

ANNUAL REPORT 2005



**Transparency International
(Papua New Guinea) Inc.**



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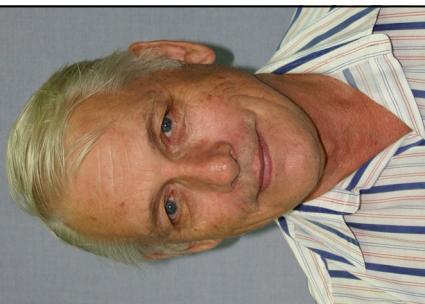


Community coalition groups in Wabag, Enga Province marked the United Nations International Anti-Corruption Day on 9 December 2005 with a peaceful public demonstration.

Chairman's Report

Members, Corporate Members and Supporters,

I am proud to say that I write this with a lighter heart than I did our last Annual Report. You will recall that we still had heavily qualified accounts, management was recovering from some serious problems and we had just recruited some new staff. A year later and most of these problems are behind us.



Mr Michael Manning
TI (PNG) Chairman

Many people ask what TI (PNG) is doing, they expect that somehow TI will be able to stamp out corruption overnight. As long as there are human beings on the planet there will be corruption. The task is to minimise it, to educate the people that it is only harmful to the country even though some of them may benefit directly from it, that money spent on corruption is not money spent on medicine and schools. We also have to recognise that Members of Parliament are not hand-out machines. They cannot be expected to pay for everyone's school fees, burial expenses and other day to day demands. That is the responsibility of each one of us.

Apart from fixing the administration we have had a productive and busy year in 2005. The largest event was the campaign against the proposed private members bills to exempt them from dismissal if found guilty of breaches of the leadership code and the proposal to increase the EDF to K1.5 Million. We were able to get 70, 000 signatures on those petitions from all over the country including some of the most remote areas. It shows two things, that people are sick of bad governance and they can be mobilised to show their displeasure at some questionable practices.

As you know this campaign was organised through the Community Coalition Against Corruption (CCAC) of which TI is a major leader and player. We reach out to some 2 million Papua New Guineans through the members of the CCAC via churches, women's groups, youth groups and NGOs. We intend to make the CCAC reach out even further this year and we have held our first regional forum n Kokopo on 10th March 2006. The other regional forums will be held later in the year.

A major step forward has been the continuing growth of the Youth against Corruption movement and TI is working very closely with them, providing facilities and staff for its operation. In 2005 we ran an essay competition and poster competition for youth as part of our celebration of UN Anti Corruption Day. We will be doing something similar again this year. We believe that the involvement of the youth of PNG in ethics and governance issues is one of the main avenues to curb corruption in the country.

We have re-examined the vision and plan of TI during 2005 and this is available on our website. Basically the two main themes remain unchanged and we will be working to further electoral awareness and civic education. It is essential that the people of PNG elect good leaders into both the National Parliament and their Local Level Governments and TI is joining with the Electoral Commission and the Ombudsman Commission to provide information to all the electors of PNG on how to choose a candidate.

NGOs in PNG have checkered history of management and TI is no different, as I mentioned before, management and administration reached a very low point at the end of 2004 and beginning of 2005. We are acutely aware of this and 2005 has seen a concerted effort at capacity building with help of our partners like the Community Development Scheme (funded by AusAID) and TI New Zealand (funded by NZAID). Staff have received on-the-job training as well as external training. This will continue into the future as we strive to make TI one of the best managed organisations in PNG. We have restructured the Board to allow for a Secretary and a Treasurer and you will be asked to ratify this decision today. We have also been working closely with PricewaterhouseCoopers to ensure that the books are clean and there are no nasty surprises lurking.

TI is non-profit organisation relying on donations and membership for its income and its ability to carry out its work. We have corporate sponsors, individual members and international donor support. Without you we would not be able to operate and I hope you are impressed by the progress that we have been able to make in 2005. We look forward to a continuing close relationship. Next month we will be re-launching the Sir Anthony Siaguru Endowment fund, we will be seeking significant corporate support in this endeavour to allow TI (PNG) to have a margin of financial comfort into the future.

We have just appointed a new Executive Director, Emily Taule, and we have been lucky to have received help from a number of volunteers provided by a number of organisations and countries for which we are extremely grateful. I am also more than grateful for the effort that has been put into TI by Marcus Pelto. Unfortunately he will be leaving us later this year but Marcus and his ever-willing staff have rebuilt the organisation during 2005 and on behalf of us all I thank them for their very hard work and dedication to the job.



**Michael Manning, OBE
Chairman**

Executive Officer's Report

Dear Members and Supporters of TI (PNG):

Reflecting on 2005, Transparency International PNG moved from strength to strength in terms of operational capacity, finances and, most importantly, social influence in Papua New Guinea.

Recognising our need to build upon the operational strength of the organization, we recruited four staff members including an executive officer, finance officer, communications officer and program manager in 2005. The expansion of human resources has massively increased our capacity to get our messages of anti-corruption talked about and acted upon.

With our new financial processes and procedures in place, we can report the figures from 2005 in this annual report with confidence. We have been working extensively with PricewaterhouseCoopers who have been applying great rigour to our internal systems and we hope that our 2005 audit is a sign to members and supporters of our efforts to serve you as best we can. Our vision to be the best internally managed organization in Papua New Guinea is slowly coming to fruition.

Perhaps TI (PNG)'s proudest moment this year was the retracting of two amendments to parliamentary bills in November after more than 70,000 PNG citizens made a stand and defiantly said "NO" to corruption. The petitions against the Yarka and Kumbakor bills were driven by the Community Coalition Against Corruption (CCAC), our joint initiative with the PNG Media Council. The CCAC will be heard from a lot more in 2006 and beyond.

Ultimately none of our successes and goals could be made possible without the support you, our members and supporters, give us each year. Thank you for joining us in this fight against corruption. We look forward to continuing this journey with you.

Sincerely



Marcus Pelto
Executive Officer

Our vision to be the best
internally managed
organization in Papua
New Guinea is certainly
coming to fruition.

Strategic Direction

Vision, Mission and Values

The vision of TI (PNG) is an independent country in which government, politics, businesses, civil society and the daily lives of people are free of corruption.

Our **mission** is to reduce corruption and create a better future for our children by:

- Promoting honest and good leadership;
- Supporting active public involvement;
- Doing good projects; and
- Informing and educating the public on anti-corruption culture.

In committing itself to this mission, TI (PNG) is guided by an absolute adherence and commitment to the **values** of:

- Honesty
- Integrity
- Transparency of thought and action
- Freedom of Expression
- A caring and sharing society
- Accountability
- Good governance
- National Unity
- Effective communication

2005 Strategies

TI (PNG) tackles corruption at the national and regional levels working with governments and the public sector, the private sector and civil society.

TI (PNG) takes a systematic approach to curbing corruption, based on its concepts of National Integrity Systems. The pillars upon which National Integrity rests are all those institutions and practices that work together to protect society against corruption. In order for integrity to be sustained, all of these pillars have to be functioning. TI (PNG) works towards strengthening these pillars in Papua New Guinea to help build a future free of corruption.

In 2005 we worked towards:

- Building an organization with adequate resources and capacity to achieve our purpose.
- Building and mobilizing a network of coalition partners from the wider community to strengthen National Integrity Systems
- Providing moral leadership by educating the youth and general public about the forms of corruption and its consequences.
- Developing and working with like-minded regional and international organizations.
- Selectively identifying and obtaining funding for completing anti-corruption projects.

TI (PNG) Vision:
An independent country in which government, politics, businesses, civil society and the daily lives of people are free of corruption.



**Transparency International defines corruption as
“the abuse of entrusted power for private gain”.**

Internal Strategic Direction

The Mattiske Report highlighted key deficiencies within the organizational capacity of TI (PNG) which have been addressed in 2005.

Internally, TI (PNG) underwent a review in late 2004 by David Mattiske, a consultant with Transparency International Australia. The Mattiske Report highlighted key deficiencies within the organizational capacity of TI (PNG). These were addressed in the following way in 2005:

- Appointment of Paul Nindipa as TI (PNG) Treasurer to oversight the preparation of timely accounts that conform to good accounting practice to present a fair and accurate portrayal of TI (PNG)'s financial position and meet the requirements for easy acquittal of projects on their completion.
- Appointment of new Directors who can give adequate time and effort to the duties of a Director of TI (PNG).
- Utilised the resources of an outside accountant to resolve the outstanding issues of non acquired projects with NZAID and the Community Development Scheme and to clean up other outstanding project accounts that remained on the books in 2004. This was a major hurdle to requesting further funding and was addressed as a top priority.
- Established sound accounting practices to ensure that the qualifications of the Auditors for the year 2003 do not happen again. The accounts for the year ending 2005 were prepared in a manner that give a true fair and accurate state of the financial affairs of TI (PNG).
- Action has been taken to establish a system that prepares monthly accounts in a manner that gives a fair and accurate statement of the financial position of the basic operations of the organisation and the financial status of each of the projects currently being undertaken, in a manner that will enable timely acquittal when the projects have been completed.
- Donna Talvat was appointed Finance Officer to ensure effective and appropriate accounts management.
- Prepared a detailed budget for 2005 and indicative budgets for 2006 and 2007 on a rolling basis. These budgets were prepared in cooperation with the Chairman and submitted for Board approval.
- William Natera was appointed Communications Officer to assist the Executive Officer to carry out the tasks of generating the Quarterly Newsletters, other releases to the media on matters of concern to TI, and to assist the Executive Officer in other office duties.
- Dorke de Gedare was appointed Program Manager for our 2007 Electoral Reform and Awareness project which was launched in February 2006. Dorke brings with him a wealth of experiences and academic knowledge of elections and political reform.



TI (PNG) staff model the official TI International Anti-Corruption Day t-shirts.

TI (PNG) is committed to building the capacity of staff and board members to achieve better outcomes.

Regional and National Work

National

Aware of the need to prioritize in the context of available human and financial resources TI (PNG) has categorized its projects into on-going and new. It has prioritized projects within these categories with a view to limiting the number of focus to be addressed at any time.

Strategic Objective 1:

- Maintain Membership drive
- Continue with search for sponsors and Endowment Fund

Strategic Objective 2:

- Prepare and disseminate quarterly newsletters
- Regularize contact with existing like-minded partners
- Identify other potential like-minded partners, and establish linkages

Strategic Objective 3

- Complete Phase 1 and move to Phase 2 of the Electoral Reform Project (ERP). Dorke de Gedare was appointed as Program Manager in December 2005 to manage this on-going project.

Regional

As TI (PNG) is based in the National Capital District, project and program work undertaken has been primarily on a national basis, with limited focus on the regions.

To address this issue of having a limited regional reach, TI (PNG) launched TI Morobe in Lae, Morobe Province on United Nations International Anti-Corruption Day, 9 December 2005.

TI (PNG) has made a commitment to a more regional focus in 2006 in anticipation of the 2007 national elections.

**TI (PNG) launched TI
Morobe in Lae,
Morobe Province on
United Nations
International
Anti-Corruption Day,
9 December 2005.**



Sir Rabbie Namaliu presenting a K1000 cheque to 9 year-old Naika Viri for her anti-corruption essay on International Anti-Corruption Day, 9 December 2005.

Highlights of 2005

Over the past 12 months we have achieved steady results in the fight against corruption in PNG. These achievements include:

- An external review of TI (PNG) and its operations by TI Australia. Most of the recommendations have been implemented, especially those relating to governance and accounting.
- A major campaign against the Yarka/Kumbakor bills resulted in more than 70,000 signatures from PNG citizens petitioning against the proposed legislation;
- Production and distribution of the *Business Principles for Countering Bribery* booklet throughout PNG;
- Ongoing development of a new corporate website providing updated public information about corruption in PNG;
- Involvement of Board members in community anti-corruption activities throughout PNG;
- Successful public education programs to raise awareness of corruption within the businesses, government and the community

In September 2005, TI (PNG) gathered more than 70,000 signatures from the PNG community objecting legislation brought forward in Parliament that would increase the opportunities for MPs to engage in corrupt activities.



TI Morobe displayed banners and distributed bumper stickers throughout Lae for International Anti-Corruption Day, 9 December 2005.



20 year-old Christopher Tangot won first prize (K750) for his design of the new CCAC logo.



The TI Morobe Committee held a press conference in Lae to launch the new branch of TI (PNG).

TI (PNG) in the News



WE are saddened by the announcement of support for an amendment to the slash funds legislation.

It is alarming that Dr. Bun Hirschkop implies that he has this point of view. He has no doubt that the same scenario applied to the Post-Courier and other media outlets.

Mr. Shinji Brown, a Minister in the Sonase Government, and Dr. Banate Bun, an outspoken Eastern Highlands member, have indicated their support for the amendment to go before the House next month.

Mr. Brown appears to feel that projects and developments within his electorate will be compromised if the slash funds are not increased. Dr. Bun spoke on behalf of his party, the Christian Democratic Movement.

He appears to believe that media organisations are "intimidating" parliamentarians by their

People power speaks

In the case of these amendments, letters started to pour in to the offices of The National almost as soon as the legislation changes were modelled.

We have no doubt that the national organizations that have dared to speak out against the amendment are in some way part of the plot.

Judging by the way in which the public has fought to sign the petitions requesting Parliament not to approve this amendment, and the below amendment sponsored by Mt Kappa Yarkaradaling.

None of these reactions is the creation of the media. They represent, in our opinion, a natural outpouring of trenchant opposition to these amendments, and the PNG media has accurately mirrored that overwhelming groundswell of public opinion.

If parliamentarians feel "intimidated," then it is by their

own voters.

In the case of these amendments, letters started to pour in to the offices of Mr. Brown, we point out that the main thrust of opposition to the amendment to slash funds legislation is less the matter of increasing those funds and more the issue of the need for the existence of these entities, and potentially deviates from the original intent of the amendment.

Of course Mr. Brown, in common with all other Members of the House, should receive adequate funding for developments within his electorate.

What is at issue is the channel used to provide those developments to the public.

We have never seen the need for a separate and substantial amount of money devoted to individual members, given that

the stated purpose of those funds is the underpinning of small and medium projects within electorates.

We cannot accept that bureaucrats are not trusted to pass these funds on to the people in the form of new projects and initiatives. Yes, there are corrupt public officials.

But it's easier to identify these raters than to prove them from the barrel, than to level accusations against a constituency, politicians within a constituency, often backed by support obtained by devious and illegal means.

So once again, we openly urge Parliamentarians to show their political mettle and treat these amendments with the contempt they deserve.

This is the demonstrated and vocal opinion of the vast majority of Papua New Guineans, and not supposedly free and democratic nation.

Withdrawal of Bill good news

FINALLY, Member of Parliament Kappa Yarka has withdrawn his controversial constitutional amendment. The Bill proposed to put into legislation moves to save members from dismissal from Parliament if they were found guilty of misconduct in office.

The Bill would have been seen as gross misuse by parliamentarians of their position to protect themselves. The withdrawal, however, still does not solve one of the most serious problems. Facing the leadership in Papua New Guinea today — the length of time a leader should not be allowed to hold public office if found guilty of misconduct in office and he or she was convicted and dismissed from office.

The present three years is not enough punishment for leaders breaching the trust placed on them. It makes a mockery of the Constitution and contributes to public mistrust and contempt for leaders.

Holding a leadership position is supposed to be the highest honour anyone can be bestowed with and it goes with enormous responsibility. It requires a leader to conduct herself or himself in a way that does not bring into disrepute the dignity and sanctity of the office she or he holds.

If the leader misbehaves and is convicted by a leadership tribunal, she/he should be made to pay the ultimate price for her/his action — dismissal from office and prevented from holding any other public office for life.

The only way leaders will be made to uphold the dignity of the public offices they hold is the threat of a life sentence. A leader who is convicted and dismissed from office must not be allowed to hold any other public office for the rest of her or his life.

Why are the present leaders pussy-holing around? Only a life ban will save this country from corrupt leaders.

We are awaiting the arrival of a Government with guts who will defy all threats of losing office and move to increase the present period of a ban from leadership office from the three years to life. No Government since Independence has shown any real commitment to doing this.

The Leadership Code must be strengthened. Right now, it is going through its most testing time with parliamentarians raising questions about the powers of the Ombudsman Commission which enforces the code. Citizens should not breath a sigh of relief that Mr. Yarka has withdrawn his Bill. At least for now, until another MP has another go again. Maybe after the 2007 general elections.

Whatever it may be, the point is that the future of the Ombudsman Commission is shaky and unless it is strengthened, we could one day lose one of the main strengths of our democracy.

Withdrawal of bill hailed

28 September 2005, The National

NIUKU Member of Parliament Andrew Kumbakor has demonstrated good sense and leadership by withdrawing the Bill to increase of parliamentary members slash fund, says Transparency International chairman Mike Manning.

Dr. Danaya on the first day of the last session of Parliament brought the Kumbakor Bill and Yarka Bill before parliament with close to 70,000 signatures of Papua New Guineans against the idea of the bills being passed.

"We will oppose wherever and however we can. The idea that our leaders have unlimited power that cannot be questioned and we will work with our coalition partners to continue to pursue our charter of transparency, accountability and good governance in the village and overseas across the country and all over the world," Mr Manning said.

28 November 2005, The Post-Courier



Monday November 28, 2005

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Global Corruption Report 2006

One of the major concerns ahead of the 2007 national elections in Papua New Guinea is the transition from a first-past-the-post system to a system of Limited Preferential Voting (LPV).

This concern was raised in the PNG Country Report in the Global Corruption Report (GCR) 2006, which reviewed the problem of corruption and health in PNG in 2005.

The PNG Country Report said detailed monitoring of three by-elections held in mid-2004 by civil society groups and the PNG Electoral Commission (PNGEC) had shed light on weaknesses which need to be addressed before the 2007 national elections.

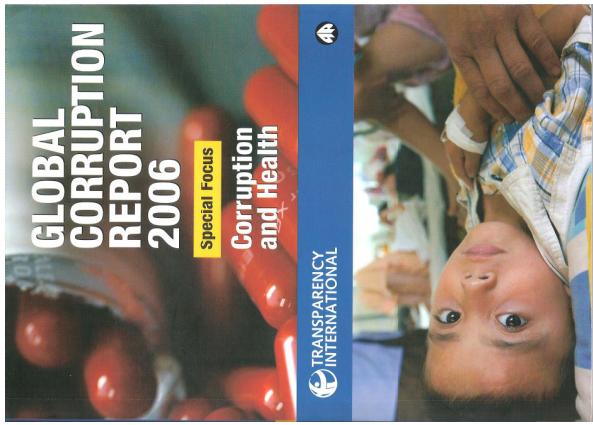
The audit was launched in response to concerns about the capacity of the electoral authorities to manage the electoral process.

The audit report followed on from findings of a team of observ-

ers from Transparency International PNG, the PNGEC and the University of Victoria, New Zealand, who noted the introduction of the LPV system by an amendment made to the Organic Law on National and Local-Level Governments in 2002, was seen to have successfully reduced the ethnic polarisation of voters and consequent violence which had become a hallmark of elections in PNG. However, administrative complexity and low voter awareness remained a concern.

Some of the concerns that were raised in the audit report and the PNG Country Report, will now be addressed through the partnership of the PNGEC, TI (PNG), and the Ombudsman Commission of PNG (OCPNG), and their work on LPV awareness and the Leadership Code in 2006.

This is the first time the GCR has included a Country Report from PNG. The report was compiled by TI (PNG) and verified by independent commentators.



Corruption Perceptions Index

The Corruption Perceptions Index (CPI), now in its eleventh year, aims to provide data on extensive perceptions of corruption within countries. These perceptions enhance our understanding of real levels of corruption from one country to another. The CPI is a composite index, making use of surveys of business people and assessments by country analysts.

In 2005, Papua New Guinea was ranked 130 out of 158 countries surveyed, based on 4 different surveys conducted. The overall score for PNG was 2.3 out of 10, relating to the perceptions of the degrees of corruption as seen by business people, academics and risk analysts (10 = highly clean; 0 = highly corrupt).

**The CPI is now
in its 4th year of
polling in PNG.
It is compiled
completely
independent from
TI (PNG).**

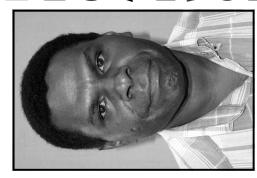
TI (PNG) staff

Marcus Pelto
Executive Officer



Mr Marcus Pelto came to PNG in early 2004 with an AusAID-funded project working with various national, provincial and district governments to improve vocational management skills. He started with TI (PNG) in early 2005 as Executive Officer, and will finish his current tenure in mid 2006, after the transition of the management of TI (PNG) passes to the newly created CEO position. Marcus has an academic background in public policy, political economy, and law, and has worked in public policy and reform for seven years with both the government, non-government and private sectors.

Dorke de Gedare
Program Manager
(Electoral Reform and Awareness)



Mr Dorke de Gedare is from Daru in the Western Province of Papua New Guinea. He holds a Masters of Arts with Honours from The University of Wollongong and a Graduate Diploma in Defence and Strategic Studies from The Australian National University. Dorke's diverse employment history includes experience with AusAID during the Bougainville Reconstruction program and, more recently, several years working for Ok Tedi Mining Limited, where he held the position of Manager - External and Community Relations. Dorke's current role at TIPNG is Election Program Manager. The program focuses on increasing awareness of the civil society and the political leadership on LPV, political party integrity bills and good governance. He is enrolled as a PhD student at the University of Papua New Guinea.

Donna Talvat
Finance Officer



Ms Donna Talvat is from East New Britain Province and holds a Diploma of Accounting from the University of Papua New Guinea in Port Moresby. Donna manages the day to day administration of TI (PNG), including the management of finance, budgets and payroll systems. Donna also manage all TI (PNG) membership related activities, including annual renewals and ongoing relationship management, including donor management..

Angus Ali
Information and Logistics Officer
& Youth Coordinator



Mr Angus Ali is from Papua New Guinea's Central Province. His role sees him managing the information systems required for the continuous improvement of the day to day administration of TI (PNG). This includes the management of TI (PNG) resources, files and correspondence, as well as the ongoing need for better archive and library mechanisms to ensure the history of TI (PNG)'s work is not lost. Angus has recently been appointed as Youth Coordinator, and will be overseeing the ongoing activities of the Youth Against Corruption Association.

Volunteers

TI (PNG) draws on the resources of local and international volunteers through organizations such as the Youth Against Corruption Association, the Australian Youth Ambassador for Development Program and Australian Volunteers International. These volunteers take on a capacity building approach to their work to ensure TI (PNG) continues to grow in its potential to be a sustainable PNG organization. Volunteers are taken on for varying periods ranging from 3 to 12 months for international volunteers, to work on a more casual basis for locally based individuals.

William Natera
Communications Officer



Mr William Natera is a Journalism graduate of Divine Word University, Madang, his home province. In 2005, after more than 3 years with Word Publishing, William joined the team at TI (PNG) to take on the role of managing all external communication activities, including the strengthening of TI (PNG)'s coalitions through ongoing community relations activities and programs.

Board of Directors

Michael J. Manning - Chairman OL, OBE

Michael Manning has until recently been the Director of the Papua New Guinea Institute of National Affairs, a privately funded research institute based in Port Moresby. Prior to that he was the Executive Director of the PNG Growers Association and had his own agricultural consultancy business, which still operates. He has a Bachelor of Economics degree from the Australian National University. He has recently left the INA to pursue a career as a private consultant based in Kokopo, East New Britain. Michael has been a director of a number of private and government Boards in PNG including Andersons Foodland Ltd, Agmark Pacific Ltd, East New Britain Development Corporation, PNG Development Bank, Investment Promotion Authority, National Roads Authority, the National Superannuation Fund, the Mineral Resources Authority, the Government's Right Sizing Working Group, and PEACE Foundation Melanesia. He has managed an agricultural development and trading company and was a senior public servant in the PNG government.

Paul Nindipa – Treasurer

Paul Nindipa is a Bachelor of Commerce graduate from the University of Otago, New Zealand. He is an Associate Member of the PNG Institute of Accountants (PNGIA). Paul is the vice president and treasurer of the Badil Club of PNG, and a member of the PNG Australia Friendship Association. Paul currently holds the position of Director for Gunn PKF.

Vincent Bull – Secretary

Vincent Bull is a partner of law firm Allens Arthur Robinson. He is also affiliated with the Securities Institute of Australia Law Society of PNG and the Business Council of PNG.

Peter Allen

Peter Allen is part owner of Melanesian Hair & Beauty Supplies Ltd. He is the former Head of Internal Audit for Bank of South Pacific.

Peter Aitsi

A media manager with 11 years of experience managing and operating two national radio broadcasting services and an event management company operating under the holding company PNGFM Ltd and employing 56 Papua New Guineans. Along with running one of PNG's main media outlets, he also supports many community activities supporting National events, community events, and charitable activities.

His professional associations include being the current president of the Media Council of PNG a position held since 2000, previously Secretary for two years under the Presidency of Mr. Luka Sela MBE, a long serving director and now deputy chairman of the City Mission PNG, and the founding president of the Badil Club of PNG 1997.

Kible Bonga

Kible Bonga is the Manager – Business Development - of the Mineral Resources Development Company. He is a member of the Badil Club of PNG (Professional Club), member of the World Futures Studies Federation, permanent member of the American Planners Association, Studies Federation, and member of the American Planners Association.

Leon Buskens

Leon Buskens the Managing Director of Public Officers Superannuation Fund (POSF). He is a graduate of the University of Technology, PNG, where he studied a Bachelor of Commerce. He also completed a Masters Degree in Finance at the Royal Melbourne Institute of Technology. Mr Buskens was the first person appointed on merit bases process as POSF managing director, under the superannuation reform model. He sits on a number of investor company boards such as, Brian Bell Ltd, Arnotts Biscuits, SP Brewery, Marsh Insurance, and Credit Corporation. He is an independent director of the Telkom (PNG) Board, and donates his fees to charity (POM City Mission).

Raymond Chow

Raymond Chow has served on the Board of Governors for Ela Murray International School, CPA, Australia, and ISACA. He currently holds the position of Internal Auditor in the Internal Affairs Department of the Internal Revenue Commission.

Fr. John Glynn

Father John Glynn is a Catholic priest who was born in Ireland and migrated to Australia in 1961. In 1963 he came to PNG as a teacher and returned to Australia for studies in 1975. Father John was ordained a priest in 1980 and gained PNG citizenship in 1989 and has worked as a priest and teacher, primarily in New Ireland, Manus, and in Port Moresby since 2001. Fr John is patron of the Youth Against Corruption Association.

Richard Kassman

Richard is a dynamic executive manager with experience built over 28 years predominantly within the insurance & risk management industry plus in tourism & hospitality. He has worked at executive management levels with major insurance multinationals, including being on the local Boards of these companies in PNG. Mr. Kassman is well recognized in PNG not just in the field of insurance but has served as a Director on a number of industry and professional boards & institutes and also on commercial government entities, such as Director of Air Niugini, the Independent Public Business Corporation, industry Bodies: PNG Insurance Council, PNG Institute of Directors, and the International Education Agency. He is currently engaged as a business consultant on a project undertaking a feasibility to establish a new insurance underwriting company for a group of PNG resource owners.

Anna Kerepia

Anna Kerepia's affiliations have been with the NVS Board, Community Development Scheme Advisory Committee and the Board, YWCA Port Moresby.

Dr John Nonggori

Dr. John Nonggori is a graduate of the University of Sydney, Australia, Post Graduate Legal Training Institute, PNG, University of London (UK), and University of Guinea. He has worked in PNG, Australia, Indonesia, Vanuatu, Solomon Islands and Fiji. Dr. Nonggor specialises in university level teaching and research in constitutional law, indigenous laws, mining and natural resources law in PNG, Ph.D. research on mining law and contracts in PNG. He has published books and articles on some of these topics. Among other positions, Dr Nonggor has tutored at the University of Sydney, UPNG, been the Dean of the Law School, UPNG, and a Legal Officer with the Office of the Solicitor General, Department of Justice (PNG).

Ian Tarutia MBE

Ian Tarutia is the Chief Operating Officer of NASFUND (Superannuation Fund for Private Sector workers) where he has worked for over 18 years. He also serves as Chairman of the NASFUND Contributors Savings & Loan Society and is a Director on the Board of Ramu Sugar Ltd, Amalpack Ltd T (PNG), and PNG Institute of Directors. He has professional affiliations with the Australian Institute of Company Directors as a Fellow and the Australian Institute of Securities, Finance and Banking. He is also President of the Badil Club of Papua New Guinea, a networking association of professionals from across the business and government circles.

Mel Togolo CBE

Mel Togolo is a foundation board member of TI (PNG). He is a graduate of the University of Papua New Guinea, University of Leeds (UK) and University of Hawaii (USA). He works, as General Manager, Corporate Affairs, for Placer Done, one of the largest gold mining companies in the world. Mr Togolo is on the board of Westpac Bank and NASFUND, the Council of the Institute of National Affairs, private sector research organisation and Jesus Centre Halfway House, a rehabilitation centre for street and homeless children. He is the immediate past President of the Business Council of Papua New Guinea.

TI (PNG)'s Board of Directors is fully committed to fighting corruption and strengthening governance in PNG.

Donations

A total of PGK109,690 was contributed by donors and members in 2005.

Individual Member Donations

A total of PGK2,240 was donated by the 75 individual members who contributed in 2005. The average amount donated by individual members was PGK29.86

Corporate Member Donations

A total of PGK107,100 was donated by the 46 Corporate Members who contributed in 2005.

The average amount donated by these members was PGK2328.26.

Up to PGK1,000

- Allens Arthur Robinson
- Pacific Rim Plantations
- Central Supply and Tenders
- PricewaterhouseCoopers (*in-kind*)
- Coca-Cola CCA Amatil
- QBE Insurance (PNG) Inc.
- Internal Revenue Commission
- Shell (PNG) Limited
- Kina Finance Limited
- South Pacific Brewery

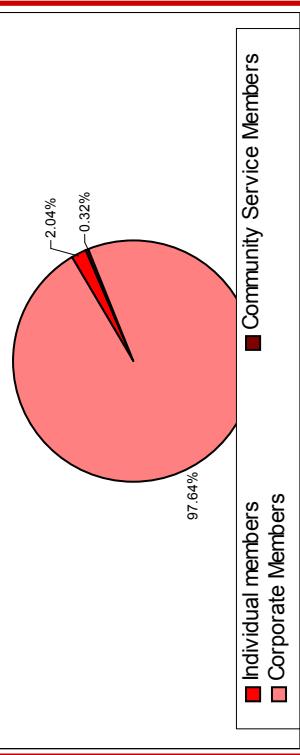
Between PGK5,000 and PGK10,000

- NASFUND Limited
- Oil Search Limited
- Ok Tedi Mining Limited
- Placer Niugini

More than PGK10,000

T1 PNG Member donations 2005

- Bank of South Pacific
- POSF Limited
- East New Britain Supermarkets
- Ramu Sugar Limited Ltd.
- Rio Tinto
- Johnston's Pharmacies Limited
- Trukai Industries Limited
- Lamana Hotel
- VNR Carpenter (PNG) Ltd.
- Mineral Resources Group of Companies



Financial Data

Project Income	
AusAID Income	
CDS - Towards 2007 project	K158,525
TI(S) Income	
TI (S) - Communications officer seed fund	K39,278
Total Project Income	<u>K197,803</u>

Balance Sheet	
Total Assets	<u>K345,165</u>
Total Liabilities	<u>K186,683</u>

Project Expenses	
CDS - Towards 2007	K140,636
TI (S) Funding	K39,278
Total Project Funding - Expenses	<u>K178,914</u>

Core Income	
Subscriptions & Donations	K109,690
DFID (TINZ) - Core funding**	K12,566
Bank a/c interest	K1728
Project Management fee	K2,623
Reimbursements	K42,699
Staguru Fund proceeds	K15,389
IPBC - JN Board sitting fee	K7,670
Logistics service fee	K1,050.00
Total Core Income	<u>K193,445</u>
Total	<u>K391,218</u>
<i>Extraordinary Write-off</i>	K144,109
INCOME TOTAL	<u>K535,327</u>

The Association Committee has determined that the accounting policies used and described in our report are consistent with the financial reporting requirements of the Association.

- PricewaterhouseCoopers -

1 March 2006

PricewaterhouseCoopers—Explanation of Audit



PricewaterhouseCoopers
0th Floor Credit House
Cuthbertson Street
PO Box 484
PORT MORESBY
PAPEA NEW GUINEA
Website: www.pwco.com.pg
Telephone: (675) 321 1500
Facsimile: (675) 321 1428

The Board
Transparency International Papua New Guinea Inc
PO Box 591
PORT MORESBY NCD

1 March 2006

Subject: Explanation for the issuance of a qualified audit opinion
for the year ended 31 December 2005

Dear Board Members

The purpose of this letter is to clarify the reasons underlying the qualified audit opinion which we propose issuing in respect of the 31 December 2005 financial report of Transparency International Papua New Guinea Inc (TI PNG). The nature of the qualification relates to the opening balances, which were the subject of the audit report qualification in the previous year ended 31 December 2004 financial report.

While we have been able to fully satisfy ourselves in relation to the current year transactions that enter into the determination of the Association's results and financial position in 2005, because of the qualifications raised in respect of the closing balances in the previous year, and their impact on opening balances, we are required under International Standards on Auditing to highlight this fact and the impact it has on the results for the year. This is only a technical qualification based on the balance sheet as at 31 December 2004, (opening balance sheet for 2005) being qualified and not to be read as a qualification of the 2005 financial position.

This technical qualification is necessary because a number of adjustments were required to be posted to correct the balance sheet as at 31 December 2005. These adjustments relate to transactions arising in prior years and therefore distort the results of the current year but not the end financial position of the Association.

We fully understand the impact a qualified audit report has on an organization such as TI PNG, and it is particularly unfortunate considering the combined efforts of both the TI PNG staff and my team that we have had to insert this qualification, however, it is simply a technical qualification required under International Standards on Auditing. However, the Board can now take comfort that the financial position as at 31 December 2005 is now materially correct and that TI PNG can expect an unqualified opinion going forward, subject to the ongoing proper maintenance of TI PNG's accounting systems and records. Based on the significant improvements in controls, operations and resources in 2005, we are confident that this is achievable.



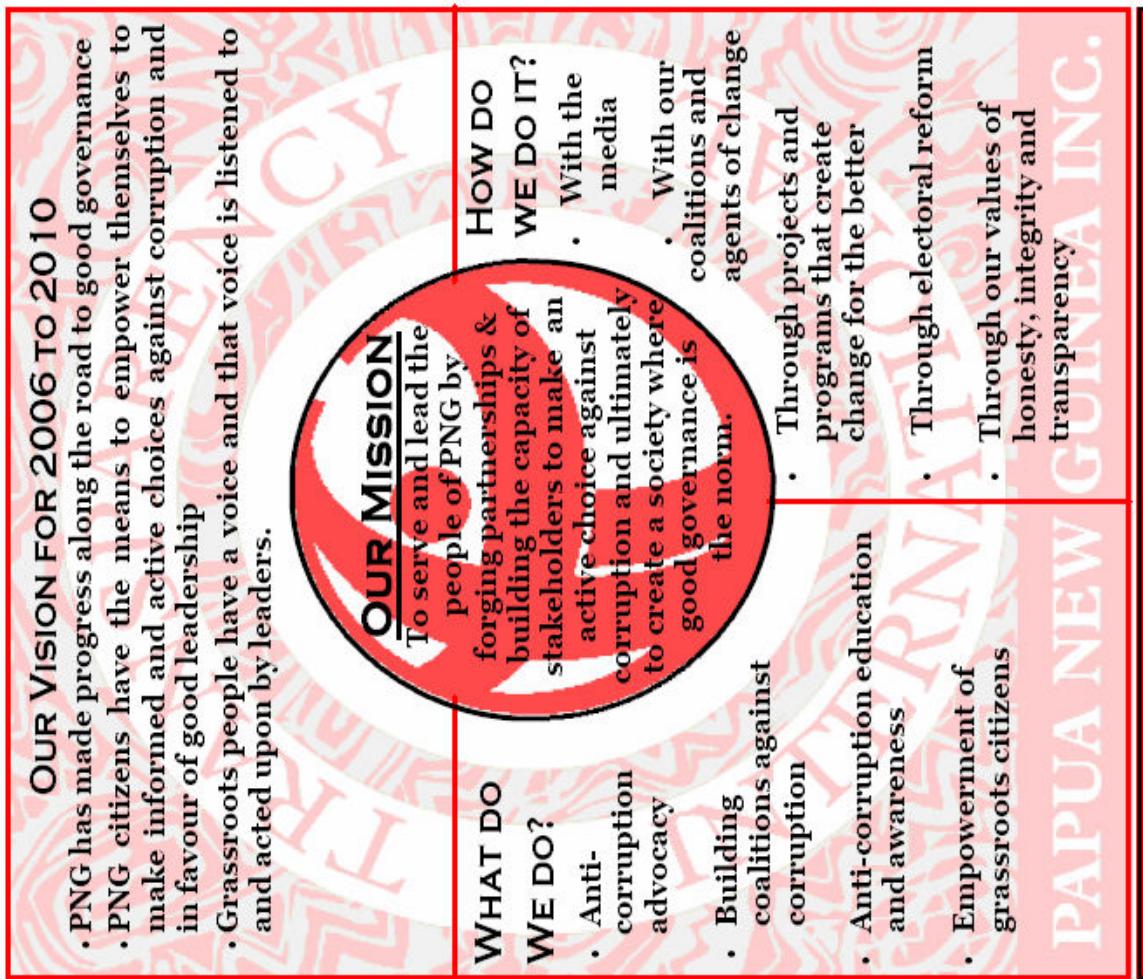
I trust that the foregoing adequately explains the qualification contained in our proposed audit report, however, should you require further clarification, please do not hesitate to contact me or Amy Curningham on 3211 500.

Yours sincerely

Jonathan Seeto
Partner

(2)

2006 and beyond



2006 and beyond



Transparency International PNG

WORKPLAN 2006

WHAT WE'RE DOING TO STRENGTHEN THE NATIONAL INTEGRITY SYSTEM

STRATEGIC PRIORITIES		STRATEGIC PROJECTS 2006		BETTER COMMUNICATION MANAGEMENT		BETTER FINANCIAL MANAGEMENT		BETTER INFORMATION MANAGEMENT	
Electoral Reform & Awareness	Good governance & anti-corruption education	Building Coalitions	FUTURE THINKING	Working with Government	Research & Advocacy				
<ul style="list-style-type: none"> LPV awareness Leadership awareness (civics and citizenship) Lobbying for Electoral Reform Electoral Roadshows Monitoring of OLI/PAC/Political Parties and Candidates 	<ul style="list-style-type: none"> Supporting the strengthening of the Youth Against Corruption movement, including an action plan Supporting the strengthening of the CCAC, including a plan of action and 4 regional forums War on corruption including, quarterly newsletter, monthly e-newsletter, media statements and releases, monthly newspaper columns, Website maintenance, NPF scoreboard Building grassroots support through a more effective communications strategy Business Principles for Counteracting Bribery distribution Supporting the formation and development of TI sub-chapters in Lae including an action plan Resource sharing in region 	<ul style="list-style-type: none"> "Paying the Public or "Caring for Constituents" – pilot survey of volunteer NPF's NCD Bribery Index 2005 Domestic Corruption Perceptions Index (Province by Province) Corruption Barometer (modeled on the Global Corruption Barometer), National Integrity System Study 	<ul style="list-style-type: none"> Public procurement – NCD / Central Supply and Tenders Board Lobbying for an independent Commission Against Corruption Budget transparency – NCD schools and hospitals Tracking resource equity Lobbying for Freedom of Information legislation Lobbying for Whistleblower Legislation "Focus on good governance" – status reports on fisheries, logging, and other resource sectors. 	<ul style="list-style-type: none"> Core staff capacity building and support Ongoing donor management Ongoing capacity building of Communications Officer Ongoing stakeholder management Ongoing handling of complaints and reports of corruption Board liaison 	<ul style="list-style-type: none"> Core staff capacity building Ongoing government relationship management Ongoing sourcing of funding Ongoing donor management Board liaison 	<ul style="list-style-type: none"> Core staff capacity building Ongoing government relationship management Ongoing donor management Ongoing communication management Board liaison 	<ul style="list-style-type: none"> Core staff capacity building Ongoing donor management Ongoing capacity building of Communications Officer Ongoing stakeholder management Ongoing handling of complaints and reports of corruption Board liaison 	<ul style="list-style-type: none"> Core staff capacity building Ongoing government relationship management Ongoing donor management Ongoing communication management Board liaison 	<ul style="list-style-type: none"> Core staff capacity building Ongoing donor management Ongoing capacity building of Communications Officer Ongoing stakeholder management Ongoing handling of complaints and reports of corruption Board liaison

Appendix 1

Transparency International Papua New Guinea Inc

Financial Report for the year ended 31 December 2005

	Page No.
Statement by Committee Members	1
Independent Audit Report to the Members	2
Income and Expenditure Statements	4
Balance Sheet	5
Cash Flow Statement	6
Notes to and Forming part of the Financial Statement	7
Detailed Income and Expenditure Statement (Unaudited)	16

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
STATEMENT BY COMMITTEE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. The surplus for the year ended 31 December 2005 amounted K130,679 (2004 - surplus of K26,051). When the extraordinary write-back of K144,109 is applied, a deficit for 2005 of K13,430 is left. The write-back arises from unreconciled project funds since 2002. This has been corrected and the write-back is necessary to properly reflect the state of TI PNG's financial position for 31 December 2005.
2. The payment of any dividend or any payment in the nature of a dividend to its members is prohibited under the rules of Transparency International Papua New Guinea Inc (the Association).
3. As stated in Note 1(a) to the financial statements, this is a special purpose financial report that has been prepared to comply with the rules of the Association and must not be used for any other purpose.
4. The financial statements have been drawn up in accordance with accounting policies as described in Note 1.
5. In the opinion of the Committee Members of the Association:

- (a) the financial report and notes, set out on pages 4 to 17, give a true and fair view of the financial position of the Association as at 31 December 2005 and the results and cash flows of the Association for the year ended 31 December 2005
- (b) at the date of this statement, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Association Committee:

Committee Member
Peter Atkins
Dated in Port Moresby, this **8th** day of **March**, 2006

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
PricewaterhouseCoopers 6th Floor, Citygate House Collaboration Street PO Box 181 PORT MORESBY PAPUA NEW GUINEA Website: www.pwc.com.pg Telephone: (675) 321 1510 Facsimile: (675) 321 1428

Qualified audit opinion

In our opinion, because of the limitation on the scope of our work as described in the qualification paragraph, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitation in scope not existed, we are unable to and do not express an opinion as to whether the income statement for the year ended 31 December 2005 is presented, in accordance with the Associations Incorporation Act (the Act) and accounting policies described in Note 1 to the financial statements.

In our opinion, the financial report presents fairly, in accordance with the Associations Incorporation Act (the Act) and accounting policies described in Note 1 to the financial statements, the financial position of Transparency International Papua New Guinea Inc (the Association) as at 31 December 2005.

This opinion must be read in conjunction with the explanation rest of our audit report.

Qualification

Our audit opinion on the financial statements of the Association for the year ended 31 December 2004 was qualified as we were unable to determine whether the results for that year and the current project fund balance at the year end were fairly stated due to the lack of information and adequate supporting evidence. Management have reconciled the previous year unspent project fund balances and incorporated the necessary adjustments in the financial statements during the year ended 31 December 2005. However, we were unable to determine whether the financial position of the Association was fairly stated as at 31 December 2004 (opening balances) as these balances enter into the determination of the financial performance for the year ended 31 December 2005. Accordingly we are not in a position to, and do not express an opinion on the income statement for the year ended 31 December 2005. However the closing financial position at 31 December 2005 appears to be fairly stated and the qualification is limited to the results of the income statement for the year ended 31 December 2005.

Scope

The financial report and Association Committee's responsibility

The financial report, being a special purpose financial report, comprises the income and expenditure statement, balance sheet, cash flow statement, and the accompanying notes to the financial statements for Transparency International Papua New Guinea Inc (the Association) for the year ended 31 December 2005. It has been prepared for distribution to members for the purpose of fulfilling the Association Committee's financial reporting requirements under the Act.

The preparation of the financial report, being a special purpose financial report, for the year ended 31 December 2005 is the responsibility of the Association Committee of Transparency International Papua New Guinea Inc. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

PRICEWATERHOUSECOOPERS 

The Association Committee has determined that the accounting policies used and described in Note 1 are consistent with the financial reporting requirements of the Association.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the Association Committee and the members on their preparation and presentation. No opinion is expressed as to whether the accounting policies used are appropriate to meet the needs of the members. We disclaim any assumption of responsibility for any reliance on this audit report, or on the financial report to which it relates to any person other than the members, or for any purpose other than for that it was prepared.

In conducting our audit, we performed procedures to assess whether in all material respects the financial report presents fairly a view which is consistent with our understanding of the Association's financial position and its financial performance in accordance with the accounting policies described in Note 1 to the financial statements. These policies do not require the application of all International Financial Reporting Standards.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the reasonableness of significant accounting estimates made by the Association's Committee.

While we considered the effectiveness of management's internal control over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the Association Committee.

Independence

In conducting our audit, we followed applicable independence requirements of the Papua New Guinea Institute of Accountants and the Companies Act 1997.



PricewaterhouseCoopers

By: J. C. Seato
Registered under the Accountants Act 1996
Port Moresby
Date: 9th March 2006.

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 K	2004 K
Income			
Project funding	4	158,525	206,907
Core funding	4	376,802	206,907
		<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
Expenses			
Project expenses		(140,636)	(180,856)
Core expenses		(264,012)	(180,856)
		<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
Surplus for the year		130,679	26,051
		<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

The above income and expenditure statement is to be read in conjunction with the notes on pages 7 to 15.

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC

BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	2005 K	2004 K
MEMBERS' FUNDS			
Members' funds brought forward		56,004	29,953
Surplus for the year		130,679	26,051
TOTAL MEMBERS' FUNDS		186,683	56,004
Represented by:			
NON-CURRENT ASSETS			
Property, plant and equipment	5	35,636	24,062
TOTAL ASSETS		186,683	56,004
CURRENT ASSETS			
Cash and cash equivalents	6	269,774	161,733
Accounts receivable	7	39,755	-
TOTAL ASSETS		309,529	161,733
TOTAL LIABILITIES		345,165	185,845
Creditors and accruals	8	12,137	-
Unspent core funds	9	68,847	-
Employee provisions	10	77,050	129,841
	11	448	-
TOTAL LIABILITIES		158,482	129,841
NET ASSETS		186,683	56,004


 Committee Member
Peter Arts
 Signed in accordance with a resolution of the Association Committee at Port Moresby.
 This 8th day of March, 2006

The above balance sheet is to be read in conjunction with the notes on pages 7 to 15.

	Notes	2005 K	2004 K
CASH FLOW STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 2005			
Cash flows from operating activities			
Subscriptions and donations received		109,690	100,732
Other income and activity receipts		174,733	23,006
Payments to suppliers and employees		(255,231)	(146,368)
Net cash inflow/outflow from operating activities		29,192	(22,630)
Cash flows from investing activities			
Interest income	4	1,728	9,107
Sale proceeds of fixed assets		-	8,000
Purchase of fixed assets		(17,869)	(10,275)
Net cash inflow/outflow from investing activities		(16,141)	6,832
Cash flow from funding activities			
Project funding received		235,575	287,544
Project funds paid out		(140,635)	(301,103)
Net cash inflow/outflow from funding activities		94,940	(13,559)
Net cash inflow/outflow during the year		107,991	(29,357)
Cash and cash equivalents brought forward		161,783	191,140
Cash and cash equivalents carried forward	6	269,774	161,783
The above cash flow statement is to be read in conjunction with the notes on pages 7 to 15.			

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

(a) Basis of accounting

In the opinion of the Chairperson of the Association, Transparency International Papua New Guinea Inc is not a reporting entity because there are no users dependent on general purpose financial reports. The financial statements have been drawn up as special purpose report for distribution to the members to comply with the rules of the Association and must not be used for any other purpose.

The Balance Sheet and Income and Expenditure Statement have been prepared on a going concern basis using the accruals basis of accounting. They have been prepared on the basis of historical cost they do not take into account changing money values or current valuations of non-current assets. Except where noted, the accounting policies have been consistently applied. The Association has prepared an unaudited Detailed Income and Expenditure Statement on pages 16 and 17, in addition to the Balance Sheet and Income and Expenditure Statement on pages 4 and 5. The Income and Expenditure Statement has been prepared on an accruals basis.

The Committee has determined that the accounting policies adopted are appropriate to meet the needs of the users of the Association's financial statements and has determined that it is not necessary to include all the detailed disclosures, required by International Accounting Standards and other mandatory professional reporting requirements in Papua New Guinea as these are in excess of legal requirements under the Associations Incorporations Act.

(b) Revenue recognition

Revenue is recognised as follows:

(i) Project funding

Funding received by the Association as manager for specified projects is treated as a liability (in respect project funds) and reduced as project expenses are incurred.

(ii) Core funding

Revenue is recognised when it is received into the bank account except where the terms of the funding agreement require initial recognition of a liability (unspent core funds) which is then reduced as core expenses are incurred.

The financial members of the Association are made up of individuals, volunteers and corporate members. The membership subscription fees are not enforceable to the members. However, the members contribute to the organisation what ever the amount they wish to donate. The association maintains an up to date register of members. Subscriptions and donations income are recognised on cash basis.

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TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC

NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

(c) Income tax

The Association is exempt from income tax under Section 26 of the Papua New Guinea Income Tax Act. Donations to the Association are tax deductible to the donor.

The Association is exempt from income tax as it is a charitable body under Section 25A of the Income Tax Act.

Donations to the Association are also deductible to the person/entity under Section 69E of the Income Tax Act.

(d) Property, plant and equipment

Depreciation is calculated on a diminishing value basis so as to write off the cost of fixed assets over their effective working life. Additions are depreciated from the month of acquisition, or the date they are first used, whichever may be more appropriate.

The principal rates in use are:

Motor vehicle	30%
Office equipment	20%
Office furniture	15%

(e) Cash

For the purposes of the Balance Sheet cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(f) Creditors and accruals

These represent liabilities for goods and services provided to the Association prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Employee provisions

Liabilities for annual leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

2. INCORPORATION AND PRINCIPAL ACTIVITIES

The Association was launched on 24 January 1997 and was incorporated under the Associations Incorporation Act in Papua New Guinea as a non-profit organisation on 2 December 1996.

The principal activities of the Association are:

- (i) to raise public awareness and advance the general education of the public in matters relating to the nature and consequence of corruption in international business transactions, including overseas development initiatives and existing and other guidelines which exist to combat corruption; and
- (ii) to promote, undertake or commission research for the public benefit in matters relating to the nature and consequence of corruption in international business transactions and the cost of effectiveness of overseas development initiatives and to disseminate the useful results of any such research; and
- (iii) to support and promote the charitable educational aims and objectives of Transparency International, a not for profit organisation under German Law, and in particular to assist in securing support in Papua New Guinea for standards of conduct designed to promote transparency and accountability in international business transactions, and to cooperate with other charitable organisations throughout the world with similar objectives; and
- (iv) to provide assistance and expertise to parties to international business trade, investment and economic and social development to assist them in ensuring compliance with existing anti-corruption legislation and Standards of Conduct established in conjunction with Transparency International in Germany and other bodies of similar orientation; and
- (v) to give the legislative and public bodies and other facilities for conferring with and ascertaining the views of persons and institutions engaged in combating corruption as regarding matters directly or indirectly affecting that activity; and
- (vi) to arrange, provide organise or promote alone or with others the provisions of conferences, lectures, seminars, meetings, courses, exhibitions, training, information and advisory services and other events and services in furtherance of the objects of the association; and
- (vii) to write, make, prepare, edit and print, publish, issue and circulate gratuitously or otherwise reports, periodicals, books, pamphlets, leaflets, articles, films, video tapes, computer software, electronic devices, materials for study or other documents in furtherance of or necessary for the promotion of the objects of the association, or procure any of the above acts.

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

3. LIABILITY OF MEMBERS

The members of the Association are not liable to contribute toward the payments of the debts and liabilities of the association or the costs, charges and expenses of the winding up of the association.

4. REVENUE

	2005 K	2004 K
Project funding	109,690	100,732
CDS - Towards 2007	1,728	9,107
Core funding	15,389	-
Subscriptions and donations	42,699	-
Interest income	39,278	-
Sagaro Fund Proceeds	12,566	-
Reimbursements	155,452	97,068
Transparency International Berlin	376,802	206,907
NZ Aid		
Other		
Total income	<u>535,327</u>	<u>206,907</u>

ANNUAL REPORT 2005

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

5. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles K	Office Equipment K	Office Furniture K	Total K
Cost				
At 1 January 2005	10,000	38,337	1,738	50,075
Additions	-	16,307	1,562	17,869
Disposals	-	-	-	-
At 31 December 2005	10,000	54,644	3,300	67,944
Depreciation				
At 1 January 2005	2,336	23,037	640	26,013
Charge for the year	2,299	3,774	222	6,295
Disposals	-	-	-	-
At 31 December 2005	4,635	26,811	862	32,308
Net Book Value	5,365	27,833	2,438	35,636

At 31 December 2005

Depreciation

At 1 January 2005

Charge for the year

Disposals

At 31 December 2005

Net Book Value

At 31 December 2005

Net Book Value

At 31 December 2004

6. CASH AND CASH EQUIVALENTS

	2005 K	2004 K
Bank of South Pacific - Core Funding Account	80,296	60,939
Bank of South Pacific - Project Funding Account	72,264	-
Petty cash	200	200
Investments in treasury bills	101,404	-
Investments in term deposits	-	100,644
Siaguru Endowment Fund	15,610	-
	269,774	161,783

Bank of South Pacific - Core Funding Account
 Bank of South Pacific - Project Funding Account
 Petty cash
 Investments in treasury bills
 Investments in term deposits
 Siaguru Endowment Fund

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

7. ACCOUNTS RECEIVABLE

	2005 K	2004 K
Reimbursement of expenses:		
British High Commission	2,300	-
UNDP	25,580	-
CIMC	11,875	-
	39,755	-

8. CREDITORS AND ACCRUALS

	2005 K	2004 K
Other creditors and accruals	12,137	-

9. UNSPENT CORE FUNDS

	2005 K	2004 K
NZ Aid	68,847	-

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
 NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2005

10. UNSPENT PROJECT FUNDS

	2005 K	2004 K
Election Audit Project		
Income - AusAid	-	266,360
Expenditure	-	(226,346)
Balance brought forward	40,014	-
Project funds written off	(40,014)	-
Balance carried forward	-	40,014
Election Observation Project		
Income - AusAid	-	21,184
Expenditure	-	(16,520)
Balance brought forward	4,664	-
Project funds written off	(4,664)	-
Balance carried forward	-	4,664
Electoral Reform Project		
Income - European Union	-	-
ERP interest income	-	(85,251)
Expenditure	-	85,251
Balance brought forward	-	-
Balance carried forward	-	-
Freedom of Information Project		
Adjustment	-	(21,415)
Balance brought forward	-	21,415
Balance carried forward	-	-
Education Project		
Adjustment	-	65
Balance brought forward	-	(65)
Balance carried forward	-	-
Governance Project		
Adjustment	-	(488)
Balance brought forward	-	488
Balance carried forward	-	-
Public Sector Reform Monitoring Unit Project		
Income - ADB	-	-
Adjustment	-	(7,348)
Balance brought forward	24,981	32,329
Project funds written off	(24,981)	-
Balance carried forward	-	24,981

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TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
 NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2005

10. UNSPENT PROJECT FUNDS (Continued)

	2005 K	2004 K
Corruption Awareness Project		
Income - ADB	-	-
Expenditure	-	42,062
Balance brought forward	-	(42,062)
Project funds written off	-	-
Balance carried forward	-	42,062
Strategic Planning Workshop		
Income - ADB	-	-
Expenditure	-	18,120
Balance brought forward	-	(18,120)
Project funds written off	-	-
Balance carried forward	-	18,120
CDS - Towards 2007 Project		
Income - CDS	-	-
Expenditure	-	235,575
Balance brought forward	-	(235,575)
Balance carried forward	-	-
Total unspent project funds carried forward	77,050	129,841

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TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
NOTES TO AN FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

11. EMPLOYEE PROVISIONS

	2005 K	2004 K
Annual leave	448	-

	2005 K	2004 K
INCOME		
Project funding	158,525	-
CDS - Towards 2007 Project	158,525	-
Core funding		
Subscriptions and donations	109,690	100,732
TI Berlin funding	39,278	-
NZ Aid funding	12,566	12,097
Interest income	1,728	9,107
Project Management Fee	2,623	27,014
Reimbursements of expenses	42,699	-
Adjustment in relation to Freedom of Information Project	-	-
Adjustment in relation to Education Project	-	-
Adjustment in relation to Governance Project	-	-
Adjustment in relation to Public Section Reform - Monitoring Unit Project	-	-
Adjustment in relation to 2003 Creditors & Accruals	7,348	17,862
Siaguru Fund proceeds	15,389	-
IPBC - IN Board sitting fee	7,670	-
Logistics service fee	1,050	-
Write off unspent project funds	144,109	-
Total income	376,802	206,907
Total expenses (see next page)		
(404,648)	(180,856)	-
Net surplus	130,679	26,051

TRANSPARENCY INTERNATIONAL PAPUA NEW GUINEA INC
DETAILED INCOME AND EXPENDITURE STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 K	2004 K
Core expenses		
Advertising	58,116	15,568
Audit fees	3,000	-
Bank charges	522	202
Consultancy fees	-	3,036
Conference & meetings	2,146	3,373
Depreciation	6,295	6,336
Adjustment in relation to 2003 receivables	-	22,391
General expenses	1,162	762
Hire of facilities	3,400	-
Internet charges	3,890	2,930
Insurance	2,583	5,150
Legal expenses	700	1,000
Loss on sale on fixed assets	-	5,090
Motor vehicle expenses	9,266	13,535
Office maintenance	4,807	4,441
Petty cash expenditure	-	1,572
Postage	3,565	449
Printing and stationery	9,164	2,040
Recruitment expenses	4,335	-
Rent	38,050	33,725
Salaries and wages	74,975	51,027
Staff amenities	1,023	-
Subscriptions	200	711
Travel & Accommodation	22,805	6,532
T/Bills - Withholding Tax	4	-
Telephone and fax	14,004	8,451
Adjustment in relation to the correction of previous years' errors	-	(7,475)
Total expenses	264,012	180,836
	-404,648	180,836

Appendix 2—Membership Form

Tear out or photocopy this page and pass it on to your friends, family and colleagues so they too can join us in the fight against corruption.

Name:	
Organisation:	
Mailing Address:	
Phone:	
Mobile:	
Fax:	
E-mail:	

Post To:
Transparency International (PNG) Inc.
PO Box 519,
Port Moresby,
National Capital District

Membership & Fees

Individuals, organisations, and businesses are invited to join TIPNG. Within each category of membership, except for government departments, there is a choice in membership fees. Select the category to which you belong and then determine how much you wish to invest in fighting corruption in PNG. Each new member will receive a membership certificate and a quarterly newsletter. Each member is entitled to attend, hold office and vote at the annual general meeting. Each member will be encouraged to take an active role in the campaign against corruption in PNG.

Telephone: 320 2188 or 320 2182
Fax: 320 2189
Email: tipng@daltron.com.pg
Website: www.transparencypng.org.pg

Payment Method:

By Cheque:

Post to the above address with the membership form included

By Account Transfer:

Make transfer to BSP (Pom Branch) Account Number 1000038232 then post membership form and receipt to the address above. **DO NOT SEND CASH IN THE MAIL.**

TYPE (TICK TO INDICATE)	ANNUAL FEE RANGE
Individual Members (PNG)	K 5+
Individual Members (International)	K 50+
Community Service (Churches, NGO's)	K 100+
Professional firms, Statutory Bodies and business Corporations	K 1,000+

Transparency International (PNG) Inc.



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