework and governance, as well as to promote climate resilience, gender equality, and inclusive growth.
- The IMF intend to open a resident representative office in PNG to support this policy agenda.
- Acceleration of the COVID-19 vaccination campaign will be important.
- They stressed the importance of raising resource sector revenues and encouraged the adoption of a moderate ad valorem levy on future resource projects.
- Additional revenue mobilization and improvements in the payroll system to contain expenditures were called for.
- They urged the authorities to conduct and publish audits of COVID-19 related procurement contracts.
- A comprehensive approach to reinstating kina convertibility is needed, including a review of the monetary policy framework, improving liquidity management, and developing a plan to gradually allow greater exchange rate flexibility and remove exchange restrictions.
- The authorities were urged to address with support from Fund technical assistance the remaining weaknesses in the Central Banking Act related to mandate, governance, autonomy, transparency, and accountability. Directors also encouraged further measures to increase financial inclusion and financial sector development.
- Efforts were welcomed to strengthen governance, including operationalization of the Independent Commission Against Corruption, and improvements in the AML/CFT framework and regulations.
- PNG is highly vulnerable to climate change and policies should focus on developing and financing climate adaptation projects, as well as reducing the rate of deforestation.

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## IPA updates

The Investment Promotion Authority (IPA) announced it has achieved 80% of the key deliverables outlined in its 2021 to 2023 strategic plan. The remaining programs are linked to the amendments of the Investment Promotion Act which will pave the way for an organisational restructure. The amendments are expected to be tabled once the new government is formed after the elections.

The IPA's Strategic Plan 2021- 2023 is built on 11 key issues. They include 1) National Content, 2) Growth Enablers, 3) Sectoral Rebalancing, 4) SME Response, 5) Ease of Doing Business, 6) Information Communication Technology, 7) Multi-Agency Interface, 8) Greater Efficiency and Customer Services, 9) IPA Dichotomy, 10) Revenues, 11) Policy Advocacy

IPA is also preparing to carry out an outreach program from July to December to educate the public on the Reserved Activities list and other business-related activities.

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## Tax deadlines

31 July is the deadline for non-taxable returns for companies with a 31 December year-end. As it falls on a Sunday IRC will accept them as lodged on time if lodged on Monday 1 August.

Provisional tax is also due this month being the third installment for companies with a 30 September year-end, the second installment for companies with a 31 December year-end and the first installment for companies with a 31 March year-end.

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## Moratorium on PNG PR visa holders

The Immigration and Citizenship Authority today published a notice addressing the issue of permanent resident (PR) holders who have been living abroad for more than 12 months due to Covid travel restrictions. Although published today the notice is dated 11 July. PR visa holders have been categorised into three categories with different outcomes for each.

Those who had informed ICA within 12 months of their absence from PNG are allowed to return to PNG any time. Those who did not inform the ICA within 12 months of their absence may be allowed to re-enter PNG subject to certain conditions such as contacting the ICA immediately via email with their personal details, their PR visa and passport must be valid and they must re-enter PNG within 30 days from the date of this Moratorium. Given the notice was dated 11 July those affected should take extra care to get clarity on the required deadlines. Finally, PR visa holders whose visas expired while abroad will not be allowed to re-enter will not be allowed re-enter PNG on the visa.

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## 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](http://www.kpmg.com.pg) and Facebook <https://www.facebook.com/pngkpmg/>

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