PNG Auditor-General Public Accounts Report: The 2019 Disclaimer

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Key Takeaways

The PNG Auditor-General public accounts report for 2019 ended in a disclaimer of opinion: the Auditor-General could not confirm the government's cash, trust account, investment, debt and guarantee balances well enough to say whether the accounts were fair. The causes are mainly reconciliation and record-keeping gaps that build up over years, and they can be fixed with monthly routines, complete registers and better use of the IFMS.

- Cash does not agree with the bank - Statement A showed K1.11 billion while bank confirmations showed K1.79 billion, a net variance of K674.3 million.
- The main receiver account was not reconciled - the Receiver of Public Monies account had not been reconciled since 2015, and only 2 of 34 subsidiary reconciliations were provided.
- Trust accounts need a single register - the register listed 381 active accounts against 311 reported, and seven accounts were overdrawn by K29.83 million.
- Balance sheet items were unreliable - investments were overstated by K5.90 billion and K14.04 billion of guarantees could not be verified without a register.
- Financing partners point the same way - the IMF has asked for modernised cash management and stronger debt management, and Australia is supporting public accounts and IPSAS work.

Introduction

In 2026 the Auditor-General's Office of Papua New Guinea posted Part I of its Report on the Public Accounts for 2019 on its website. The report was signed at Waigani on 27 August 2024, and its central message is clear: the Auditor-General was unable to express an opinion on the 2019 Public Accounts. For a country working to repair its budget under IMF-supported programmes, that finding matters.

A disclaimer can sound alarming, but it should be read carefully. It does not say that money was stolen. It says that the evidence and the systems behind the accounts were not strong enough for the auditor to reach a conclusion. That is a problem of reconciliation, registers and timetables, and it is shared by many governments. Publishing the report openly is itself a positive step for accountability, because it gives the Department of Finance, the Department of Treasury, agencies and parliament a common list of what to fix.

This article explains what the report found, why the opinion was disclaimed, what the IMF and other partners are saying about public financial management in Papua New Guinea, and the practical steps that would move the accounts towards an audit opinion.

What the PNG Auditor-General Public Accounts Report Found

The Public Accounts are the government's annual financial statements. They include Statement A on cash balances, Statement B on receipts, Statement C on trust accounts, and further statements on public debt, investments and guarantees. Several of these statements are produced from the Integrated Financial Management System (IFMS).

For 2019 the report records total receipts of K26.37 billion and total expenditure of K26.4

billion. Against those totals, the Auditor-General identified problems in almost every statement that carries a balance:

- a net K674.3 million difference between reported cash and bank confirmations
- a main Receiver of Public Monies account not reconciled since 2015
- 70 more active trust accounts in the register than in the published statement
- investments reported at K18.05 billion that the auditor considered should be K12.15 billion
- a K720.92 million difference between the public debt statement and the debt recording system
- K14.04 billion of guarantees that could not be verified
- weak payroll reconciliation in most of the 25 agencies audited

The report also noted that the 2019 Public Accounts reached the Auditor-General only in November 2022, almost three years after the year closed. Late accounts make every other problem harder, because evidence ages, staff move on and differences become more difficult to trace.

Why the Opinion Was Disclaimed Rather Than Qualified

Auditors choose between four kinds of opinion. An unmodified opinion says the accounts are fair. A qualified opinion says they are fair except for specific matters. An adverse opinion says they are materially wrong. A disclaimer is used when the auditor cannot obtain enough evidence to form any view, and the possible effects are both material and pervasive.

In the 2019 audit, the problems touched the starting point of all government accounting, cash. If the cash balance cannot be proved, receipts and payments cannot be confirmed either. When trust accounts, investments, debt and guarantees are added, the uncertainty runs through the whole set of statements. That is why the auditor could not limit the opinion to a few qualifications.

The good news is that disclaimers usually have a small number of root causes. Fix the cash reconciliation and the registers, and many other findings fall away.

The K674.3 Million Cash Gap and the Receiver of Public Monies Account

Statement A reported bank balances of K1.11 billion. Confirmations obtained directly from the banks showed K1.79 billion. The net variance was K674.3 million, and some individual account differences were much larger before netting. A government with more cash in the bank than in its books is not necessarily losing money, but it cannot show where that money came from, what it is committed to, or whether some payments were never recorded.

The Receiver of Public Monies account collects government revenue. The report found that the main account had not been reconciled since 2015, and that only two of its 34 subsidiary accounts had reconciliations available for audit. Once a reconciliation falls years behind, unexplained items pile up and staff tend to carry them forward rather than investigate.

The practical answer is to stop the gap growing first, then work backwards. That means reconciling the current month, every month, within a fixed deadline; agreeing with the Auditor-General a cut-off date and approach for older years; and reporting any residual unexplained amount transparently rather than leaving it hidden in suspense accounts.

Trust Accounts: Register, Overdrawn and Unsupported Balances

Trust accounts hold money set aside for specific purposes, often outside the normal appropriation cycle. They are useful, but they need firm control. The 2019 audit found that the

reconciliation register listed 381 active trust accounts while Statement C reported 311. Seven trust accounts were overdrawn by a combined K29.83 million, and 41 accounts with balances totalling K48.9 million lacked evidence of existence and accuracy.

An overdrawn trust account means payments were made beyond the money available, which should not be possible if approval and system controls work. The Auditor-General recommended, among other steps, that revoked trust accounts be removed from the IFMS so they cannot be used. A single, owned register, monthly reconciliation of each account to the bank and ledger, and a system block on payments that exceed the balance would address most of these findings.

Investments, Public Debt and the Missing Guarantees Register

Statement F reported state investments at K18.05 billion. The Auditor-General concluded that they were overstated by K5.90 billion and should have been K12.15 billion. Overstatement of this kind usually arises when values are carried forward without being checked against the latest financial statements of the companies concerned.

On public debt, Statement G showed about K31.9 billion while the Commonwealth Secretariat Debt Recording and Management System showed about K31.1 billion, an unexplained difference of K720.92 million. Debt is the figure the IMF, rating agencies and investors watch most closely, so the two records need to agree every month.

The largest unverified figure was K14.04 billion of guarantees reported in Statement I. The report notes that the Department of Treasury does not maintain a register of guarantees and that a register has been recommended since 2008, with little progress. Guarantees are contingent liabilities: they cost nothing until they are called, and then they can cost a great deal. A register with the beneficiary, lender, amount, expiry and approval reference for each guarantee is the basic tool for managing that risk.

Payroll, Agency Controls and Timeliness

Personnel emoluments were K5.31 billion in 2019, about 19% of total expenditure. The report states that most of the 25 agencies audited did not reconcile payroll. Agency audits also found missing quotation registers, payments made on pro-forma invoices, advances that were poorly acquitted and missing asset registers.

Two recommendations deal with the reporting framework itself. Recommendation 1 asks the Department of Finance to issue a financial instruction requiring compliance with International Public Sector Accounting Standards; the department responded that the Public Accounts would be prepared on the IPSAS cash basis from 2023. Recommendation 2 asks for the Public Finances (Management) Act to be amended so that the accounts are submitted for audit by 31 March of the following year, allowing audit and reporting to be completed by 30 June.

What IMF Reviews and Financing Partners Say

Papua New Guinea has been implementing reforms under IMF Extended Credit Facility and Extended Fund Facility arrangements, with a Resilience and Sustainability Facility. When the IMF Executive Board completed the fifth reviews in December 2025, releasing SDR121.07 million (about US$165 million) under the ECF and EFF and SDR39.48 million (about US$54 million) under the RSF, it advised the authorities to strengthen debt management capacity and modernise cash management. The related staff report, published as IMF Country Report No. 2026/129, stresses sustained revenue reform, prudent spending and more efficient public investment to reduce debt vulnerabilities.

Islands Business reported in April 2026 that a staff-level agreement had been reached on the sixth reviews and that the fiscal deficit had narrowed to 2.4% of GDP in 2025, with a balanced budget targeted for 2027. Reliable cash and debt reporting is what makes such targets credible.

Other partners are active too. The World Bank approved US$150 million in budget support in December 2025, including PNG's first US$50 million Catastrophe Deferred Drawdown Option, backing tax and state-owned enterprise dividend reforms. Australia, through the Australia-PNG Economic Partnership, has procured a review of Department of Finance PFM systems needs against gaps in the IFMS, and has supported advisory work on producing and quality-assuring the Public Accounts and moving from cash-based reporting towards full IPSAS.

Practical Steps for Finance, Treasury and Agencies

Moving from a disclaimer to a qualified, and later unmodified, opinion is a multi-year task. A realistic sequence would look like this:

- Department of Finance: reconcile all central bank accounts monthly within ten working days, starting with the Receiver of Public Monies account and its subsidiaries; agree with the Auditor-General how far back to reconcile.
- Department of Finance: build one trust account register, reconcile it to Statement C and the bank, close revoked accounts in the IFMS and configure the system to stop payments beyond available balances.
- Department of Treasury: create a guarantee register, reconcile the debt statement to the debt recording system each month, and assign a named owner for each difference.
- Finance and Treasury together: revalue state investments from the latest company financial statements and correct prior-period errors with clear disclosure.
- Agencies: reconcile payroll to the ledger and bank monthly, keep quotation and asset registers, and acquit advances before new ones are issued.
- All: set a year-end closing timetable that delivers the accounts to the Auditor-General by 31 March, and track every audit recommendation in a public action plan.

Treasury single account principles can support these steps. Fewer bank accounts mean fewer reconciliations, less idle cash and a clearer picture for cash forecasting, which is the kind of cash management modernisation the IMF has asked for.

Critical Questions Government and Project Leaders Should Be Asking

Do we know our true cash position at the end of each month?

If the answer depends on a reconciliation that is months behind, it is no. Monthly reconciliation of every central account is the first priority.

Who owns each trust account, and who would notice if it were overdrawn?

Each account needs a named owner, a purpose, a monthly reconciliation and a system control that blocks overdrawing.

Can we list every guarantee the state has issued?

Without a register, the government cannot measure or disclose a potentially large contingent liability. Building one is a low-cost, high-value step.

Do the debt figures in our accounts match those in our debt system?

They should agree every month. Any difference should be explained, assigned and cleared before the year end.

Are we using the IFMS controls we already have?

Access rights, approval workflows, exception reports and account closures in the IFMS can prevent many errors if they are switched on and reviewed.

Is our action plan on audit findings public and tracked?

A published plan with owners and dates builds trust with parliament and financing partners and shows progress between audits.

How Risalat Can Help

Risalat partners with finance ministries, treasuries and audit offices to strengthen public accounts. Our Public Accounts and Trust Account Reconciliation Training in Singapore works through bank and receiver reconciliation, trust account control, guarantee and debt registers, IFMS controls and responding to a disclaimer, using the PNG findings as a case. Institutions can start with our free governance audit diagnostic to see where their own systems stand.

Frequently Asked Questions

What opinion did the PNG Auditor-General give on the 2019 Public Accounts?

A disclaimer of opinion. The Auditor-General was unable to obtain enough evidence on cash, trust accounts, investments, debt and guarantees to express an opinion. The report was signed on 27 August 2024.

What is the K674.3 million variance?

It is the net difference between the cash balance reported in Statement A (K1.11 billion) and the balances confirmed by banks (K1.79 billion) for 2019.

Does a disclaimer mean money is missing?

Not necessarily. It means the records and reconciliations were not strong enough for the auditor to reach a conclusion. The fixes are mainly reconciliation, registers and timely reporting.

What has the IMF said about cash management in PNG?

On completing the fifth reviews in December 2025, the IMF advised strengthening debt management capacity and modernising cash management.

Sources

- Auditor-General of PNG: Report on the Public Accounts 2019, Part I
- IMF PR 25/422: IMF completes fifth reviews for Papua New Guinea
- IMF Country Report No. 2026/129 (RePEc listing)
- Islands Business: IMF greenlights US$216 million for PNG (April 2026)
- World Bank backs PNG reforms to boost revenue (Dec 2025)
- DFAT AusConnect: evaluation of Department of Finance PFM systems needs (APEP)
- APEP Government Public Accounting & Financial Reporting Adviser (DoF)

- PNG Department of Finance: Integrated Financial Management System

Related Risalat programmes

- Advanced Public Financial Management Training in Bangkok, Bangkok (1 Feb 2027)
- Public Financial Management and Performance Budgeting Training, Casablanca (1 Feb 2027)
- Public Financial Management Reform and Budget Execution in Nairobi, Nairobi (8 Feb 2027)
- Training and Study Tour on IPSAS in Tanzania, Dar es Salaam (1 Feb 2027)

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