

MB1215BS



PAPUA NEW GUINEA CUSTOMS
ANNUAL REPORT 2014



2014

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Minister's Remarks

HON. PATRICK PRUITICH, MP Minister for Treasury

As the Minister responsible, I orchestrated and drove the implementation of modernization policies and programs that brought the much-needed changes to raise its standard in terms of implementation and service delivery to the Government and the people of Papua New Guinea.

efficiency and enable PNG Customs to be economically competitive in delivering its mandated core functions of Border Security, Trade Facilitation and Revenue Collection.

The installation and operation of container x-ray examination facilities for the major ports of Port Moresby and Lae are huge investment by the Government. The use of these facilities will substantially modernize trade facilitation resulting in increase boarder security and more efficient trade facilitation. As such, it is indeed set to elevate industry confidence including that of the existing and prospective investors thus promoting trade and investment in the country. It is a milestone project for the Government and will raise the profile of the country in terms of facilitating and promoting international trade.

The number of border operations and enforcement activities conducted by PNG Customs is commendable. Substantial amounts of contrabands and smuggled goods were detected, seized and destroyed. It is pleasing to note that through these efforts, PNG Customs continues to protect our economy and the society from the insidious effects of transnational crimes such as poaching of natural resources, drug trafficking, gun smuggling and smuggling of illicit and dangerous items into the country, and the evasion of duties and taxes through smuggling of goods. Trade facilitation is fundamentally indispensable to the growth of our economy. Whilst I commend the tireless efforts of PNG Customs in ensuring trade facilitation is conducted in a fairly timely fashion, I strongly urge it to continue to embrace modernization measures designed to enhance its trade facilitation role. This will foster and underpin sustainable trade and investment in our country resulting in increased economic growth, tangible benefits of which will be ultimately realized by our people.

I greatly applaud the revenue collection efforts of PNG Customs. It collected total revenue of K2.522 billion for financial year ending 2014. Though the collection is down by K103.69 million

PNG Customs has evolved into a competent and robust government border agency since its establishment as a separate government entity in 2010. As the Minister responsible, I orchestrated and drove the implementation of modernization policies and programs that brought the much-needed changes to raise its standard in terms of implementation and service delivery to the Government and the people of Papua New Guinea.

In 2014, under my leadership and foresight as the Minister responsible for PNG Customs, the O'Neil-Dion Government transformed PNG Customs into a statutory authority with the passage of the *PNG Customs Service Act 2014*. This was in accordance with the Government's policy decision to isolate PNG Customs from the Public Service milieu and streamline it to achieve operational efficiency and meet Government's expectations in terms of Border Security, Trade Facilitation and Revenue Collection.

The consistent and increasing support from the O'Neil-Dion Government immensely accelerated the implementation of the modernization programs. The organizational structure, business processes and systems were streamlined to achieve operational





against budget projection of K2.626 billion, it is still a commendable achievement given the substantial amount of revenue (K1.7 billion) foregone through exemption and incentives. I am confident, PNG Customs can collect more and above budget projections in the years to come.

On behalf of the O'Neil-Dion Government and the people of Papua New Guinea, I highly commend and thank the Management and staff of PNG Customs for their tireless efforts and commitments in delivering excellent outcomes in terms of PNG Customs core functions of Border Security, Trade Facilitation and Revenue Collection.

I would also like to challenge the management and staff of PNG Customs to continue to strive to effectively manage risks and utilize resources wisely within the spirit of the principles of good governance to derive optimal outcomes. I am satisfied with the platforms provided in the Customs Service Plan 2013-2017 as they ideally promote capacity building, reforms and modernization aimed to foster and underpin increased service delivery with optimal results.

The O'Neil-Dion Government is firmly focused on public sector reforms that encourage and promote optimal implementation and improvement in service delivery. The Government recognises the strategic roles performed by PNG Customs and its challenges to meet Government expectations. As such, the National Government is committed to supporting and assisting PNG Customs effectively discharge its core functions of Border Security, Trade Facilitation and Revenue Collection; and deliver services to the Government and the people of Papua New Guinea with optimal results. The Government has increased budget appropriation to PNG Customs with an allocation of K63.498 million in 2014 compared to K44.262 million in 2013. This clearly demonstrated the Government's commitment in supporting PNG Customs and it would maintain this support.

The marked deliverables achieved for 2014 demonstrates robust and wise management of the budget and resources by the PNG Customs Management. It is important to maintain effective management to continue this trend in achievement that underpins and sustains optimal service delivery and economic growth.

It gives me great pleasure to again sincerely applaud and thank the hardworking staff and management of PNG Customs for the excellent performances and outcomes delivered in 2014.

Let me encourage Customs Officers throughout the ports in the country to continue to discharge their daily duties with passion and commitment in delivering the core mandated functions with optimal results to the expectation of the Government and the people of Papua New Guinea.

With that, I wish the Management and Staff of PNG Customs good health and success for the financial year 2015.
God Bless PNG Customs! God Bless Papua New Guinea!

HON. PATRICK PRUAITCH, CMG, MP
Minister for Treasury





Commissioner's Preview

RAY PAUL Commissioner of Customs

Our prudent management and tireless efforts and commitments saw us delivering another year of success highlighted with optimal achievements and outcomes. The good performance outcomes are attributed to the effective implementation of our Service Plan 2013-2017. The steady increase in volume of trade owing to surge in the mineral and petroleum sector with rippled effects in the other industries continued to feature prominently in posing enormous challenges to PNG Customs. These challenges were exacerbated by manpower shortage and capacity deficiencies faced by PNG Customs.

shortcomings encountered exacerbated these challenges faced by PNG Customs.

Despite these dilemmas, our prudent management and tireless efforts and commitments saw us delivering another year of success highlighted with optimal achievements and outcomes. The good performance outcomes are attributed to the effective implementation of our Service Plan 2013-2017. It is aligned with National Development Plans and sets out clear strategies, the implementation of which are geared towards realizing optimal outcomes in the performance of our core functions. Within the precinct of these strategies, we managed risks and made wise and better use of the limited resources to realize the optimal outcomes in the delivery of our core mandates of Border Security, Trade Facilitation and Revenue Collection.

A large number of contraband items and illicit goods were detected, seized and destroyed. Perpetrators of smuggled goods were also fined and dealt with under the customs laws. As mandated, we continue to protect our society and economy from the harmful effects of contraband goods and transnational crimes such as poaching of resources, drug and firearms trafficking, and smuggling of goods resulting in evasion of revenues (taxes & duties) lawfully due to the State.

Further, we are committed to facilitating legitimate trade in a secured trading environment that fosters and encourages sustainable trade and investment. At the same time, we protect the society from the harmful effects of contraband goods and transnational crimes; and collect the appropriate revenues lawfully accruing to the State from these trades.

Our revenue collection for 2014 was down by K103 million (4%) against budget projection of K2.626 billion. However, the actual collection of K2.522 billion is better still a commendable

The year 2014 was quite a significant and memorable era for PNG Customs Service as it pursued and successfully gained Statutory Authority status with the passage of the *Papua New Guinea Customs Service Act, 2014*. The Act conferred on PNG Customs the liberty and impetus to streamline and modernize its governance systems and processes to achieve and sustain operational efficiency and optimal performance outcomes.

The increase in allowances and salaries of officers through the implementation of the Act, towards the end of 2014, has positively impacted on the performance and productivity of the Customs officers. This trend in performance and productivity is set to increase in the years to come.

However, the challenges encountered in 2014 did not differ much with that experienced in the previous years. Though a slight decrease in volume of trade was experienced ensuing completion of the LNG Project in the first quarter of 2014, the substantial investment by the Government in infrastructure development in preparation for South Pacific Games saw the trade volume picked up and continue to increase.

The challenges consequential to increasing volume of trade triggered by surge in the mineral and petroleum industries with rippled effect in other industries remained unchanged for the entire year 2014. The capacity deficiencies and manpower



and satisfactory effort given the substantial amount of revenue (K1.7 billion) foregone through State sanctioned exemptions and incentives. A significant amount of revenues in billions of kina were detected through system audits conducted towards the end of the year and we anticipate to collecting them in the subsequent year.

We continue to implement customs modernization programs in line with the World Customs Organization's recommended best practices. This had immensely assisted us in improving our service delivery with optimal outcomes. We are set to continue to embrace the modernization of our systems and procedures to attain greater efficiency and productivity in the discharge of our core roles.

The deficiencies and shortcoming encountered continue to affect effective implementation of our programs and strategies per the Service Plan, and the discharge of core functions. Regardless of this, we have performed well in 2014. It is with great delight and honour that I present in detail our performances outcomes and achievements in this 2014 Customs Annual Report.

The achievements and outcomes as presented in this Report attest the prudent management, tireless efforts and commitments of the hardworking Management and Staff of PNG Customs.

Let me avail myself of this opportunity to highly commend and extend my sincere appreciations to all the Customs Officers for their tremendous efforts and commitments in delivering these outstanding results as presented in this Report.

The O'Neil-Dion Government has been very supportive and provided required assistance and resources to PNG Customs in producing these good results as presented in this Report. I am sincerely thankful to our Minister for Treasury and the Government for the constant and increasing support and assistances accorded to PNG Customs. We are mindful of this increasing investment by the Government. As such, we stand committed to the Government and the people of Papua New Guinea to delivering our core-mandated roles with satisfactory results for the years to come as we continue to bring PNG Customs forward.

It gives me great pleasure to also extend my sincere appreciation to our key government enforcement partners, particularly the Royal PNG Constabulary, PNG Defence Force, PNG Immigration & Citizenship Service Authority, NAQIA, National Fisheries Authority, Border Development Authority, PNG Ports Corporation and all other stakeholders for their valuable cooperation and support towards PNG Customs in delivering these notable performance results to mark year 2014.

Further, the management and staff of PNG Customs Officers join me in conveying our heartfelt gratitude to our Australian counterparts working with us under the *Strongim Gavman Program*. Their tireless efforts and valuable support and assistance had greatly assisted us realized the optimal outcomes as detailed in this Report.

With that, I applaud and extend my deepest appreciations to all the committed and hardworking Customs Officers and their families for their tireless efforts and commitment in making 2014 a successful year with marked achievements and performance outcomes. May God bless and your family as you continue to serve PNG Customs Service, the Government and people of Papua New Guinea for the years to come.

RAY PAUL, OBE
Chief Commissioner of Customs



Foreword

PNG Customs' successful evolvement with marked performance outcomes is rooted in its staff work morality and principles. It continues to strive to make professionalism, good work ethics and principles of good governance the cornerstone of its officers' operations

PNG Customs Service continues to perform its traditional role of Border Protection, Trade Facilitation and Revenue Collection as mandated by the *Customs Act* and related laws. Through its border protection and enforcement roles, it ensures legitimate trades are facilitated and appropriate State revenues accruing from the trade are collected. It also imposes and collects revenues in respect of the production and sale of excise products pursuant to the *Excise Act*. Through its revenue collection role, PNG Customs accounts for approximately 20% of the annual national budget each year.

Customs officers present at more than 20 declared ports in the country execute these mandates. Interface and interactions with other border agencies and stakeholders within the spirit of coordinated border management continued to underpin productivity and optimal outcomes.

The attainment of statutory authority in 2014 by PNG Customs marked a significant era in its evolvement. The passage of the *Papua New Guinea Customs Service Act, 2014* conferred PNG Customs additional administrative powers and functions necessary to increase its operational efficiency and outputs. Indeed, the preliminary exercise of these powers and functions towards the end of 2014 had seen drastic improvements in the management resulting in increased productivity and performance outcomes of Customs Officers.

PNG Customs made 2014 another year of success with satisfactory level of achievements in its overall performance. These successes and achievements are presented in this 2014 Annual Report which measures against the objectives of the core outcomes set out in the Customs Service Plan 2013-2017

Revenue Collection for 2014 was satisfactory with a slight deficit of K103 million towards realizing the annual budget projection of K2.626 billion. The total actual revenues collected for the financial year of 2014 stands at K2.522 billion. Towards end of 2014, substantial amount of revenues were detected through audit including hanging entries, which if realized could have reached the annual budget projection. These revenues will be carried over to 2015 collections. A total of K1.7 billion in revenues were foregone in exemptions and concessions for 2014. PNG Customs' vigilant and continuous border security and enforcement efforts saw contrabands and illicit goods

detected, seized and destroyed. Illegal movement of people and conveyances across the border into the country were also controlled and contained, and dealt with under the laws. A number of joint patrols with Australian Customs and PNG law enforcement agencies were conducted along our maritime borders. PNG Customs seeks to continue to cooperate with all regional and national stakeholders in guaranteeing the supply chain security by facilitating trade in a secured environment to promote economic growth and prosperity of Papua New Guinea. The prudent planning and management plus the wise use of limited resources by the Customs Management had immensely assisted in producing the good performance outcomes. The achievements and optimal outcomes, as presented in this 2014 Annual Report, also attest the valuable support provided by Australian counterparts through the *Strongim Gavman Program* and the tireless efforts and commitments of the hardworking Customs Officers. With this good level of organizational management and staff productivity, PNG Customs continues to thrive in its service delivery to the Government and people of Papua New Guinea.

However, these positive outcomes were not easily realized in the backdrop of considerable challenges and difficulties perpetrated by increasing volume of trade owing to surge in infrastructure development in preparation for the Pacific Games. The challenges were exacerbated by manpower shortage and institutional capacity deficiencies.

PNG Customs has commenced and is continuing its investment and efforts in building its institutional capacity. It aims to bring it to a level that would sustain effective discharge of its main roles of Border Security, Trade Facilitation and Revenue Collection with optimal outcomes. Institutional capacity building and modernization continues to be high priority for PNG Customs as envisaged in the Customs Service Plan 2013-2017.

Recruitment will continue for the new Customs authority restructures and is set to be concluded in 2015. The increase in manpower and allowances paid to the officers had seen improvements in the discharge of our duties and services. This trend in performance is anticipated to continue and reach new heights when the entire positions within the new structure under the Customs Authority are filled.



A number of modernization Projects, both existing and new, were progressed in 2014 with funding from the Government. Of these is the Container X-Ray Examination Facilities Project, which was commenced in 2012. The Project is worth over K35 million. The completion and commissioning of this facility in Port Moresby is projected to be in mid 2015. In contrast, the construction of facility in Lae was met with protracted delays as a result of the default of the contracted construction company. The construction is set to commence sometimes in 2015.

This project will elevate the country's profile in terms of promoting trade and investment resulting in economic growth and prosperity. The use of these facilities will minimise customs clearance time and consequently reduce associated costs. At the same time, it will also guarantee supply chain security and ensure State revenues accruing from trade in duties and taxes are properly accounted and collected.

PNG Customs' successful evolvement with marked performance outcomes is rooted in its staff work morality and principles. It continues to strive to make professionalism, good work ethics and principles of good governance the cornerstone of its officers' operations. It has nurtured and instilled in its officers good work ethics and principles and continues to seek, train and encourage

them to be diligent and disciplined to deliver with high level of professionalism to its clients, the State and the people of Papua New Guinea. Customs officers are challenged and encouraged to continue to embrace discipline, integrity, principles of Christianity, honour and professionalism in the discharge of their designated duties in fulfilling PNG Customs' mandates, objectives and vision.

In summary, PNG Customs had performed well for the year 2014 in all the areas of its core functions. One of the highlights was its contribution in ensuring timely release of LNG construction materials that saw the successful completion of the LNG Project ahead of schedule. The Customs Management happily processed and facilitated clearance of the first shipment of natural gas, which marked a beginning of new era for Papua New Guinea.

The successful attainment of statutory authority through the passage of the *Papua New Guinea Customs Act, 2014* was also a historic achievement for PNG Customs.

This 2014 Annual Report presents the performances, outcomes and achievements of PNG Customs Service against the Service Plan 2013-2017 for the financial year ending 31 December 2014.



FACTS FOR 2014

The financial year 2014 was affected by lower collection in revenue of **K2.52 billion**, below the budget projection of K2.63 billion. However, border security and trade facilitation were performed with exceptional results. Below is the summary of performance highlights of PNG Customs for 2014.

- > Operations from bush patrol led to detection and detention of 22 air rifles at the PNG Indonesia border (Green River, Vanimo). With assistance from PNGDF the firearms were confiscated from suspected illegal traders.
- > Apprehension of 5 illegal foreigner of Asian origin at Vanimo Wharf.
- > Numbers of boxes containing fire-crackers (prohibited item) for use in the festive periods were confiscated at Wutung border post.
- > Over K4 billion identified from audit checks as outstanding in Import GST and its recovery is being pursued.
- > PNG Customs planned and coordinated joint operations with Police and Immigration resulting in seizures of various contraband items and the detention of illegal aliens.
- > PNG Customs commenced and progressed well the construction of Container X-Ray Scanning facility at the Motukea Wharf in Port Moresby. It is set to be completed and commissioned in mid 2015.
- > Constructions of 8x1 bedroom Flat at Bisini, National Capital District was well progressed and nearing completion and will be commissioned in early 2015 for officers' accommodation.
- > Construction of Duplex at Buka for staff accommodation has progressed well.
- > Renovation of Kavieng institutional houses.
- > Purchase of two blocks of land at Tokua Airport for institutional housing development.
- > Successful implementation of ASYCUDA manifest module resulting in efficient facilitation of trade. A total of 137,371 declarations were assessed through the ASYCUDA system.
- > Customs processed over 510,000 passengers through international airports.
- > A number of Customs awarenesses were conducted throughout the ports in schools, cultural shows and other public gatherings. It also released information and reports for TV, radio and the print media on its activities and functions.
- > Customs User-Pay Service Trust Account (CUSTA) nets over K6.48 million in collections of service fees.
- > The Customs Service Plan (2013 – 2017) has been implemented to the extent expected.
- > PNG Customs was granted statutory authority with the successful passage of the *Papua New Guinea Customs Service Act, 2014*.
- > Conducted festive season operations and recovered substantial revenues in hanging entries, cargo manifest audits, ship stores and duty evasions.
- > Festive operation conducted detected and detained perpetrators involved in commercial fraud and smuggling of containers out from Port Moresby Wharf.
- > Prosecuted gun smuggling case in Lae.
- > Conducted a number of capacity building trainings in the areas of Valuation, Tariff, Post Clearance Audit, Intelligence, Budget and Finance and Human Resources Management.
- > A good number of officers attended capacity building trainings conducted by World Customs Organization Regional Office of Capacity Building for Asia Pacific.

OVERVIEW OF PNG CUSTOMS ADMINISTRATIVE ROLES

SECTION 1

1.1 Papua New Guinea Customs Service's National Responsibility

PNG Customs' mandated responsibilities stem from the five National Goals and Directive Principles enshrined in the country's *National Constitution*. These goals emphasize and require proper strategic national planning and objectives to maintain national sovereignty, economic self-reliance, preservation of the country's natural resources and its environment. To achieve these, PNG Customs has articulated a strategic management plan with a new vision, mission and strategies focused on securing the country's border with the aim of protecting the community, ensuring efficiency in facilitating legitimate international travel and trade and collecting revenues for the Government.

1.2 Customs Legislative Authority

PNG Customs derives its powers from the *Customs Act 1951* to control and authorize imports and exports, impose and collect related duties (taxes), and administer and enforce the Act and allied Acts and Regulations. Similar powers are conferred to it by *Customs Tariff Act*, *Excise Tariff Act* and *Goods & Services Tax Act* to impose and collect excise duty and import GST respectively. Imposition and collection of all these duties are subject to exemptions and reductions granted in accordance with the Customs Laws. The recent passage of the *Papua New Guinea Customs Service Act, 2014* conferred additional administrative powers to PNG Customs making it become a statutory authority.

1.3 Corporate Profile

PNG Customs' management and staff are committed to ensuring PNG Customs is built and administered on the principles of good governance, transparency and integrity. These are enshrined in our Vision, Mission and Values, of which our Values call for Commitment, Professionalism, Service and Integrity. Observation of these principles has substantially guided and promoted effective discharge of our mandated functions and responsibilities as reflected in this 2014 Annual Report.





Customs' Vision

Spirited and committed to be a regional leader in securing our national border to enhance the security and socioeconomic development of Papua New Guinea.

Customs' Mission

Protect Papua New Guinea's border, communities and industries; enhance facilitation of international trade and travel; and protect and collect revenue for the Government.

Customs' Values

Commitment

We are committed to maintaining the Customs long standing tradition of protecting the community and contributing to the development and prosperity of Papua New Guinea.

Professionalism

We will develop our human capital to be professionally trained and to embrace international best practices.

Service

We will render high standard of service to the Government, community, local industry and external stakeholders, whilst being mindful of the need to reduce impediments to trade and investment.

Integrity

We maintain high Christian principles and are honest, transparent and accountable in our actions and decisions we make, for a fair and equitable outcome for the Government, community, local industries and investors.



1.4 Expected Outcomes

PNG Customs has four (4) mandated core functions supported and strengthened by the enabling (corporate services) functionalities. The execution of these functions support the implementation and achievement of the Government's medium and long term development goals for ensuring Border Security, Community and Industry Protection, International Trade Facilitation and Revenue Collection.

These are:



Border Security	Facilitate legitimate movement of people, conveyance and goods across our border while maintaining the integrity and security of the border, ensuring supply chain security and protecting the health and safety of our people.
Trade Facilitation	Facilitate legitimate trade with minimum delay and costs.
Revenue Collection	Collect Government revenues and provide reliable trade statistics and economic data.
Enabling	Efficient Communication, Corporate Governance and Support Services.
(a) Improved System of Communication	Effective Communication Structure and efficient Management of Information and Data flow.
(b) Improved Governance & Accountability	Internal Audit and Assurance, Internal Investigations into Staff Misconduct.
(c) Efficient Corporate Support Services	Improved Strategic Planning, Public Affairs and International Liaison, Budget & Finance Services, Legal Services, and Information Communication Technology Support.

Figure 1 – Mandatory Functions of PNG Customs



EXECUTIVE MANAGEMENT

1.5 Executive Management

The Executive Management of PNG Customs comprises of the Commissioner of Customs (who reports to the Minister for Treasury), three Deputy Commissioners and eight Assistant Commissioners as illustrated.



Ray Paul
Commissioner of Customs



John Pomoso
Deputy Commissioner,
Regional Operations



John Nakiria
a | Deputy Commissioner,
Commercial & Corporate



Waliya Abilo
Deputy Commissioner,
Border Security



Desmond Kenehe
a | Assistant Commissioner,
Corporate Service



John Sam
a | Assistant Commissioner,
Commercial Trade & Compliance



Ben Sine
a | Assistant Commissioner
Enforcement



Karo Kila
Assistant Commissioner,
Border Management



Mrs. Ruth Amos
Assistant Commissioner,
Southern Region



Francis Nipuru
Assistant Commissioner,
Northern Region



Lydia Wartovo
Assistant Commissioner,
Island Region

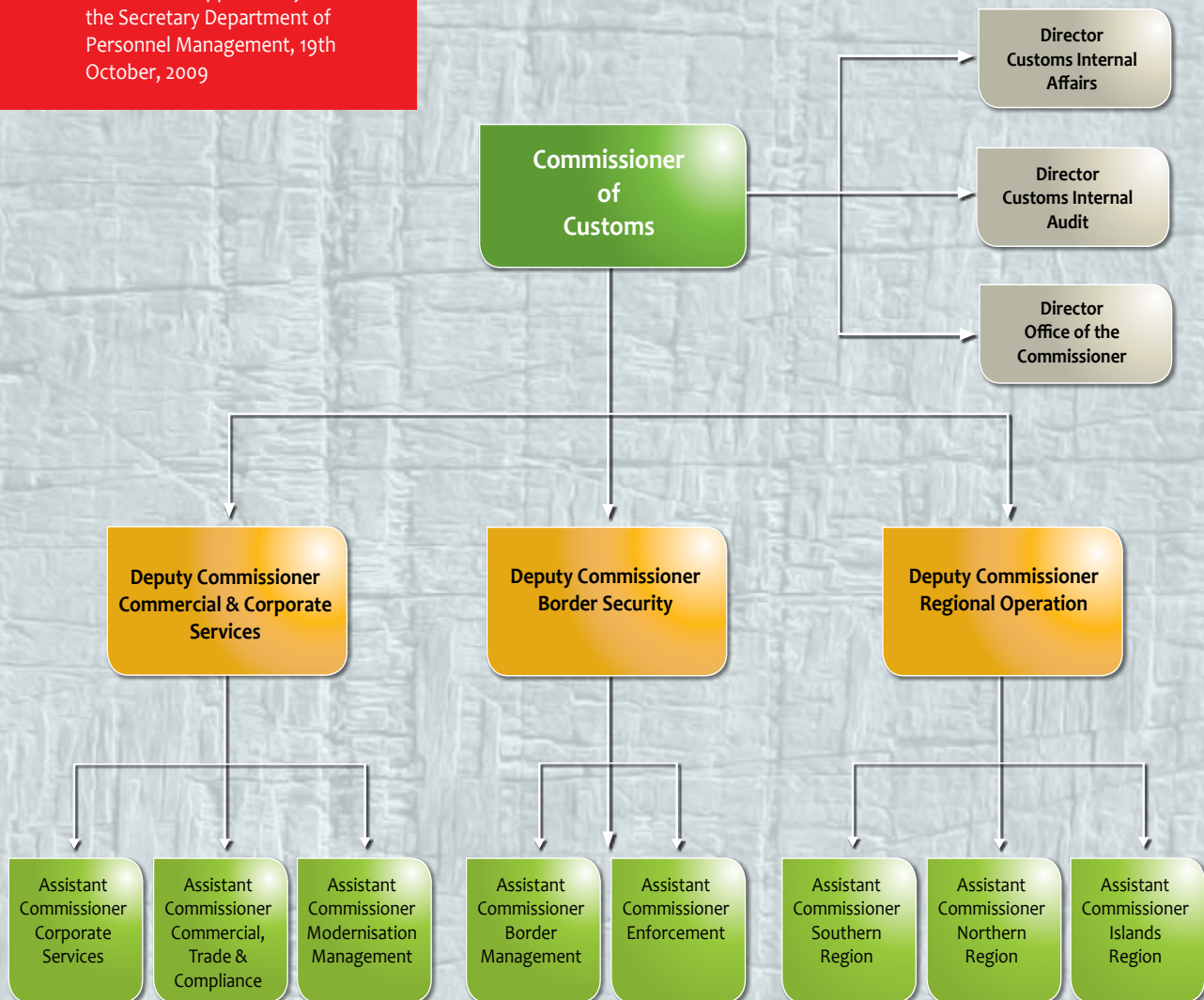


Frank Babaga
a | Assistant Commissioner,
Modernization Management

ORGANISATIONAL STRUCTURE

APPROVED ORGANISATION STRUCTURE

Structure as Approved by
the Secretary Department of
Personnel Management, 19th
October, 2009



1.6 Papua New Guinea Customs Authority and Executive Management

The passage of the *Papua New Guinea Customs Act, 2014* conferred to PNG Customs statutory authority. In effect, the Act bestowed PNG Customs additional administrative powers and functions necessary to enable it to achieve operational efficiency and satisfactory outcomes of its core mandates. The O'Neil-Dion Government is adamant in streamlining key Government agencies including PNG Customs to deliver above expectations and accordingly drove the policy initiative that saw this change.

Under the new PNG Customs Authority structure, the Commissioner of Customs is elevated to Chief Commissioner of Customs while his two Deputy Commissioners also moved up the rank to occupy Commissioner of Border Security and Operations, and Commissioner of Trade and Corporate Service. They will be assisted by six Assistant Commissioners who head separate divisions of PNG Customs and together with the Commissioners, they constitute the Executive Management of PNG Customs Authority.

1.7 Staff

The staff ceiling under the approved structure for PNG Customs is 507 fully funded staff positions. As at the end of 31 December 2014, PNG Customs employed 386 national Customs Officers (staff) to serve at the ports around PNG. This leaves 150 funded positions still vacant in respect of which recruitment is underway and is set to be concluded in 2015.

1.8 Budget

PNG Customs was appropriated K63.498 million in the 2014 national budget allocation. This saw an increase of K19.236 million compared to 2013 budget of K44.262 million. This budget allocation was supplemented by collection of Customs User pay Service Fees in access of over K5.66million.

1.9 Monitoring and Reporting

The performance of Customs Officers and implementation of work plans and projects are monitored and evaluated through monthly and quarterly reporting. These reports were used to track and measure progress of work, achievements and constraints relating to work performance.

Based on these divisional activity and implementation reports and information, monthly reports are compiled and furnished to the Minister and relevant departmental heads of the key Government agencies.



PAPUA NEW GUINEA CUSTOMS SERVICE ANNUAL WORK PLAN REPORTING FRAMEWORK

PLANNING

PERFORMANCE REPORTING

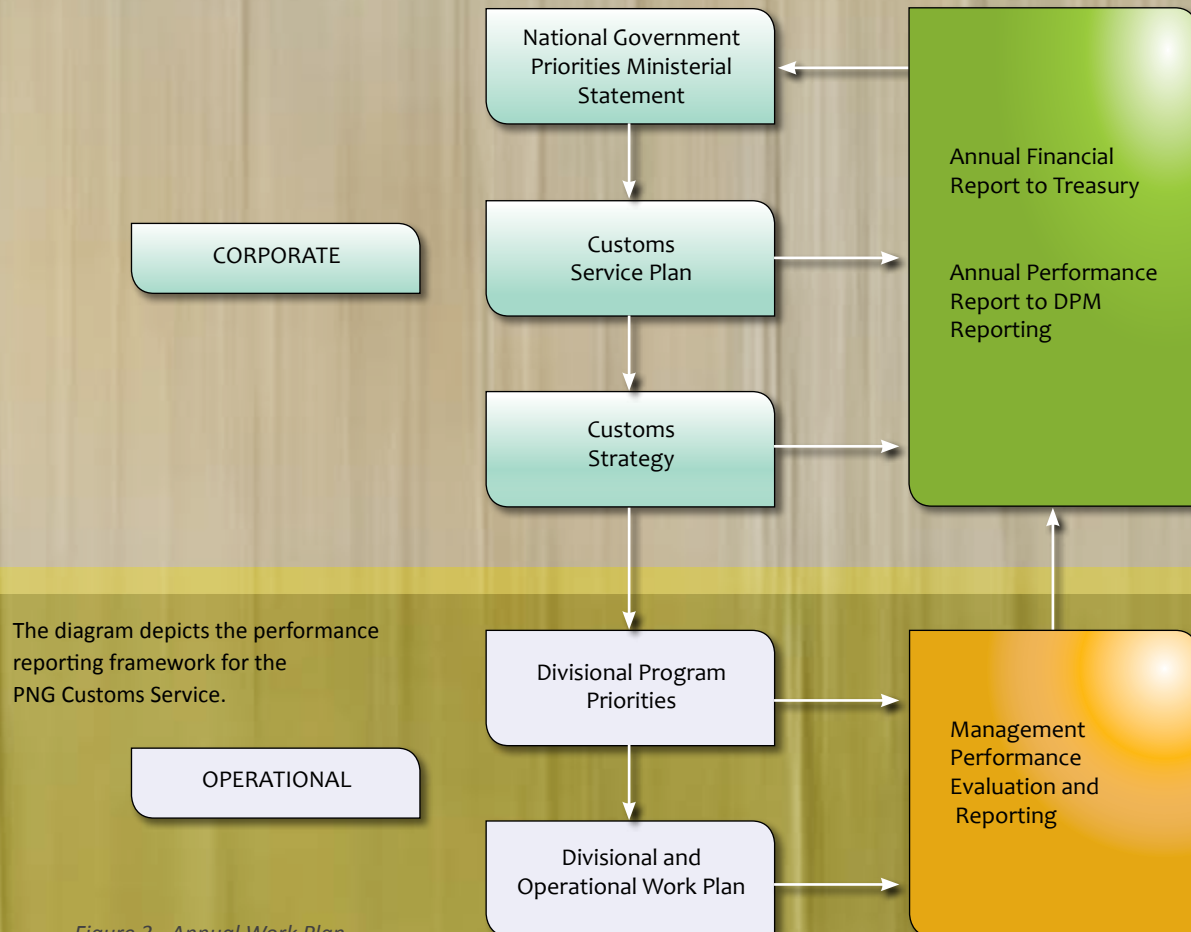


Figure 3 - Annual Work Plan Reporting Framework



SECTION 2

2.1 Outcome: BORDER SECURITY

Strategy: Establishing strategic alliances, increased resources, use of technology, risk management techniques and improved communication.

2014 – Performance

Regardless of the substantial challenges exerted by the increasing movement of goods, conveyances and people across the border, the border security function was performed with relative efficacy.

The border protection activities conducted include: -

- (a) Targeting and inspection of containers and cargoes on commercial vessels (ships & planes);
- (b) Aircraft and ship inspection
- (c) Immigration clearance at major airports
- (d) Targeting and inspection of suspected green and red lane entries.
- (e) Joint operations conducted with other law enforcement agencies on breaches of laws.
- (f) Investigations into breaches of Customs laws and related legislations.

A number of illegitimate travellers were detected, apprehended and referred to the Police for further investigation and prosecution. Also substantial amounts of contraband and illicit goods were detected, seized and destroyed. A tug and barge loaded with undeclared goods were detained and seized at the Kavieng Port. Proceeding in respect of it is currently on foot and expected to be concluded in 2015.

Surveillance Capacity

The dilemma faced with surveillance capacity and capability has been no different than that encountered in 2013. The capacity and capability deficiencies faced in this respect continue to impair PNG Customs from conducting effective land and maritime surveillance. However, its robust relationship with other border agencies through the concept of 'coordinated border management' has enabled it to conduct joint patrols to secure our border from incursion of illicit goods and poachers. PNG Customs has been embarking on investing more in this area to develop its capacity in order to effectively discharge its border security role.

National Security

PNG Customs played a significant role as a member of the Technical Working Group in the formulation and promulgation of the pioneer National Security Policy. The security policies and standard operating procedures developed for Customs operations are aligned to implementing the National Security Policy 2013.

Customs is also a member of the Transport Safety and Security Committee and actively participates in the discussions of security issues culminating in development of plans and measures to be executed to ensure security for South Pacific Games in 2015 and APEC 2018.

In 2014, PNG Customs processed and cleared over a large number of asylum seekers based at Lombrum Detention Centre with logistical support from the Australian Government.

2.2 Joint Agency Operations

A number of joint agency operations were conducted throughout the ports in PNG with other law enforcement agencies such as Police, Labour, Immigration, National Intelligence Organization, Defence, Health and NAQIA. The operations resulted in the detention of foreigners and seizures of various illicit and contraband items. PNG Customs and Australian Customs conducted similar joint patrols in the Torres Strait waters to prevent poachers, drug trafficking and other transnational crimes.

2.3 Investigations

The function of investigation is quite indispensable in ensuring effective enforcement and compliance of Customs laws. This function is regionalized and is conducted by investigation units based in the three Customs Regional Operations; Northern Region, Southern Region and Islands Region. Policy guidance is provided by National Investigations based at Headquarter, which can intervene to assist and take on major cases.

A number of investigations were conducted into breaches of Customs laws throughout the ports in the country. Of these investigations, 8 major cases were investigated resulting in imposition of hefty penalties against the perpetrators. Firearms and other illicit goods (contraband) were seized and destroyed whilst smuggled goods ranging from vehicles, cigarettes and other items were seized and the perpetrators were accordingly penalised as a result of these investigations.

Awareness on correct and effective application of the Administrative Penalties were conducted in the three regional operations. This enhanced the officers knowledge thus enabling them to apply the administrative penalties correctly and effectively. As intended, the administrative penalties are useful tools to be enforced against non-compliant importers and exporters therefore has the great potential to raise the level of compliance by the importers and exporters.

2.4 Joint Cross Border Patrol by Papua New Guinea Customs and Australia Customs & Border Protection Command

The Torres Strait Treaty was signed by Australia and Papua New Guinea (PNG) in 1978 and came into force in 1985. The Treaty set



the boundary between Australia and PNG and established the Torres Strait Protected Zone to protect the traditional way of life of Torres Strait Islanders and the coastal people of PNG who live adjacent to the Torres Strait. The Protected Zone also protects the land and sea environment of the Torres Strait.

PNG traditional inhabitants from the 13 Treaty Villages can make traditional visits (free movement without passports) into the Protected Zone. PNG traditional inhabitants can travel south into Australia as far as the 10 degrees 30 minutes South latitude. Under the same treaty Australian traditional inhabitants can travel north as far as the 9 degrees South Latitude (just North of Daru)

The very first JCBP was held from the 21st -28th November 1997 which PNG Customs sent a representative. The initial patrols were more of a liaison or awareness visits to the local Treaty village on just PNG side of the border. As the patrols progressed with joint quarterly Intelligence meetings between Thursday Island and Daru officers, these patrols began to turn operational in nature. This resulted in arrests of people and seizure of goods. The patrol also included visits to the Torres Strait Island. The JCBP also extended to visiting other inland villages using Australian Coast Watch helicopters.

Benefits of Joint Cross Border Patrols include but not limited to the following;

- > The patrols has provide PNG Enforcement Agencies a platform to have access & carry out their duties in areas where it was difficult for PNG agencies to access on their own due logistic problems
- > The patrols provide opportunities for PNGCS to carry out awareness and education to the people in the Treaty villages on Customs Law & Regulation in regard to the movement of people and goods across the border. And the limits their TBC rights and movement extends in relation to Customs Act.
- > Local people begin to appreciate the combine-presence of Law Enforcement Agencies from both side of the border.
- > Gathering of information and Intelligence
- > Familiarization of the border area and life style of the people
- > Establishment & Continuation with communication with informants
- > The patrols were also seen as deterrent to illegal activities during the period JCBPs were carried out.
- > The local villages have appreciated the role of Customs in Border protection.
- > It has also provided challenges to PNG Customs Service to do more in relation to Border Protection in these remote areas.

2.5 Memorandum of Understanding

The global trend now in Customs centres on the cooperation, sharing of resources and connectivity to effectively derive outcomes that are mutually beneficial. In the backdrop of capacity and capability shortcomings and the demand to simplify, integrate and create secured trading environment, PNG Customs has embarked on forging regional and international partnerships.

PNG Customs successfully held its first bilateral meeting with Australia Customs & Border Protection Command in Port Moresby sometimes in November 2014. This bilateral held was within the spirit of the Memoranda of Understanding signed between the two customs administrations earlier in 2010. A number of agendas were discussed that focussed on how they can cooperate and share resources and exchange ideas and information for effective discharge of their functions, and for their mutual benefits and interests. They agreed for annual bilateral to be held between them with the next bilateral to be held in Australia in 2015.

Further, a number of MOUs were progressed with domestic and international partners in 2014. Of these, the PNG Customs signed a Memoranda of Understanding with Solomon Islands Customs on cooperation and sharing of information. The MOU provides for cooperation and exchange of information and resources to effectively address customs issues and transnational crimes along the common border. The both administrations have



considered this move as a way forward and quite salient for their mutual benefit and interest.

Memorandum of Understandings with Divine Word University, Investment Promotion Authority on Intellectual Property Rights, National Fisheries Authority and PNG Maritime Safety Authority were executed to strengthen cooperation.

2.6 Intelligence Database

The data and information collection has improved well in 2014. This was a result of close engagement with the industries and communities through awareness on the roles played by PNG Customs in the economy. The introduction and use of the Case Management Information System (CMIS) has proven very useful and effective in the collection and dissemination of information for planning and decision making purposes. Essentially, the CMIS provides the ideal platform for front line officers to integrate with Intelligence Section of Enforcement Division.

The robust intelligence efforts has continued to ensure the Customs Management is kept informed in a timely manner on trends, risks and threats that have affected the organization and its ability to effectively carry out its mandated role. This was done through tactical, operational and strategic assessments made on information received from all stakeholders.

Regional operations are located in a strategic environment and with their daily activities; they are good source of information and intelligence gathering for the organization as a whole.

2.7 Container X-Ray Examination Facility

The Container X-Ray Examination Project is a modernization project aimed at enhancing PNG Customs' role in ensuring supply chain security and promoting efficient trade facilitation.

The construction of the Port Moresby facility at the Motukea Wharf has been progressed well and nearing completion. The Container X-Ray Scanners will then be installed for usage. It is anticipated that this project will be fully completed and commissioned sometimes in 2015.

In contrast, the construction of the facility in Lae for the Lae Port has been substantially protracted due to default by the contracted construction company. A build and lease arrangement has been concluded with the Morobe Provincial Government and discussions with potential reputable construction companies are currently underway. As such, the construction is set to commence towards the end of 2015.

The Container X-Ray scanners have been purchased in 2012 from NUCTECH Company based in Beijing, China at a cost of US\$6 million. They have been shipped and are now stored at Motukea Wharf in Port Moresby pending completion of construction of examination facilities at Lae and Port Moresby.

The installation and use of these non-intrusive machines will raise PNG's profile in terms of safe and secured international trade. Indeed, they are set to substantially elevate the efficiency in trade facilitation whilst at the same time ensuring supply chain security and accountability of state revenues accruing from trade. As such, it has the great potential to promote sustainable investment and economic growth in the country.

The construction of Container X-Ray Examination Facility is well underway and set to be completed and commissioner sometimes in 2015 as scheduled.

SECTION 3

3.1 Outcome: COMMUNITY PROTECTION

Strategy: Effective use of risk assessment, pre-screening procedures and improve information and intelligence base and inspection on detecting and containing movement of illicit and contraband goods.

2014 - Performance

The thriving intelligence database has enabled PNG Customs improved its efforts in detecting and containing illicit trade of goods and contrabands. The efforts involved periodic inspections



of outlets resulting in detection, seizure and destruction of illicit and prohibited goods that are inherently dangerous for consumption by the people.

The efforts of Customs Officers supported by Police officers and PNG Defence personnel in conducting surveillance and investigation produced positive results in containing illicit and prohibited items from reaching our shores. Some of these items that were brought in and traded were removed from the market and perpetrators dealt with under the laws.

The partnership arrangement forged through MOUs with Independent Consumers and Competition Commission, NICTA, PNG Power, IPA, IOM, has greatly assisted collaboration with them in addressing issues of substandard goods, pirated CDs, phonographic materials, intellectual Property Rights infringements, smuggling of drugs and firearms, smuggling of people, and other transnational crimes.

3.2 Public Awareness

Public awareness is strategic to effective enforcement and compliance of the Customs Laws. Hence, understanding of PNG Customs' roles and functions by people and industries will enhance the performance of its border protection and other mandated roles. PNG Customs has released information and reports for TV, radio and the print media on its activities and functions.

A number of public awareness was conducted in 2014 at schools and major cultural shows to inform people on Customs and its roles. The Customs Islands Regional Operation conducted a total of 22 awarenesses in the ports. Whilst on the other hand Northern Region conducted a total of 15 awarenesses throughout the Northern Region. Southern Region and Headquarter have been struggling in this area and are set to improve.

The Joint Cross Border Patrol (JCBP) and maritime patrols conducted in 2014 also presented opportunities where the public was informed on how they can assist by reporting suspicious or illegal activities across the border. Hence, the public was

informed of the Customs *Wasman Program* and encouraged to call and report any suspicious illicit movements of people, goods and conveyance across the border.

3.3 KASTOK AND WEBSITE

The Kastok was launched in 2011 and has continued to presents quarterly news about events and developments affecting Customs, and shares stories from Customs offices and staff across PNG. In addition, it updates the importers and exporters including stakeholders on what has transpired in Customs. There has been no release for PNG Customs for 2014 due to manpower issues that seriously affected the delivery of this task.

The website has been a significant medium for PNG Customs as it provides the basic information on Customs operation and procedures to the importer and exporters including other stakeholders. PNG Customs continue to provide as much information as it can through periodic update of the Website to ensure the exporters and importers are assisted in making informed decisions. In entirety, Customs will continue to seek to enhance its efforts in providing quality service in this respect to accord the trading industry and stakeholders the convenience to engage in trading business.

3.4 Training

PNG Customs is focused on building its human resource knowledge and capacity. It has conducted training activities in conjunction with stakeholders as part of its capacity and capability development. All trainings were tailored to equip and prepare Customs Officers with required core skills and knowledge to effectively perform their designated roles to meet PNG Customs' mandates, objectives and projections.

The signing of Memoranda of Understanding with Divine Word University has provided the platform in assisting Customs with its human resource development initiative. A number of senior customs officers undertook studies under this arrangement to qualify for teaching customs courses when the Institute of Customs is established. Other officers were also selected to undertake study programs with various universities and



academic institutions in the country under the auspice of PNG Customs to enhance their knowledge and elevate their level of education.

Going forward with the establishment of the Customs Institute of Training, the Customs Training Syllabus was completed and endorsed by the DWU Academic Council. It will be used for teaching the Diploma in Customs program at the DWU under its faculty of Arts.

In 2014, Customs also conducted Technical training on Tariff and Valuation for 6 weeks in Lae and assisted Customs Brokers training in Port Moresby, Tariff and Valuation segments.

Further, a good number of customs officers attended capacity building trainings initiated and conducted by the World Customs Organizations through the Regional Organization Capacity Building for Asia Pacific. Trainings were also organized and conducted by other regional bodies which PNG Customs officers were selected to attend.

3.5 Industry & Community Partnership

Industry partnership is fundamental to PNG Customs as it strengthens cooperation and exchange of information that goes towards assisting enforcement activities and improving compliance. As such, PNG Customs has through awarenesses, meetings and consultations maintained closed partnership with the import and export industries including all players in the industry. This had not only seen improved compliance but enabled Customs improved its services to meet the industry expectations.

The increasing rate of detection of breaches of Customs laws demonstrated growing confidence in PNG Customs' roles to secure its border and community against the incursion of illicit movement of goods, people and conveyances across the border.

Given the importance of this partnership with industry and the community, PNG Customs will continue to strengthen and deepen its relationship and engagement with the industry and people in order to maintain this good trend in its community protection role.

3.6 Intelligence

PNG Customs' investment and efforts in improving its information gathering and intelligence has paid off with marked improvements. It has broadened its intelligence network around the region and the world as well as within the country. This has substantially assisted PNG Customs to do effective profiling leading to successful detections of breaches of Customs laws. Much of the detections are that of smuggling, undervaluation and misclassification of tariff codes, non-declaration of goods, evasion of duty, and importation and exportation of prohibited goods. The perpetrators were dealt with under the Customs

laws, resulting in imposition of fines and administrative penalties against them in addition to recovery of evaded duties.

SECTION 4

4.1 Outcome: INTERNATIONAL TRAVEL AND TRADE FACILITATION

Strategy: Efficient use of ASYCUDA cargo clearance system, implement Authorised Economic Operators and Advanced Rulings Schemes.

2014 - Performance

- < Deployment of policy and practical measures undertaken to improve trade facilitation.
- < Effective deployment of the ASYCUDA cargo clearance system with the introduction of the cargo manifest module continues to be the major achievement in trade facilitation.
- < Implementation of the Advanced Ruling system continued since its introduction in 2011.
- < Facilitation of imports for major infrastructure development projects such as the 2015 Pacific Games under an express service model and regular stakeholder meetings have seen timely movement of these imports to designated sites.
- < There has also been an increase in the number of international travelling passengers, which Customs has processed through our international airports.
- < Use of non-intrusive scanning machines to expedite inspection and clearance.

4.2 PNG Accession to Revised Kyoto Convention and Harmonized System Convention

On 31 January 2014, His Excellency the Ambassador of the Independent State of Papua New Guinea in Brussels transmitted to the Secretary General of the World Customs Organization (WCO) PNG's instruments of accession to the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention), and the International Convention on the Harmonized Commodity Description and Coding System (Harmonized System).

Having entered into force on 3 February 2006, the Revised Kyoto Convention now has 92 Contracting Parties, and is regarded as a blueprint for effective and modern Customs procedures. The Convention's key elements include the application of simplified Customs procedures in a predictable and transparent environment, the optimal use of information technology, the utilization of risk management, a strong partnership with the



trade and other stakeholders, and a readily accessible system of appeals.

The Harmonized System Convention, which entered into force on 1 January 1988, now has 149 Contracting Parties. Considering that more than 98% of international merchandise trade is classified in terms of the Harmonized System, the WCO was pleased to welcome Papua New Guinea and invited PNG to actively participate in Harmonized System matters.

These accessions are an indication of Papua New Guinea's commitment to implementing procedures tailored to the international trading environment, against the particular background of the adoption, in Bali (Indonesia) on 7 December 2013, of the WTO Agreement on Trade Facilitation.

The Harmonized System Convention and Revised Kyoto Convention entered into force in Papua New Guinea on 1 January 2014 and 30 April 2014 respectively.

4.3 Advanced Ruling

The continued deployment of the Advanced Tariff Ruling Scheme has proven very effective for PNG Customs in the delivery of its role of trade facilitation. This scheme enables importers to apply for tariff classification on certain commodities, which when once a decision is made and notified by the Commissioner of Customs, becomes binding and lasts for 4 years. This provides an environment of certainty and predictability for importers and investors to operate in the country.

The implementation of this scheme aims to improve trade facilitation by PNG Customs resulting in minimum clearance time and reduced associated costs. This scheme will be constantly implemented whilst at the same time exploring areas of improvements that would be aligned to elevate efficiency in trade facilitation. There was only one advanced ruling issued in 2014.

4.4 ASYCUDA Developments

Initiatives undertaken to improve trade facilitation included the development and effective use of the automated system of cargo clearance called the ASYCUDA. Efficient use of ASYCUDA cargo clearance system with the introduction of the cargo air and sea manifest module continues to be the major achievement in trade facilitation.

The Prepayment facility introduced in 2014 provides a perfect service to Broker or Importer/Exporter. The prepayment facility offers particular advantages to Customs and to Importers in facilitating speedy clearance.

Facilitation of imports for major-impact resource projects such as the PNG LNG Project and South Pacific Games Infrastructure Project under express service model and regular stakeholder

meetings have seen timely movement of these imports to designated sites.

During 2014, regular maintenance and technical missions have been undertaken by PNG Customs ICT Division to provide ongoing technical support for users in both the organisation and the Customs Brokerage Industry. The introduction of the cargo manifest module further enhanced the ability of PNG Customs to have better control over the reporting and accounting of all cargo destined for the main ports of Port Moresby, Lae, Kimbe, Rabaul and Madang.

PNG Customs' ASYCUDA has featured prominently since 2008 for the processing of import and export transactions, collection and accounting of state revenue and trade data essential for monitoring internal and external trade. Customs has initiated a project to upgrade the current version of the ASYCUDA++ to ASYCUDA World. It was well progressed and payment in respect of the upgrade has been made the Secretariat of the United National Conference on Trade and Development (UNCTAD), which is the sole proprietor and distributor of this software. The upgrade is set to commence in mid 2015.

ASYCUDA World builds upon the successful operation and experience of ASYCUDA++, which was designed to function in difficult telecommunications environments, but also to operate through GSM networks that are already widespread in developing countries. The ASYCUDA World is web-based and allows for greater connectivity and interface thus providing an end-to-end solution for the Customs cargo clearance and trade facilitation. It also affords the traders the ease of access and convenience in most of their trade related transactions from Customs Declarations to Cargo Manifests and Transit Documents through the internet.

4.5 Trade Facilitation through Electronic Payment

PNG Customs was selected by Bank of Papua New Guinea to interface with commercial banks and implement the automated payment infrastructure called KATS or Kina Automated Transfer System. KATS will allow commercial banks and Customs to offer new services to the international traders. Banks will be able to transfer money between accounts directly without using cheques or cash. This will enable traders to pay duties directly to Customs to take faster delivery of their goods. Banks will offer service to make payments immediately so there will be no need to wait for days or weeks to clear a cheque.

Payments system like KATS has been installed in many countries around the world. As the economy grows and wealth increases, PNG needs a payment infrastructure to support business and economic growth. An automated payments system is a critical part of a modern economy, and one that Customs is proud to be able to offer to its clients.



Work on the infrastructure has progressed since 2013 and the actual implementation commenced in the second quarter of 2014.

4.6 Service Delivery and Travel Facilitation

As part of PNG Customs' responsibility to improve and manage import clearance, it has removed random selection of import consignments and employed a risk based targeting of cargo.

Regular consultation is maintained with the importing and exporting community through the Customs Brokers Association by way of quarterly meetings. Issues addressed include impediments to clearance processes, standards for performance and regulatory requirements involving the Customs Brokerage industry.

There has also been an increase in the number of international travelling passengers, which Customs has processed through our international airports. In 2014, Customs had processed over 510,000 international passengers.

4.7 Compliance Assurance Strategy

The PNG Customs Compliance Assurance Strategy was completed in 2013. This allows it to focus on high-risk clients. The global trade is increasing at a phenomenal rate and PNG Customs is no exception in experiencing this growth and the ensuing challenges. In order to facilitate legitimate trade and ensure supply chain security, Customs Compliance Strategy need to be implemented to allow Customs manage challenges and risks effectively to derive optimal outcomes for both itself and the trading industry.

4.8 Facilitating Imports for Infrastructure Development Project

The imports destined for Infrastructure Development Projects such as 2015 Pacific Games are cleared through an express service module. The arrangement with the Sport Commission provides for verification and endorsement by the Sport Commission, which serves as an authorization for Customs to clear the goods in a timely manner. This arrangement does not derogate the Customs mandate to conduct post clearance audit to ensure the exemption facilities are correctly utilized and not subject to abuse. With this infrastructure project, 2014 experienced substantial flow of imports and is set to continue into the second quarter of 2015.

Weekly meetings held with the importers and contractors have assisted Customs ensure the goods were cleared in a timely fashion to complete all the infrastructure to be ready in time for the South Pacific Games that will be held in July 2015.

4.9 Customs International Trade Data

Customs keeps information about merchandise trade in its ASYCUDA database. As required by law, import and export data

is declared to customs by the trading community. The accuracy of the declaration is supported through Customs compliance and post clearance audits.

Records held by Customs showed that Australia continued to be PNG's most important two way trading partner in both import and export goods. PNG featured prominently in the volume of its import while Japan recorded a high export from PNG in 2014 period. PNG's top export destinations in 2014 were Japan, Australia and China. Most imports were originated from PNG, Australia and Singapore. Imports of crude oil are mainly PNG origin. The crude is extracted from PNG, exported overseas and imported back to PNG through international market transaction process.

Top 10 import and export countries 2014 (in million of Kina)

Import source	Value in Kina (CIF)	Export destination	Value in Kina (FOB)
Australia	13,119.16	Japan	6,861.04
Singapore	1,993.57	Australia	5,469.62
Iceland	1,838.78	China	2,649.92
Portugal	1,858.77	Taiwan	2,000.14
China	1,690.38	Indonesia	1,064.47
Malaysia	872.92	Philippines	979.39
USA	774.69	Germany	720.91
New Zealand	554.72	United Kingdom	503.92
Hong Kong	396.45	Singapore	498.41
Taiwan	268.97	Republic of Korea	330.09

Source: ASYCUDA

Sources and Destinations of Goods

Papua New Guinea mainly imports Chemicals, crude oil, aeroplane parts, rice, vehicles, heavy machinery, meat, iron and steel. Papua New Guinea's main trading partners as in imports are from Asia Pacific region. Since 2008, there has been a marked increase of the relative value of imports to PNG from Japan and China, with the value from these countries more than doubling since 2008. However, the value of imports from Australia still considerably exceeds those from other sources.

The top export destinations for PNG goods are Japan, Australia, China and Taiwan. Over the last 5 years, Japan has become a top four export destination. In 2008, Japan was outside of the top 10 export destinations for PNG goods. [Source: ASYCUDA]



Imports into PNG

In 2014, the major category of imports into PNG has been mineral, aero plane and aircrafts, closely followed by imports of mineral fuels.

Top commodities imported in 2014, and their progression from previous years (in millions of Kina)

Commodity	2014	2013	2012	2011
Mineral fuels	46,293.69	1,273.70	2,948.8	2,286.2
Chemical Products	7,948.27	234.46	202.84	166.42
Aircraft and parts	3,998.42	208.5	393.1	319.9
Articles of iron and steel	674.57	763.9	391.5	725.1
Vehicles	568.53	486.1	1,060.2	833.6
Ships and boats	563.55	269.42	630.48	567.02
Electrical machinery	491.81	648.5	329.6	520.4

Source: ASYCUDA

Exports from PNG

Over the past 5 years, the leading category of exports from PNG has been precious stones and minerals. The values in this category of goods are mainly attributed to export of base metals, including copper, gold and silver ores and concentrates.

Record of over K6.87 billion worth of liquefied natural gas (LNG) has been exported in 2014 by ExxonMobil-led consortium after the initial shipment in June 2014. The export value of this commodity is expected to rise exponentially in the subsequent years.

Top commodities exported in 2014, and their progression from previous years (in millions of Kina)

Commodity	2014	2013	2012	2011	2010
Natural Gas	6,875	0	0	0	0
Copper ores and concentrates	3,075	673	845	1,054	1,703
Ships and boats	1,389	1,330	1,024	742	67
Aero planes and aircrafts	900	705	559	94	50
Precious stones and articles	522	3,911	3,105	5,628	4,292

Source: ASYCUDA

SECTION 5

5.1 Outcome: REVENUE COLLECTION

Strategy: Increase general compliance, improve collections and reporting of revenue and ensure timely transfer of revenue and trade statistics.

2014 - Performance

Revenue Collection is one of the core functions of PNG Customs. This section features the financial performance of PNG Customs in terms of revenue collection including its income and expenditure for 2014.

The main sources of revenue are from indirect taxes (international trade) - imports (import duty, import GST, import excise), exports (export duty) and local taxes (inland excise, sundry collections).

- < Marking the fifth year of its operation, PNG Customs exceeded the forecasted revenue figures by K641 million for the period of 2010 to 2014.
- < Increased revenue collection is an overall reflection of growing international trade, enhanced compliance strategies and successful investigations and prosecutions into breach of Customs Laws.
- < Total revenue collection for the 5 years of evolution as a separate government agency is K 11.60 billion, which is K641 million above the revenue target, set by the government.

PNG Customs collected aggregate revenue of **K2.52 billion** for the year ending 2014. This revenue was K103 million (4%) lower than the 2014 Budget estimate of K2.63 billion. In comparison with the 2013 collections of K2.49 billion, this was an increase of K0.17 million (7%).

The decrease in revenue collection is due to drastic fall in imports of aeroplanes and aircrafts, and decrease in prefabricated building materials despite increase on general import values and volumes. Regardless of the enhanced enforcement and compliance strategies employed by PNG Customs, they assisted little in realizing increase collection in revenues. The over projection in 2014 budget for inland excise and drop in excisable goods led by motor spirit and mixed beer have impacted negatively on the collections particularly revenues on import and local excise.

The comparative value of the aggregate revenue is also higher than the total revenues collected in 2013. The record surplus collection of K96 million on export duty is overshadowed by deficits in import GST, local excise, import excise and import duty, K104 million, K51 million, K31 million and K16 million



respectively. The massive shortfall collections on these four revenue heads had offset the increased collection on export duty with overall deficit of K104 million.

The collection highly depends on the volume of trade driven by economic growth. The deficit collections compared to previous years is a result of winding down of LNG construction that impact on other industries as well.

5.2 Actual against Projections

Customs Duties	Actual Collections	Expected Collections	Surplus/ Shortfall	Surplus/ Shortfall (%)
Import Duty	272.97	288.78	- 15.81	-5%
Import GST	1,077.06	1,101.40	- 104.34	-9%
Import Excise	250.56	281.59	- 31.03	-11%
Export Duty	272.79	176.51	96.28	55%
Inland Excise	638.59	689.29	- 50.70	-7%
Sundry Receipts	10.43	8.52	1.91	22%
Total	2,522.40	2,626.09	- 103.69	-4%

Figure 5 – Table of Actual Revenue against Projections under different revenue heads for financial year 2014

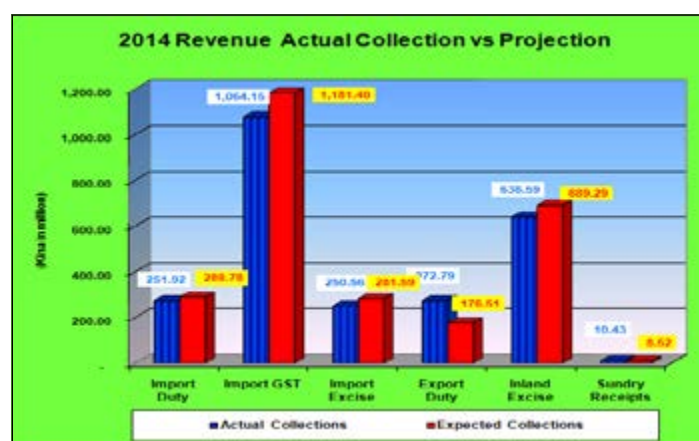


Figure 6 – Graph on Revenue Collection in 2014



Figure 7 – Chart on Revenue Collection under different revenue heads for financial year 2014

Export duty collections were above the estimate by K96 million, which is K81 million more than the prior year collections. The unexpected increase was due to rise in the volume of log exports triggered by entry of new logging companies in the major logging provinces. Vanimo port collected over 23% of the total export duty.

The logging ports that generated export duty for 2014 in descending order were:

- > Vanimo collected K61 million, or 23% of total export duties,
- > Kimbe collected K55 million or 20% of total export duties,
- > Rabaul also collected K42 million, 16% of total export duties,
- < Kavieng collected K29 million, 10% of total export duties,
- < Daru collected K26 million, 9% of total export duties,
- < Port Moresby collected K25 million, 9% of total export duties while
- < Other ports collected K34million, or the remaining 13%.

The deficit of K104 million in import GST in 2014 was due to sudden drop on imports of aeroplanes and aircrafts, and decrease in prefabricated building materials. Both went down by 100% and 88% respectively despite increase on general import values and volumes.

A deficit of K50.71 million in Inland Excise was a result of over projection in 2014 budget. This is clearly shown by the increased collections K639 million in 2014 compared to K542 million collected in 2013.

Import excise collection in 2014 was lower than budget estimates by K31 million. This fall was a direct result of drop in excisable goods led by motor spirit (gasoline), and mixed beer made from malts.

The substantial drop in Import Duty is attributed to decrease on imports of prefabricated building materials, and beer made from malts, despite the general increase on import values and volumes. A total of K273 million was collected against the budget projection of K289 million in Import Duty.

5.3 Government Sanctioned - Revenue Foregone

Over K1.7 billion in state revenue was foregone through various state sanctioned exemptions for the 2014 period. This was substantially phenomenal and has been a great concern when such amounts are not accounted in the government purse.



Revenue Foregone through Concessions and Exemptions in 2014

Customs Duty	Revenue Foregone
Import Duty	29,968,916
Import GST	1,687,238,116
Import Excise	9,886,583
Total	1,727,193,615

Figure 8 – Revenue Foregone

A significant sum of K1.7 billion was foregone under the state sanctioned exemptions, which could have formed part of the aggregate revenue collections for the year. This was K1.29 billion more compared to the 2013 figure of K434 million. The three components that were most affected by the concessions were import GST (K1.69 billion), import duty (K29.97 million) and import excise (K9.87 million).

Exemptions on import GST include concessions granted on imports to charity organizations, religious organizations, community organizations, medical supplies, educational institutions and mining, petroleum, gas and oil resource companies. Exemptions and reduced rates on import duty apply in respect to petroleum, gas and oil industries.

Exemptions were decentralised to regional operations in 2014. Records of 227 exemption applications were received and 273 approved while only 4 were rejected.

5.4 Nominal Revenue

Nominal Revenue for the 2014 was K4, 250,785,295 (K4.250 billion). This is K1, 624,095,294 (K1, 624.09 million) higher than the projected receipts for 2014 Budget.

Nominal Revenue for the year 2014 is illustrated by the following graph:

**5.5 Revenue Recovery**

PNG Customs conducted post clearance audit through intelligence database and recouped over K8 million from various non-compliant importers.

Festive revenue recovery exercise resulted in the recovery of K9, 800,124 through detection of various errors. The errors ranged from tariff misclassification, local excise, late penalties, post notes, misapplication of exemptions, ship stores, undeclared exports and hanging entries. Effectiveness in post clearance audit function was greatly impaired by manpower shortages. Regardless of this, PNG

Customs tireless efforts and commitments had seen good progress and results in this respect. It is confident to improving this trend when capacity issues are addressed through recruitment in 2015.

5.6 Outstanding Revenue

Internal system audits conducted in mid 2014 revealed outstanding of substantial revenues in billions and is set to be collected in early 2015.

Ending December 2014, hanging entries worth millions of kina in State revenues are outstanding to be realized. These will be pursued and recouped in early 2015.

5.7 CUSTA Collections

The Customs User-Pay Service Trust Account (CUSTA) has proven very useful and beneficial to PNG Customs as it overcome financial constraints and provided the leverage for continuity of Customs operations. Where the recurrent budget was unable to meet operational expenditures, collections from CUSTA were used to offset the shortcomings. As such, it is a significant stream of revenue for PNG Customs.

- Major Components include:-
 - i. Entry processing fees;
 - ii. Advance ruling fees; and
 - iii. Merchant overtime
- Actual amount in figure:-
 - i. Collected up to K6,481,423 in 2014;
 - ii. Balance carried forward from 2013 was K250 in strict accordance with CUSTA Instrument
 - iii. Paid to Waigani Public Account in December 2014 a sum of K246, 006.14 as surplus pursuant to the terms of CUSTA Instrument;
 - iv. Disposable fund as at 31 December, 2014 was K6,481,173; and
 - v. Closing balance as at 31 December, 2014 was K1,031,779.67

The CUSTA account is maintained at ANZ Bank and the 2014 funds were, in accordance with the Trust Instrument, used to subsidise operational shortfalls.



SECTION 6

6.1 Outcome: ENABLING CORPORATE SERVICE FUNCTIONALITIES

Strategy: Adopting an organisational structure that supports Customs Service Plan, communication framework, human resource plan, governance and corporate services that effectively support Customs operational activities.

2014 - Performance

6.2 Customs Service New Corporate Plan 2013 – 2017

The PNG Customs Service Plan 2013 – 2017 was completed in 2012 and its launching coincided with the World Customs Day in January, 2013. The Service Plan is aligned with the National Development Plans, namely, the Medium Term Development Strategies (MTDP) 2012 -2015, PNG Development Strategic Plan (PNG DSP) and Vision 2050. This was to ensure that PNG Customs' development and growth is undertaken in tandem with the public sector management policies and initiatives.

The objective of the Service Plan is twofold. One is to guide and drive PNG Customs implement and achieve its mandated roles and corporate objectives with satisfactory results. On the other hand, it serves as a yardstick to measure PNG Customs' performance and achievements against the outcomes set out in the Service Plan.

The effective implementation of the strategies set out in the Service Plan has immensely assisted PNG Customs delivered its core outcomes of Border Security, Trade Facilitation and Revenue Collection with satisfactory results.

6.3 World Customs International Day

The International Customs Day was instituted by the World Customs Organization (WCO). It is held annually on January 26, which commemorates the day in 1953 when the inaugural session of the Customs Cooperation Council (CCC) was held in Brussels, Belgium. Seventeen European countries attended this session. In 1994 the CCC was renamed World Customs Organization (WCO) and today customs organizations from 179 countries are WCO members which includes PNG Customs.

International Customs Day (ICD) recognizes the role of customs officials and agencies in maintaining border security to ensure supply chain security and effective trade facilitation. It focuses on the working conditions and challenges that customs officers face in their jobs.

In 2014, PNG Customs celebrated its 3rd International Customs Day in Kokopo. The day was marked with conferences, workshops, sports carnival and employee appreciation events

where custom officers are recognized for their exemplary service with special considerations given to the retrenched Customs officers who served the organization with distinctions. Workshops, conferences and talks that focus on the year's theme and the challenges that agency and officer's face were also held. Customs also held public outreach events where the public were educated about Customs jobs and responsibilities through convoy of vehicle around the vicinity of Kokopo town.

6.4 Uniform

PNG Customs plays an essential role in the enforcement of Papua New Guinea's national laws at the borders. In particular, it regulates and controls the movement of people, goods and conveyances across the border to ensure supply chain security aimed at fostering safe environment conducive for trade and investment. As such, it was important to have clothing or apparels that would clearly distinguish Customs Officers and reinforce the powers and functions they exercise at the various work areas. The uniform is also important as it represents and promotes team spirit as well as promoting and ensuring transparency.

The Uniform Policy drafted in consultation with the customs officers and management was endorsed in mid 2014 by the Customs Management Committee. The observance and compliance of the Uniform Policy is further reinforced by the Customs Code of Ethics and Conduct.

New uniforms were ordered in 2014 in line with the Uniform Policy and issued to all the customs officers. Unfortunately, some could not fit into the uniforms so supplementary order was placed and are set to be distributed to those who do not have them upon delivery of the uniforms from overseas.

The uniform outfits have accorded to Customs Officers great sense of professionalism, unity, a modern outlook and reinforced the powers and functions exercised by PNG Customs.

6.5 Implementation of Service Plan 2013-2017

The demand to successfully implement the Service Plan has been the main driving force for the Customs Management and Staff. Therefore, the daily discharge of their designated duties were tactfully monitored through monthly and quarterly reporting by the management to ensure the Service Plan was implemented. After overcoming certain challenges in implementing the first Service Plan 2010 -2012 which set the foundation, the implementation of succeeding Service Plan 2013-2017 was exceptional. Year 2014 saw the implementation with some remarkable achievements towards its goals and objectives.

Under the guidance of the Service Plan 2013-2017, PNG Customs has continued to grow into vibrant and model government organisation. Its mandated roles of border security, trade facilitation and revenue collection were performed with satisfactory results. Institutional capacity development had



also progressed well with modernization projects such as the upgrade of ASYCUDA++ to ASYCUDA World; construction and installation of Container X-Ray Examination Facilities; roll out of the V-SAT Project throughout the ports in the country; purchases of institutional properties throughout the ports in the country for staff accommodation; and the implementation of the organizational structure. Customs will continue to implement the strategies set out in the Service Plan to derive satisfactory outcomes as envisaged in the Service Plan.

6.6 Recruitment

The recruitment of officers to the positions in the organizational restructure continued from 2011 into 2014. The delay in concluding the recruitment has been due to a number of factors, notable ones being the lack of adequate office accommodation for all officers and acute manpower shortage in Human Resources Section.

Ending year 2014, PNG Customs has yet to conclude and fill up all the positions in the restructure as shown below:-

- Staff ceiling 507 (funded positions).
- 103 positions selection completed for permanency in December 2014.
- 103 probationary officers
- 07 short term contracts officers
- 5 casuals
- 30 unattached (for retrenchment)
- 386 total staff on strength
- 150 funded vacancies

6.7 Human Resource Management

Effective and meaningfully managing the “human resource” aspect of our operation is a priority for PNG customs, and has been identified as a material issue in our overall strategy. The strength of PNG Customs lies in the skills and expertise of its 386 employees; PNG Customs management is aware to ensure the sustainable growth of Customs Officers and seek to create the right culture through talented, creative, results oriented and engaged employees. Its strategy therefore has focused on facilitating the unleashing of human potential by attracting the right talent, managing performance and providing them with the right tools. Managing staffs’ welfare is an ongoing task for the management team.

PNG Customs has and continues to evaluate its human resources policies and working environment as new generations of youth make their way into PNG Customs. The composition of its cadre has gradually shifted towards younger generation. Retaining them depends on PNG Customs’ ability to provide an inspiring and rewarding environment that can compete with their hunger for new experiences and their desire to explore the world on their own.

6.8 Human Resource Development

Reviving and maintaining adequate training for PNG Customs Officers has been a major area of concern for the PNG Customs management. Only a handful of training in critical areas of operations was conducted in 2014. This was mainly due to manpower shortages including lack of proper training section to pursue personal development trainings.

Given the need to strengthen management capacity in the organisation, Senior Management Officers were given priority. This saw the implementations of MOUs with the University of Technology (UNITECH), the University of Papua New Guinea (UPNG) and the Divine Word University (DWU) to offer business management and leadership courses to senior management Customs Officers. A number of Senior Customs Officers had successfully undertaken Management and Leadership courses conducted by DWU.

This has been an ongoing investment for PNG Customs in its human resources development to elevate its human resource capacity. In 2014, Customs endorsed thirteen senior officers to undertake Post Graduate Certificate in Higher Education Teaching & Learning at Divine Word University. The trainings were completed and officers are set to graduate in March 2015. They will be certified trainers for diploma courses that will be offered by Customs at DWU thus signifying the birth of the Customs Institute of Training.

6.9 Competency Development

PNG Customs staff competency development strategy involves the provision of training opportunities designed to develop key competencies. The required competencies are identified through a training needs analysis, which compares desired competencies against current levels.

The quantum of training and development programs conducted for Customs staff saw significant growth in 2014 with more than 170 staff trained through 25 training programmes. The programmes covered technical areas and core skills in Customs, competencies in interpersonal skills and managerial skills. In order to build a sustainable training and development culture within PNG Customs, special focus was also given to the creation of suitably skilled internal trainers through ‘train the trainer programmes’.

6.10 Implementation of Self-Accounting

Customs was granted self-accounting status towards the end of 2011. With new printing equipment, the process of printing cheques progressed well through to 2014 after the first trial prints in February 2012. All recurrent and development expenditures are now printed by PNG Customs. This has greatly alleviated delays and impediments incidental to errands to and from the Vulupindi Haus at Waigani for the submission of claims, processing and printing of cheques.



6.11 Institutional Capacity Building Program Initiatives

Funding for capacity building was requested through Public Infrastructure Project (PIP) submissions to the Department of National Planning. These submissions were considered in the positive with funding grants accordingly allocated. The funding is to be spread over a period of five years under the MTDP (Medium Term Development Plan).

Capacity Building Program includes the following:

- > Institutional Housing Project
- > Container X-Ray Examining Facility Project
- > Standard Operation Procedures and Consolidation of Customs Legislation
- > ASYCUDA World Project
- > V-SAT Project

6.12 Institutional Housing Project

PNG Customs has a five year (2012 – 2016) Housing Project plan to address housing needs of Customs Officers throughout the country. The project plan is tied to the Service Plan (2013 – 2017) and GoPNG MTDP (Medium Term Development Plan 2010 - 2015). Customs anticipates that through this project, a sum of K50 million funding from the National Government will be spread over the five years period.

The initial funding came from the 2012 Budget in which the GoPNG provided total PIP funding of K7.8million. With this funding, a number of houses were built and properties purchased around the major sea port towns. In 2014 Budget, a total of K8 million was allocated for implementation of this project. This funding was spent to construct houses around the ports and purchase a number of properties.

They are as listed below:-

- > In Port Moresby – 8x1 bed room flat for K3.7 million was constructed at Bisini and is expected to be completed and commissioned in early 2015.
- > 4x3 bed room property valued at K2.5 million acquired in Gerehu.
- > Construction of duplex valued at K430, 000 under commenced and set to be completed in early 2015.
- > Purchased two large blocks of land along the Tokua Airport road in East New Britain Province for institutional housing development valued at K420, 000.
- > Four blocks of land were purchased with first instalment of K46, 000 in Manus.
- > Extension and Renovation of two customs institutional properties in Kavieng was done and set to complete in 2015.

The staff housing project with Unitech Development Consultancy Ltd (UDC) has been cancelled due to UDC's breach of essential conditions of the Heads of Agreement. UDC failed to construct and deliver the properties to PNG Customs within the agreed time frame, which time was of essence. Discussions are underway between the two parties to seek a way forward in resolving this matter.

Lae Land Purchase - 2015

Most of the funding for the purchase of these properties came from the PIP Funding with CUSTA settling the balances and shortfalls.



Bisini Contruction-2014



Gerehu Purchase- 2014

SECTION 7

7.1 FINANCIAL PERFORMANCE (Recurrent Budget & Expenditure)

7.2 Operating Income

The National Government in the 2014 budget appropriation bestowed K63.498 million to PNG Customs, which was an increase of K19.256 million compared to 2013 budget of K44.242 million. This increased the total operating income up to K69.979 million and consisted of:

- Annual Budget Allocation from Government of K63.498m
- Supplemented by K6.481million collected as Customs User-Pay Service Fees (including any monies carried forward from the 2013 funds)

7.3 Operating Expenses

Total operating expenses for 2014 from recurrent budget and PIP funds were K63.498 million, composition of which is as illustrated in the table below.

Description	2014 (K000)
Income	K63.498m
Expenditure	K55.793m
Personnel Emolument	K17.865m
Goods & Services	K20.327m
CEF Project	K4.600m
Institutional Housing	K8.000m
Automated System for Customs Data	K5.000m

Figure 9 – Operating Expenses

The table below shows the allocation of the Recurrent Budget per the divisions together with the development Budget.

Recurrent Budget	(K63.498m)
Divisions	Allocation
Executive Unit	K2.817m
Office of Commissioner	K1.611m
Corporate Services	K5.807m
Border Management	K1.687m
Commercial Trade & Compliance	K2.661m
Enforcement	K3.121m
Southern Region	K6.590m
Northern Region	K5.790m
Islands Region	K3.390m
Information & Communication Technology	K4.722m

Modernization Management	K1.072m
Internal Audits	K1.072m
Internal Affairs	K1.393m
Container Examination Facilities (Recurrent)	K2.058m
Development Budget	(K18.000m)
Container Examination Facility	K10.000m
Institutional Housing	(K5.000m)
Automated System for Customs Data	(K3.000m)

Figure 10 – Divisional Allocation and Expenditure.

7.4 Return on Investment

The return on investment is a comparable analysis of income and resources used to derive the organisational outcomes.

From the total expenditure of K55.793 million, PNG Customs collected K2, 522.4 million. This represents a return on government investment of K45.21 per K1.00 allocated.

On average each Customs officer collected K6.53 million for the government in 2014 as demonstrated in the table below.

Programme	Quantity	Return	
		Input	Output
Total Expenditure	K55.79m expenditure	K2,522m revenue collected	K45 revenue collected per Kina of expenditure
Total staff	386 officers	K2,522m revenue collected	K6.53m collected per officer
International Passengers	28 Passenger processing officers	550,000 Passengers processed	19643 passengers per officer
Trade entries	38 Invoice examining officers	136,827 import, export, local excise entries	3,600 entries per officer
Sea Vessel (ship)	23 boarding officers	2,021 vessels cleared	88 vessels per officer
Aircraft	11 boarding officers	5,218 aircraft cleared	474 aircraft per officer

Figure 11 – Return on Investment



The table below illustrates the trade trend for the 2014 in terms of import, export and local entry.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Import Entry	31,901	31,286	31,261	31,657	126,105
Export Entry	2,120	2,591	2,617	2,406	9,734
Local Entry	215	208	198	367	988
Trade Trend	34,236	34,085	34,076	34,430	136,827

Figure 12 –International Trade Data



Figure 13 –International Trade Trend

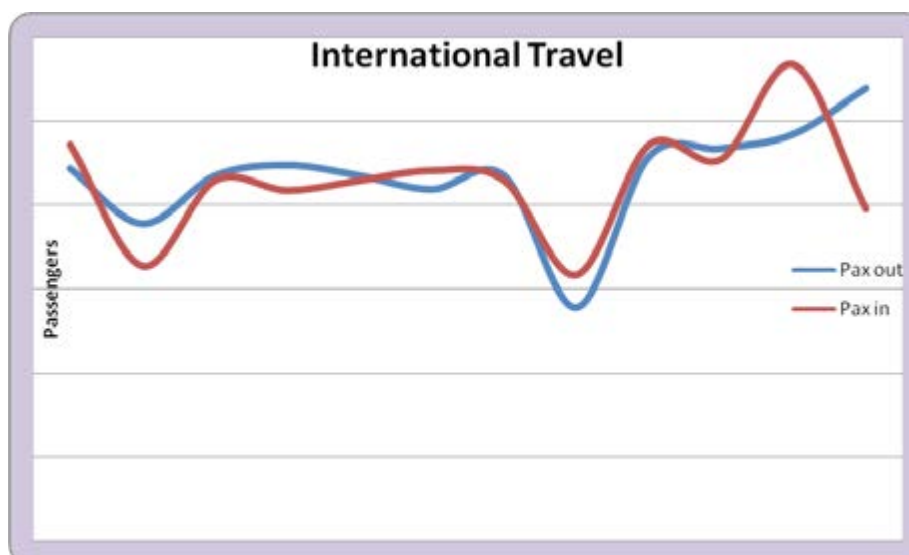


Figure 14–International Travel Trend 2013

7.5 Inter-agency, Regional and International Cooperation and Relation

PNG Customs is committed to be a regional leader in securing PNG's national border to enhance the security and socio economic development of Papua New Guinea. To achieve this, it has sought and gained the support, assistance and cooperation of the stakeholders both from within the country and the region as well as the world.

The arrangements that foster sharing and cooperation have been formalized with a number of Memorandum of Understandings, and bi-lateral and multi-lateral agreements with key domestic and international partners. It also maintained memberships to World Customs Organisation, Asia Pacific Economic Cooperation and Oceania Customs Organization.

Inter-agency cooperation is considered strategically essential in that it underpins capacity and capability considerations to ensure and sustain effective discharge of the mandated roles and functions.



A number of modernization Projects, both existing and new, were progressed in 2014 with funding from the Government. Of these is the Container X-Ray Examination Facilities Project, which was commenced in 2012. The Project is worth over K35 million. The completion and commissioning of this facility in Port Moresby is projected to be in mid 2015. In contrast, the construction of facility in Lae was met with protracted delays as a result of the default of the contracted construction company. The construction is set to commence sometimes in 2015.

This project will elevate the country's profile in terms of promoting trade and investment resulting in economic growth and prosperity. The use of these facilities will minimise customs clearance time and consequently reduce associated costs. At the same time, it will also guarantee supply chain security and ensure State revenues accruing from trade in duties and taxes are properly accounted and collected.

PNG Customs' successful evolvement with marked performance outcomes is rooted in its staff work morality and principles. It continues to strive to make professionalism, good work ethics and principles of good governance the cornerstone of its officers' operations. It has nurtured and instilled in its officers good work ethics and principles and continues to seek, train and encourage

them to be diligent and disciplined to deliver with high level of professionalism to its clients, the State and the people of Papua New Guinea. Customs officers are challenged and encouraged to continue to embrace discipline, integrity, principles of Christianity, honour and professionalism in the discharge of their designated duties in fulfilling PNG Customs' mandates, objectives and vision.

In summary, PNG Customs had performed well for the year 2014 in all the areas of its core functions. One of the highlights was its contribution in ensuring timely release of LNG construction materials that saw the successful completion of the LNG Project ahead of schedule. The Customs Management happily processed and facilitated clearance of the first shipment of natural gas, which marked a beginning of new era for Papua New Guinea.

The successful attainment of statutory authority through the passage of the *Papua New Guinea Customs Act, 2014* was also a historic achievement for PNG Customs.

This 2014 Annual Report presents the performances, outcomes and achievements of PNG Customs Service against the Service Plan 2013-2017 for the financial year ending 31 December 2014.



7.8 SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR 2014

PNG CUSTOMS SERVICE
SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

	K'000
Opening Balance 1 January	0.0
TREASURY APPROPRIATION	
RECEIPTS	63.498
Personnel Emoluments	23.588
Goods & Services	21.910
Capital Expenditure	18.00
TREASURY APPROPRIATION	
PAYMENTS	55.793
Personnel Emoluments	17.866
Goods & Services	20.327
Capital Expenditure	17.600
BALANCE (Unused funds)	7.697



7.9 International Obligation

Accession to WCO International Conventions - Revised Kyoto Convention and HS Convention.

The PNG Customs' accession to the Revised Kyoto Convention and HS Convention in 2014 was a milestone achievement for Customs and the Government of Papua New Guinea at the global arena in terms of international trade.

The accession to this Convention will see the simplification of cumbersome customs procedures that are considered to impede trade. The harmonisation of customs procedures with other WCO member administrations ensures predictability for traders. The HS Convention governs the application and implementation of the HS Tariff. PNG Customs is currently using the current version HS 2012 and its accession to it will now allow PNG Customs to have a say in the formulation and structure of Future HS Versions commencing from 2015 onwards.

The accession to both the Revised Kyoto Convention and HS Convention raise the profile of Papua New Guinea in terms of trade and investment in the country. The successful and effective implementation of these Conventions is set to unleash great benefits in terms of increased trade and investment with consequential economic growth and prosperity. To give effect to these international conventions, the PNG Customs Service has the enabling domestic legislation namely the *Customs Act Chapter 101* and the *Customs Tariff Act*. We are currently working on specific annexes of the Revised Kyoto Convention to legislate specific procedures which will enable PNG Customs to meet the government's socio economic development policy objectives.

SECTION 8

8.1 MANAGEMENT AND INTERNAL CONTROL

8.2 Customs Management Committee

To ensure PNG Customs has a vibrant and sound management framework, the following governance mechanisms have been established. At the strategic level is the Senior Executive Management that comprises of the Commissioner and the three Deputy Commissioners. They meet on a weekly basis to deliberate on organizational strategic matters and issues affecting the day-to-day operations of Customs at the strategic level.

For effective management and implementation of the Annual Work-plan, monthly work-plan meeting is convened each month to assess each Divisions performances and areas of weakness. The coordination and management of the implementation of Annual Work Plan by each divisions and operations is driven by the Office of the Commissioner. This meeting is chaired by the

Commissioner of Customs and is attended by all the Assistant Commissioners and the Directors of Internal Affairs, Internal Audits and Office of the Commissioners.

The Customs Management Committee is responsible for the strategic collective decision making of the organization on policy issues and operational matters of high importance. The Committee meeting that is held on a quarterly basis each year provides constructive forum to facilitate collective management debate and decisions on Policy matters and other strategic operational matters. The Committee also deliberates on strategic issues aimed at providing guidance on ongoing developments and work of Customs in Papua New Guinea. It comprises of the Commissioner of Customs, three Deputy Commissioners and eight Assistant Commissioners including Directors of Internal Affairs, Internal Audits and Office of the Commissioners.

The Project Steering Committee is governed by a Charter and is responsible for the strategic management of all the Customs Impact Projects supported by GoPNG. This committee consists of the Senior Executive Management and the appointed Project Manager, Divisional head, Directors. Other notable Stakeholders that compose this committee are the representatives from the Department of National Planning, Treasury and Central Supply & Tenders Board. The Commissioner is the chairperson of the Project Steering Committee.

8.3 Internal Audit and Integrity Functions

The Customs Management acknowledged the necessity to have in place Customs Internal Audit Unit and an Internal Affairs Unit to ensure accountability and integrity. This saw the establishment of the Internal Audit and Internal Affairs Divisions in 2011 and the internal Audit Committee. They function independently and report directly to the Commissioner of Customs. A new Charter and a specific Code of Conduct for the Customs Internal Auditors was completed and approved by the Customs Management Committee for implementation.

PNG Customs' success in producing optimal results in its core mandated functions depends greatly on the work of the Internal Audits and Internal Affairs in ensuring organizational integrity. A robust internal control mechanism is the foundation of a successful organization.

Audits were conducted and concluded by both the Internal Audit Division and external auditors from the Auditor General's Office. A number of areas were identified as lacking adherence or need improvements. These have been worked on and progressive reports on the implementation are made to the auditors.

Internal Affairs Division continues to develop relevant policies necessary to ensure staff and organizational integrity. It has also commenced investigations into breaches of laws and misconduct by officers.



The new Code of Conduct and Ethics for PNG Customs has been hailed by various Auditors as an important step in controlling conduct of officers in ensuring organizational integrity and upholding Customs professional image. Internal Affairs continues to ensure this Code is administered to all officers of PNG Customs and enforces its strict observance.

SECTION 9

9.1 COOPERATION WITH THE AUSTRALIAN GOVERNMENT

Under the SGP (Strongim Gavman Program) around forty senior Australian officials are working closely with their PNG counterparts to progress reform in the areas of economic and public sector governance, border management and transport safety and security, and law and justice. Australian Government funds and supports the SGP with officials drawn from a wide range of Australian agencies.

Australian Customs and Border Protection has three SGP officials working within PNG Customs as advisers. Based on a 2004 gap analysis, Australian Customs and Border Protection officials have been focussing on building capacity in areas such as Passenger Processing, Revenue, Post Clearance Audit, and Intelligence and Executive Management.

In addition to these core responsibilities the Customs SGP team, in partnership with PNG Customs colleagues, provides direct in-country support to facilitate the delivery of several Australian-PNG Customs bilateral programs that complement both the CMMT and SGP reform work. These programs include the PNG-Australian Customs Twinning Scheme (PACTS) and the Australia-PNG Joint Cross Border Patrols (JCBP).

While SGP generally operates at the strategic and policy level, PACTS enhances work at the operational level using targeted exchanges of personnel between the agencies. PACTS is managed by Australian Customs and Border Protection and is funded by Australian Government. During 2014, several PACTS activities were undertaken in the areas of passenger processing operational command, training, time release studies, strategies, intelligent analysis and CEF targeting and logistics.

In addition, PNG Customs and Australian Customs & Border Protection conducted a number of joint cross border patrols within the Torres Straits waters to ensure the integrity of border. This exercise is conducted on a quarterly basis annually.



SECTION 10

10.1 FOCUS FOR THE YEAR AHEAD

PNG Customs will focus on a number of issues for 2015. These include;

- > Progress work on the organisational structure of PNG Customs Authority and implement its functions.
- > Pursue recovery of over K4 billion in debt identified from audit checks from import GST plus 100% administrative penalty.
- > Complete recruitment and workforce plans by confirming existing staff to acting positions and employing new staff against vacancies.
- > Continue to build institutional capacity through establishment of robust Training & Development Section to oversee and implement training development needs of PNG Customs and its officers.
- > Progress the construction and installation of Container X-ray Examination Facilities at the major ports of Lae and Port Moresby.
- > Progress implementation of the PNG Customs Institutional Housing Plan (2012-2016) to secure better accommodation for Customs staff.
- > Progress and complete work towards establishing PNG Customs Training Institute via DWU and possible enrolment in 2015.
- > Optimize use of Information and Communication Technology throughout all ports and areas of Customs functions.
- > Continue implementing Customs Service Plan (2013 - 2017),
- > Progress work for Parliament ratification process in relation to the Accession to World Customs Organisation International Convention on Simplification and Harmonization of Customs procedures (Revised Kyoto Convention, RKC) and Harmonized Commodity descriptions and coding system (Harmonized System conventions, HS).
- > Complete the final phase of the introduction of electronic payment system called Kina Automated Transfer System with the Bank of PNG and commercial banks.
- > Complete Roll-out of Manifest Model for both Sea and Air cargo,
- > Complete the upgrade of ASYCUDA++ to ASYCUDA World Project,
- > Introduction of EFTPOS machines for duty payments in selected PNG Customs ports set to roll out in the first quarter of 2015,
- > Full implementation of the Tariff Reform Program up to 2018
- > Development of container control and Action guidelines
- > Progress and complete V-SAT Project



PORTS LOCATION

Location of Ports Locations of PNG Customs Ports



PORTS ADDRESS

Directory of Customs Address and contact numbers of all Customs Ports

CUSTOMS HEADQUARTERS	NORTHERN REGION	ISLANDS REGION	SOUTHERN REGION
Office of the Commissioner Ph: 322 6793 Fax: 320 0571 P.O. Box 923, Port Moresby National Capital District	Lae Madang Mt. Hagen P.O. Box 421, Lae Morobe Province Ph: 472 2105 Fax: 472 3989	Kokopo Kavieng Lihir P.O. Box 422, Kokopo East New Britain Province Ph: 982 9674 Fax: 982 9329	Port Moresby Jacksons International Airport P.O. Box 1830, Port Moresby National Capital District Ph: 322 6802 Fax: 321 2892 Ph: 311 2391 Fax: 311 2392
HEADQUARTER DIVISIONS Border Management Ph: 322 6889 Fax: 322 6981 P.O. Box 923, Port Moresby Customs Enforcement Ph: 322 6889 Fax: 321 2169 Customs Modernisation Management Ph: 322 6857 Fax: 320 3442 Commercial & Corporate Services Ph: 322 6882 Fax: 320 3442 Commercial, Trade & Compliance Ph: 322 6857 Ph: 322 6928 Fax: 320 3442	P.O. Box 215 Madang, Madang Province Ph: 852 1559 Fax: 852 2253 P.O. Box 135, Mt. Hagen Western Highlands Province Ph: 542 0057 Fax: 542 1314 Vanimo Wewak Wutung P.O. Box 66, Vanimo Sandaun Province Ph: 857 1192 Fax: 857 1270 P.O. Box 101, Wewak East Sepik Province Ph: 856 2270 Fax: 856 2591 P.O. Box 66, Vanimo Sandaun Province Ph: 275 8401 Fax: 857 1270	P.O. Box 137, Kavieng New Ireland Province Ph: 984 2163 Fax: 984 2163 P.O. Box 51, Lihir New Ireland Province Ph: 986 4225 Fax: 986 5401 Kimbe Lorengau Buka/Arawa/Kieta P.O. Box 370, Kimbe Western New Britain Province Ph: 983 5056 Fax: 983 5056 P.O. Box 1101, Lorengau Manus Province Ph: 470 9195 Fax: 470 9034 P.O. Box 791, Buka Autonomous Region of Bougainville Ph: 973 9242 Fax: 973 9243	Alotau Samarai Popondetta P.O. Box 222 Alotau Milne Bay Province Ph: 641 0181 Fax: 641 1034 P.O. Box 78, Samarai Milne Bay Province Ph: 642 1155 Fax: 642 1155 P.O. Box 243, Popondetta Oro Province Ph: 329 7092 Fax: 329 7332 Tabubil Kiunga Daru P.O. Box 132, Tabubil Western Province Ph: 548 9004 Fax: 548 9004 P.O. Box 24 Kiunga Western Bay Province Ph: 548 3743 Fax: 548 1301 P.O. Box 73, Daru Western Province Ph: 645 9114 Fax: 645 9114





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