



A reporting compliance of national Fisheries Authority of Papua New Guinea



Alistair M. Brown*

School of Accounting, Curtin Business School, Curtin University, Western Australia, Australia

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ABSTRACT

Through textual analysis, this paper takes into account documentary evidence of the Auditor-General's audit commentaries of the reporting compliance of the National Fisheries Authority of Papua New Guinea for the period 2006–2012. The results of the analysis show that the National Fisheries Authority's financial statements are late, unprepared or qualified. The study suggests ways the authority might improve its reporting compliance at relatively little cost, and how using national reporting compliance instruments may enhance national fisheries policy. The findings are of critical importance for fishing authority local managers, policy-makers and practitioners interested in providing compliant financial and operational reporting to meet the decision needs of its key stakeholders.

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1. Introduction

Financial reporting compliance is an essential component of public sector management of fisheries of the Pacific region [1]. It not only provides a stewardship role in measuring and communicating financial information about fisheries to the government but also fulfils an accountability and governance role providing monetized calculations and techniques to a host of stakeholders interested in the performance of the entity's activities [2]. In one sense financial reporting compliance provides an assurance to taxpayers that the funds received by authorities are being properly used for the purposes it was given. In another sense financial reporting enables management of fisheries authorities to assess financial performance such as profitability [3,4] as well as other benchmarks for fisheries governance [5].

Established under the *Fisheries Management Act, 1998 (No. 48 of 1998)*, the National Fisheries Authority (NFA) manages the fisheries within PNG waters, acts on behalf of the PNG government to make national and international fishing agreements, advise the government on fisheries policies and provides financial and operational support to provincial fishing authorities. Supposedly blessed with dedicated staff [6], the NFA oversees the country's haul of 151.1 million kina (US\$73.7 million) worth of marine products per year [7]. As a consequence, NFA's financial reporting compliance is of keen interest to fisheries researchers, educators, policy-makers, provincial authorities and those stakeholders who want to be assured the link between reporting and public sector

fisheries management is based on sound collection, communication, recording, interpretation and analysis of financial accounting information.

It is not always clear, however, if the financial reporting-national fisheries authority nexus is clearly understood in certain jurisdictions, particularly in those emerging economies such as PNG, where reporting plays an important stewardship role in the development of a country's natural resources. Thus, for example, in the other independent Melanesian countries, the Fijian Department of Fisheries and Vanuatu Maritime Authority seldom produce annual reports, whilst the Solomon Islands Ministry of Fisheries and Marine Resources often receive a qualified audit opinion. By way of illustration, the Office of the Auditor General of Solomon Islands found that the management, monitoring and administration of project submissions for funding was poor and identified many weaknesses which created the opportunity for fraud and misappropriation. A significant sum of money has been illegally expended and it is questionable whether the government will be able to exercise any control over the use of the moneys that were supposed to be for fisheries projects [8, p. 9].

Analysing the trends in reporting compliance of NFA through national reporting compliance instruments provides an understanding of the accountability and governance of a national fishing authority over time. This is particularly important in a Pacific Island Countries context where the ability to collect revenue from fisheries resources, conserve these resources for future generations, stave off corruption in licensing and access agreements, and develop operations is important [9–11]. The running of national fishing authorities in low-income economies is often left to local managers but reliance on local management for the accounting and accountability of core activities of government authorities

* Tel.: +1 61 8 92661069.

E-mail address: Alistair.Brown@cbs.curtin.edu.au

does not always run smoothly in some emerging economies [12,13]. This paper opens up an understanding of the issues facing an emerging country's national fisheries authority in attempting to comply with local reporting expectations. It also elucidates the issues facing a national auditing body in carrying out audits on an annual basis.

This paper is organised as follows. The next section provides a detailed explanation of background and methods. This is followed by a section devoted to the results of the study, which is then followed by a discussion of the results. A section outlining the paper's conclusion completes the study.

2. Background and method

Textual analysis is used in this study to explore the financial reporting compliance of the National Fisheries Authority (NFA) of PNG through critical and interpretive understandings of the audit reports of the Auditor General's Office of PNG (AGOPNG) [14–19]. The external audit provides a check on the way financial statements are prepared and presented, and is considered a trust-engendering ritual [20,21] that informs and reassures stakeholders that an entity's management is not corrupt or inept.

Consistent with previous studies on textual analysis [22,13], protocols on data sources and processes on the methods design followed very specific guidelines. Data sources included the use of electronic data from annual reports of the AGOPNG, an independent not-for-profit auditor of government entities, to gauge the general terrain of the reporting compliance of the NFA. State auditors, such as the AGOPNG, are important overseers of management of fisheries [9], as they represent an external independent auditor with expertise, and are accredited by an independent body [23].

A reporting compliance instrument used in the framing of the textual analysis is the Constitution of PNG. Under Section 214(2) of the Constitution, the AGOPNG is required to inspect and audit all entities set up by acts of parliament, or by executive or administrative acts of the national executive of government. Section 214 (3) of the Constitution empowers the AGOPNG to inspect, audit and report to parliament on any entity's accounts, finances or property that are financed by public money or property of PNG. As shown in Table 1, each annual report of NFA over the period was checked to see if it was inspected by the AGOPNG. This was a critical part of the analysis because in the emerging region of the Pacific Island Countries, audits of government entities are often not completed for reasons of omission to report by the entity or because the auditor general at the time has insufficient resources to complete the audit [22]. Many commentators note that economic, national governance and institutional capacity weaknesses in the Pacific region may hamper the auditor's tasks [9–11]. Thus, each annual report was also verified to see if the processes of auditing and reporting by the AGOPNG were exercised. Again, this was important because the steps of auditing and reporting are sometimes held up by lack of information.

Another reporting compliance instrument that was used in the framing of the textual analysis was the *Audit Act, 1989 (amended 1995)*, which is invoked by Section 214(4) of the Constitution, and explicitly empowers the AGOPNG to inspect and audit the account, finances and property of a public sector agency. Here textual analysis, analysed the written comments made by the AGOPNG in its audit report to parliament about NFA's income statement, balance sheet, accounts of revenue and expenditure, summary of financial accounting policies, and plant property and equipment. These financial accounting components were consistent with a checklist of aggregated accounting analysis of the reporting milieu of entities in a Pacific Island Country context [22]. Its appropriateness in this study is that the checklist uses accounting components

that are relevant to local organisations working in a developing rather than developed country setting.

The submission of the financial statements of public entity for audit is also required under Sections 48 and 63 of the *Public Finances (Management) Act, 1995*, which represents the fourth reporting compliance instrument used in the textual analysis. These financial statements must be supplied to a relevant minister before 30 June each year on the preceding year's activities and audited accounts. The minister is then required to table the report on the operations and the financial statements, together with the AGOPNG's report on the financial statements, at the first meeting of the parliament after receiving them. Textual analysis considered whether these steps were completed for each of the years under the study period.

The *Fisheries Management Act 1988* is another reporting compliance instrument that makes reference to the applicability of the reporting expectations of the *Public Finances (Management) Act 1995* and *Audit Act 1989* to NFA. Textual analysis ascertained from each of the annual reports over the period 2006–2012 the type of audit opinion received by NFA. Thus, it was possible for NFA's financial statements to receive one of the following audit types: an unqualified opinion, where NFA's financial statements are presented fairly and conform with generally accepted accounting principles (GAAP); a qualified opinion, where NFA's financial statements “except for” certain issues fairly present the financial position and operating results of the entity (the “except for” opinion relates to inability of the auditor to obtain sufficient, objective and verifiable evidence in support of transactions of NFA being audited); a disclaimer opinion, where insufficient evidence exists to form an audit opinion due to scope limitation or uncertainties; and an adverse opinion.

Section 21 of the *Fisheries Management Act 1988* states that 3 months after 1 January in each year, the NFA board should provide an annual report on the NFA's progress and performance of the previous year to a relevant minister who in turn forwards the report to the Speaker for presentation at the national parliament. In terms of the analysis, the publication date of each of the annual reports over the period 2006–2012 was recorded to gather a sense of the timeliness of annual reporting. Section 22(3) of the *Fisheries Management Act 1988* also requires the NFA to prepare a budget consisting of an estimate of expected NFA revenues and expenditure in order to convey a picture of management efficiency. Section 22(4) also requires NFA's managing director, 60 days after the 6 month of the fiscal year, to submit to the board a review of revenue and expenditure for the first 6 months of the fiscal year of the budget. As such, textual analysis examined The AGOPNG's reflections on the NFA's revenue and expenditure items and budgeting processes.

A further reporting compliance instrument that framed the textual analysis was the document entitled *Core Functions and Priority Actions of the Finance & Accounts Department of NFA*, which places responsibilities on NFA to manage accounting, finance, risk payroll and assets in order to maintain tight internal controls [24]. This instrument also emphasises the importance of balance sheet compliance including correct recording and valuations of cash, accounts receivables, inventories, property, plant and equipment, as well as the liabilities of creditors and loans. Textual analysis examined compliance of each of these components for each of the years under study. The management of assets and loans is also given prominence by the instrument in terms of stock-taking, internal controls, ownership and documentation. As a consequence, textual analysis probed the audit reports of the PNGAGO for internal control weaknesses, stock-taking processes and documentation issues.

A summary of these reporting compliance instruments that framed the textual analysis of the NFA audit reports by the PNGAGO is shown in Table 1.

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