

**Transport Sector Support Program – Interim Phase (TSSP-IP) Financial Issues Completion Report March 2008
Status Update as at November 2008**

Notes:

1. In any organisation it is usually to expect up to a 5% error rate in financial records, although these are usually simple to identify and correct in a timely manner. In a developing countries ("fragile states") as reported recently in the ODE a higher percentage might be anticipated and depend on capacity building.
2. TSSP brings to DoW stronger financial support and oversight: through the Financial Management Specialist, a Financial Management Adviser, a Finance Control Specialist and two financial officers.

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1 – Outstanding GST Returns, page 5	TSSP-IP has contacted the Internal Revenue Commission and advised that all NRRSP, NRBMP and TSSP-IP GST returns should be sent to the TSSP-IP. While this contact was made GST returns were still sent to previous addresses.	In the past GST returns were being reimbursed to the service provider and not DoW. TSSP considers that GST returns are better returned to DoW than the service provider, as DoW holds the imprest account for the projects completed under the various AusAID funded works.	TSSP will monitor GST returns as they are reimbursed to DoW and assist DoW with associated financial reporting. TSSP will work with the IRC to encourage electronically transfer of GST reimbursements. If this is not possible, TSSP will arrange for cheque reimbursements to be returned to DoW and not the service provider. TSSP will monitor on a monthly basis and provide monthly reports which will identify any significant issues.	TSSP Finance Control Specialist monitoring and assisting. DoW still slow in this area and so TSSP monitoring and assistance will continue. IRC will not be moving to electronic transfer of GST reimbursements. While reimbursement cheques will be made payable to DoW TSSP project account, cheque will be physically returned to the service provider to strengthen identified control weaknesses. TSSP Finance Control Specialist is monitoring and reporting on a monthly basis. No significant issues reported to date.
2 – General Ledger Codes, page 6 last Paragraph	A suggested method to reduce time spent creating (and using?) many codes and CFCs would be to have one code for all Major contracts in a province and one	The report notes that this option would have the disadvantage that projects could not be monitored in Financial Management System (FMS) on a	Individual codes for all contracts to remain as TSSP will be interrogating and reporting on expenditure by project by month or as required.	Subsequent work and review resulted in reconsideration of the required monitoring and reporting in the FMS and the advantages and disadvantages associated with one

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	code for all Minor contracts in a province.	project by project basis. TSSP considers that it needs to be able to monitor on a project by project basis and we recommend that all contracts have an individual code.		code versus individual codes. For TSSP, have now moved to one code for Minor contracts, while remaining at present with individual codes for Major contracts until further reviews completed.
3 – DoW using incorrect accounts page 7	TSSP-IP experienced ongoing problems with DoW : <ul style="list-style-type: none"> • expending funds from wrong bank accounts • making incorrect entries in the FMS • not taking action to reverse errors. 	Agreed, this appears to be an ongoing issue.	TSSP Financial Advisor will be tasked with implementing procedures to assist DoW correct errors. The TSSP Finance Control Specialist will have a similar role specifically for AusAID funding and will have a greater capacity as s/he will be supported by two financial officers.	The Annual Work Plan of the TSSP Financial Management Adviser has bank reconciliations as an activity. Prioritisation of activities has actioning of bank reconciliations in 2009 and the procedural issue for 2009/2010. The bank account structure has been rationalised, reducing the number of bank accounts from 26 to 10 under the TSSP, greatly reducing the potential for errors with TSSP accounts, Only one error has occurred with expending funds from the wrong TSSP bank accounts, and the TSSP Finance Control Specialist worked with DoW to have this corrected promptly.
4: Unpresented Cheques, page 8	TSSP-IP identified 11 unpresented cheques in the report with a recommendation that DoW cancel the cheques and re-process under TSSP	All accounts under TSSP-IP /NRBMP/NRRSP are closed. Therefore these cheques do not have any value. If payment is required these payment claims will need to be processed through TSSP.	Under TSSP, DoW will be encouraged to enact practices to better monitor issues cheques by: <ul style="list-style-type: none"> • contacting the recipient to request that cheque be presented where the cheque is not presented within two months • where this does not occur to cancel cheques within 3 months 	TSSP Finance Control Specialist has worked with DoW to better monitor this. To date only one unpresented cheque has required cancelling and redrawing.

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			<ul style="list-style-type: none"> To cross cheque “non negotiable account payee only”. 	
5: Bank Fees, page 10	Reimbursement of bank fees was identified as a problem which required great effort and little return.	TSSP does not have the same requirements and will not be seeking reimbursement of bank fees.	No implications for TSSP.	No implications for TSSP.
6: Stale Cheques page 11	TSSP-IP requested all provinces to cancel stale cheques and write to vendors / suppliers advising them to contact DoW to have a replacement issues. If there was no response the funds were to be returned to the relevant trust account.	TSSP-IP made progress with this problem and TSSP will continue this effort.	<p>TSSP Financial Advisor to review this matter, and draft a procedure for writing off stale cheques and, where required, re-issuing cheques according to documented tasks/timelines.</p> <p>Refer No 4 above.</p>	<p>The Annual Work Plan of the TSSP Financial Management Adviser has bank reconciliations as an activity. Prioritisation of activities has actioning of bank reconciliations in 2009 and the procedural issue for 2009/2010.</p> <p>For TSSP bank accounts, TSSP Finance Control Specialist has ensured that there are no stale cheques.</p>
7: Bank Account reconciliation, page 13	Some bank accounts have not been reconciled for years and there are a large number of outstanding actions required by DoW across the 26 imprest accounts	Agreed. TSSP will have greater resources available to assist DoW address these issues and has already noted that bank reconciliation statements do not meet the timeline defined by the <i>GoPNG Public Finance (Management) Act</i>	<p>TSSP to focus on improving the accuracy and speed of reconciliations through the efforts of the Financial Advisor, Finance Control Specialist and two bank reconciliation officers – working to a problem –solving model.</p> <p>Consideration is being given to appointing a CPA to bring reconciliations up to date.</p>	<p>The bank account structure has been rationalised reducing the number of bank accounts from 26 to 10 under the TSSP,</p> <p>The 9 Provincial Drawing account reconciliations are accurate and up to date. The Boroko account reconciliation remains overdue but is scheduled to be up to date by the end of 2009.</p> <p>DoW are still ascertaining the status of the bank reconciliations for the TSS-IP bank accounts as part of considering whether a CPA needs to be appointed to accurately bring these up to date if</p>

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				required.
8: Contract Payments page 14	Quality of contractor payment claims submitted by the Provinces was extremely poor.	Agreed, lack of financial capacity in the provinces is a problem that needs to be addressed to improve accuracy and completeness of contractor claims for payment.	<p>TSSP Roving Provincial Advisors will be tasked with improving the capacity of provincial actors to improve the quality of contractor claims.</p> <p>The TSSP Finance Control Specialist will be directly engaging with the provinces to improve capacity and the quality of claims.</p> <p>The PMCs (Provincial Management Contractors/Supervisors) will be made more aware of the need for correctness and accuracy in on-forwarding claims to the Provinces; as will Provincial Engineers.</p> <p>The TSSP Finance Control Specialist will monitor and report on a monthly basis.</p>	<p>TSSP Roving Provincial Advisors have been tasked with improving the capacity of provincial actors to improve the quality of contractor claims. Prioritisation of activities this year has been reviews, briefings and plans, activities to improve claims processing with commence in 2009.</p> <p>The TSSP Finance Control Specialist has seen improvements in claims from the provincial accounting inputs.</p> <p>The new PMCs commenced in mid 2008 and have been briefed as to their role in this area. Similar to above, prioritisation of activities will see more of the work on this in 2009.</p> <p>The TSSP Finance Control Specialist has been monitoring and capturing results, and is able to report on these at any time, but not being reported on a monthly basis.</p>
9: Overhead funding, page 16 and 21	Total expenditure on DoW overheads was less than 2% of the TSSP-IP expenditure. This small amount of overheads represented a great deal of effort by TSSP-IP in administration.	At present TSSP will not be funding or administering overhead expenditure.	TSSP will not be involved in funding overheads unless operating decisions are reversed.	Non issue as TSSP continue to not be involved in the administration of any overhead funds.
10: FMS Network Upgrade, page 17	TSSP should seek a defined scope of work to complete this project	Agreed, action taken.	TSSP has agreed to fund a revised scope of work and secured approval for DoW to proceed with the upgrade;	The scope of work related to this upgrade of FMS network is complete with hardware and network backbone.

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			which should be completed by end 2008.	Review of this at completion has revealed additional requirements for integration with new IFMS which is being scoped for proposal in 2009.
11: Lack of coordination with ASF Advisors, fourth dot page 17	ASF Advisors going direct to AusAID for approvals / changes without concurrence with DoW or TSSIP	At the moment there are no ASF advisors nor is there any intention to place ASF advisers in DoW.	TSSP makes every effort to work cooperatively with other donor agencies/programs.	TSSP team members are working well and collaboratively within DoW and across other TSSP agencies. TSSP follows a strict communication protocol. TSSP team members have established an excellent cooperative working relationship with SGP advisers in other agencies.
12: Return of Outstanding Funds, page 18	TSSP-IP documented funds that should be reimbursed from DoW.	Noted.	TSSP RMMS will meet with the Deputy Secretary Finance and IT and agree a method for repayment back into TSSP AMIA with DoW.	Not actioned yet.
13: Lessons Learnt, page 19	Identifies DoW's lack of leadership, governance and capacity.	Agreed.	TSSP is designed to directly address this issue.	Part of the design objectives of TSSP.
14: Provincial Accountant support, page 20	The organisation structure does not provide the necessary support to provincial accountants	Agreed, the provincial accountants should have a working relationship with Head Office Accounts.	TSSP Financial Management Advisor to review reporting structure and assist DoW to create linkages with the Provinces. The Secretary DoW has advised that five accountants have been appointed to improve provincial reporting and performance, four in the provinces and one temporarily in head office.	Issue of Provincial Accounting part of the terms of reference of the Financial Management Adviser. Initial review was performed as part of the Situation Analysis, resulting in activities being incorporated into the Annual Work Plan. Restructure of DoW not finalised and so TSSP still not aware of if and how

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			TSSP is yet to verify this information, and determine how to forge links with these personnel.	<p>provincial accounting reporting and performance is to be addressed.</p> <p>The Secretary has appointed 3 accountants to new positions. However their title is regional bank reconciliation officers, not designated in the restructure, and so believed to be only of a temporary nature. Also 1 of these is now slated to take up vacant accounting position in Head Office accounts not related to provincial roles.</p> <p>Thus TSSP still has to ascertain and understand the planned restructure, appointments, roles, and how these work to achieve the needs in this area.</p>
15: Work Load, page 20	TSSP-IP team (three members) was too small to handle the volume of work which was under TSSP-IP /NRRSP /NRBMP. It's suggested that TSSP team should be properly resourced to handle the volume of work.	TSSP DoW team comprises of 10 members, four of whom will be finance focussed.	TSSP advisers are mobilising to commence with DoW team from April/May 2008 onwards.	<p>Financial Control Specialist commenced 2007.</p> <p>Financial Management Advised commenced 28 Apr 08.</p> <p>Recruitment of 2 x Finance Officers to assist Finance Control Specialist in progress with expected commencement in Jan/Feb 2009.</p>
16: Security, page 20	Security concerns at Head Office identified and examples of robbery documented.	The number of security personnel has increased, but due to the lack of DoW staff at Head Office before 7.30am and after 5.30pm it is not desirable to be in the office outside these hours.	TSSP staff have been provided with security briefings, issued with Protect radiophones and are required to notify agency coordinators and/or TSSP Office of all movements.	<p>TSSP Safety & Security Plan in place and being adhered to.</p> <p>No reported security incidents at DoW Head Office</p>

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			Advisers do not work at the DoW before 7.30am or after 5:30pm Monday – Fridays and guard against working on their own in an area at any time.	