



papua new guinea  
**CUSTOMS**

*Annual Report*  
**2015**





## 2015 CUSTOMS ANNUAL REPORT

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ANNUAL REPORT

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## MINISTER'S REMARKS

It is a great honour for me to work with the hardworking management and staff of PNG Customs Service as the Minister responsible. Under my political foresight and leadership, we were able to modernize PNG Customs and elevate its standards to be internationally competent in order to better serve the trading industry, the Government and the people of Papua New Guinea. The transformation of PNG Customs into a statutory regulatory authority with the successful passage of Papua New Guinea Customs Service Act, 2014 is a step in the right direction. This transformation had entailed visible improvements in the overall performance and outcomes of the core function of PNG Customs being the Border Security, International Trade facilitation and Revenue Collection.

Indeed, the roles of Border Security, International Trade Facilitation and Revenue Collection performed are very strategic to our economy's development. I am proud that through the relentless efforts of the management and staff of PNG Customs, as a country we were able to ensure international trade including movement of people and transports (sea and air transports) across our borders legitimately facilitated through a secured environment. This had given confidence to our businesses and investors to continue to invest more and do businesses in our country resulting in increased revenues collected for the State.

The O'Neil-Dion Government had continued to support and fund the modernization initiatives embraced by PNG Customs. I have ensured PNG Customs streamlined and modernized its systems and procedures to be economically competitive in delivering its mandated core functions of Border Security, International Trade Facilitation and Revenue Collection. These initiatives include the installation and implementation of the container x-ray examination facilities at the major ports of Lae and Port Moresby, the introduction and use of manifest module, the deployment of non-intrusive technologies at the ports, constant dialogue and engagement with stakeholders and the continuous deployment of the Automated System for Customs Data (ASYCUDA). In addition, PNG Customs also undertook the installation of the V-SAT which was rolled out in all the ports to improve communication and access, and the upgrade of the ASYCUDA ++ to ASYCUDA World.

I have noted that the increasing volume of goods in trade has not changed much for year 2015 compared to previous years, except for the last quarter of the year which had experienced some drop in imports due to falling global commodity prices that impacted adversely on the economy.



The modernization initiatives embraced had immensely assisted and supported PNG Customs overcome challenges posed and sustained better performance and outcomes.

I have also continued to support the initiative to prioritize staff welfare and training as critical to capacity building including adequate resourcing of officers. This initiative had immensely complemented the modernization initiatives thus resulting in enhanced performance and service delivery. I am pleased to note significant number of border security and enforcement operations were conducted by PNG Customs to safeguard and secure our border from infiltration of contrabands and smuggled goods. Substantial amounts of contrabands and smuggled goods were seized and destroyed or disposed. 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, smuggling of contrabands, human smuggling, illicit trade in tobacco and the evasion of duties and taxes through smuggling of goods.

International trade was also facilitated in a reasonably timely manner to the expectation of the trading industry. Trade is fundamental to the growth of our economy. As such, I am challenging PNG Customs and all stakeholders to continue to seek and embrace modernization initiatives aimed at enhancing trade facilitation. It is important to identify trade barriers and address them to promote efficient trade facilitation. This will foster and underpin sustainable trade and investment in our country resulting in increase economic growth, benefits of which will be ultimately realized by our people.

It is encouraging to note that PNG Customs had collected K2.589 billion against the 2015 budget projection of K2.615 billion for the financial year 2015. This annual collection recorded a deficit of K28 million against the budget projection. However, this collection is still better and commendable given the substantial

amount of revenue totalling K400.77 million foregone through State sanctioned exemptions and incentives. Compared to the 2014 collection of K2.53 billion, the collection for 2015 recorded an increase by K0.05 million.

I take this time to sincerely thank the hard working management and staff of PNG Customs Service for their tireless and commendable efforts. I am equally thankful to all the stakeholders for their valuable contributions towards assisting and supporting PNG Customs deliver its mandates with satisfactory outcomes. The good performance by PNG Customs continues to underpin sustainable trade and investment, which is critical for our economy and its growth. Importantly, I am pleased that PNG Customs had well supported the Government to finance the 2015 Budget to realize the development needs and aspirations of our people, and maintain a stable macro economy that is attractive to more investment.

I am proud to say the O'Neil-Dion Government is focused on public sector reforms that necessitate effective implementation and improvement in service delivery. Given the strategic roles performed by PNG Customs, I as the Minister responsible, including the Government are committed to supporting PNG Customs successfully implements its Service Plan 2013-2017 to deliver services to the Government and the people of Papua New Guinea. The increased budget allocation of K50.17 million to PNG Customs firmly attests the Government's commitment and it will remain committed in supporting PNG Customs.

The successful and commendable outcomes produced by PNG Customs in 2015 largely demonstrate sound and prudent management of the budget. It is important to continue this trend in achievement to sustain service delivery and economic growth. I urge all the officers throughout the ports to work with passion, commitment, sincerity and patriotism to deliver better outcomes for PNG Customs so we can secure a better future. I also call on all Papua New Guineans to assist and support PNG Customs deliver and achieve its objectives.

With that, I wish the management and staff of PNG Customs Service good health and success for the financial year 2016. God Bless PNG Customs! God Bless Papua New Guinea!

Hon. Patrick Pruaitch, CMG MP  
Minister for Treasury



## CHIEF COMMISSIONER'S PREVIEW

The financial year 2015 was no different to 2014 and the previous years as we continued to experience constant increase in the volume of trade. The challenges posed by this were enormous against the backdrop of limited resources and capacity. Despite the challenges, I am heartened to say our dedicated efforts, commitments and prudent management saw us delivering another year of success. Our achievements of our core deliverables mainly Border Security, International Trade Facilitation and Revenue collection has been largely attributed to the successful and effective implementation of our Service Plan 2013-2017.

The excitement ensuing from gaining statutory authority in 2014 continued in 2015 as the transformation of PNG Customs Service not only enhance performance and productivity but produced a positive impact on the officers' performance and general sense of duty.

As officers were able to realize increased benefits in terms of allowances and salaries, the optimal trend of performance continued to heighten. However, the slump in the economy triggered by falling global commodity prices towards the end of 2015 had affected implementation of some of our programs resulting in shortcomings experienced in certain areas in terms of reaching targets and projections. The effective implementation of the strategies embodied in our Service Plan 2013 – 2017 had enabled us to perform well in our core outcomes of Border Security, International Trade Facilitation and Revenue Collection.

Substantial amount of contrabands and illicit goods were detected, seized and destroyed. Persons who breached the Customs laws and related legislation were prosecuted, fined and dealt with under the laws. Our efforts in modernizing and optimizing the use of non-intrusive technologies such as the x-ray scanners at the ports have enhanced our efforts in detecting contrabands and illicit goods. Trade is essentially fundamental to Papua New Guinea's economy. As such we were committed to facilitate legitimate trade in a secured environment that fosters and encourages sustainable trade and investment. The deployment of 'express modules' in the ASYCUDA, successful implementation of manifest modules, the use of non-intrusive technologies and the risk based targeting and profiling has seen great improvements in the efficiency of our trade facilitation. Going forward, we are set to maximize the use of these technologies and measures, and further embrace more World Customs Organization (WCO) best practices and modules to further strengthen and improve our trade



facilitation aimed at promoting sustainable trade and investment in our economy. At the same time, we were able to protect our society and economy from the insidious effects of contraband goods and transnational crimes; and collected the appropriate revenue accruing to the State from these trades.

Our revenue collection for 2015 recorded a slight deficit of K28 million against the budget projection of K2.615 billion. The actual revenue collected for the year stands at K2.58 billion and is commendably a satisfactory result given the substantial amount of more than K400 million forgone through State sanctioned exemptions and incentives. The slight deficit reflected the slump in the economy owing to the falling global commodity prices experienced towards end of 2015 that adversely impacted on the general volume of trade. We are committed to improve our service delivery through modernizing and streamlining our business processes and procedures in line with WCO best practices and models. The automation of our process through deployment of non-intrusive technologies including the role out of electronic payment have yielded great results.

These great results would not be possible without the continuous support and assistance from the O'Neil – Dion Government. I am highly thankful to our Minister for Treasury and the Government for their constant support and assistance towards PNG Customs. We are conscious of the increasing investment by the Government in PNG Customs and assure the Government and the people of Papua New Guinea of our highest commitment to delivering our core mandated roles with satisfactory results for the years to come as we advance PNG Customs into the future. Our achievements as detailed in this 2015 Customs Annual Report are not without constraints and shortcomings. We were able to effectively manage our risks and deploy the limited resources wisely towards the implementation of our work programs thus resulting in great achievements of our

core mandates of Border Security, Trade Facilitation and Revenue Collection. It is with great pleasure that I present in detail our performance outcomes and achievements for year 2015 in this Customs Annual Report.

The successful implementation of our core outcomes and achievements as presented in this Report greatly attest the prudent management, relentless efforts and commitment of the hardworking Customs Management and Officers.

I am proud of these achievements and highly applaud and commend the efforts of each and every one of the Customs Officers for delivering these excellent results as presented in this Report.

The Customs Management and Officers also joined me in conveying to our Australian Customs counterparts working closely with us under the Strongim Gavman Program our highest and sincere appreciations. Their great and valuable support and assistance in complementing our efforts had seen excellent outcomes as presented in this Report.

Further, I am pleased to sincerely appreciate and commend our key government enforcement partners, particularly the Royal PNG Constabulary, PNG Defence Force, PNG Immigration & Citizenship Service, NAQIA, National Fisheries Authority, Border Development Authority, PNG Ports Corporation, Customs Brokerage Industry and all other stakeholders for their continuous valuable support and assistance towards PNG Customs Service in delivering these remarkable performances outcomes to mark year 2015.

To this end, I once again sincerely commend and applaud all the Customs Officers and their families for their tireless efforts and sacrifices in making 2015 a fruitful year. May God bless us all as we continue to serve PNG Customs Service, the Government and the people of Papua New Guinea in the years to come.

RAY PAUL, OBE  
Chief Commissioner of Customs



PNG Customs Service is mandated to perform the strategic roles of Border Protection, Trade Facilitation and Revenue Collection under the Customs Act and related laws.

## FOREWORD

Through the discharge of these roles, it ensures legitimate trades are facilitated in a secured environment and appropriate State revenues accruing from the trade are collected. Also through the administration and enforcement of the Excise Act, it collects excise duty in respect of the importation, production and sale of excise products. PNG Customs accounts for approximately 20% of the annual national budget each year through its revenue collection role.

There are more than 20 declared ports in the country where Customs Officers are stationed to regulate the movement of goods, conveyances (planes and ships) and people across our borders. Connectivity, interface and cooperation with other border agencies and stakeholders within the spirit of 'coordinated border management' continued to underpin higher than expected performance and outcomes.

The implementation of the Papua New Guinea Customs Service Act, 2014 had seen significant improvements in its operational efficiency and outputs. The increased benefits conferred to officers through this legislation had proven successful with increased productivity and outcomes.

The financial year 2015 is peculiar with its own challenges and achievements. The tireless efforts and sacrifices of the hardworking management and staff of PNG Customs had made 2015 another year of success with satisfactory level of achievements in its overall performance. These successes and achievements are presented in this 2015 Annual Report which measures against the objectives of the core outcomes set out in the Customs Service Plan 2013-2017

Revenue Collection for 2015 was satisfactory with a slight deficit of K28 million towards realizing the annual budget projection of K2.615 billion. The total actual revenues collected for the financial year of 2015 stands at K2.58 billion. Towards end of 2015, 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 2016 collections. Illegal movement of people and conveyances across the border into the country were also controlled, 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 in the Torres Strait. 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 in 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 2015 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.

The good performance and outcomes were without challenges and setbacks exerted by the increasing volume of trade, though the economy plunged to some extent towards the last quarter of the year due to falling international commodity prices. PNG Customs had strived to produce these remarkable outcomes against the backdrop of manpower shortages and capacity deficiencies.

It continued its focus on investing in building its institutional capacity and capability as promulgated through the Modernization and Capability Development Plan 2017 – 2026 endorsed by the National Executive Council. The implementation of this plan is aimed at elevating its capacity and capability to a level that would sustain effective discharge of its main roles of Border Security, Trade Facilitation and Revenue Collection with favourable outcomes. Institutional capacity building and modernization continues to occupy the high priority list for PNG Customs as envisaged in the 2013-2017 Service Plan.

The recruitment exercise was progressed with a number of new intakes and is anticipated to be progressed and concluded in 2016 for the new Customs authority structure. 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 completely filled.

2015 saw progression of a number of modernization projects and programs with

funding from the Government. The Container X-Ray Examination Facilities Project was progressed well with the completion of the construction and installation phase of the facility in Port Moresby (Motukea wharf). It is anticipated to be commissioned for use sometimes in 2016. In contrast, the construction of facility in Lae was stalled for a protracted period due to default of the contracted construction company and the dispute over the land leased for that purpose.

Indeed, the installation and use of these facilities at the main ports are set to 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.

The flourishing evolvement of PNG Customs with promising performance and outcomes of its core mandates stems from its staff work morality and principles. PNG Customs continues to nurture and instil in its staff principles of professionalism, good work ethics and good governance as the cornerstone of its operations. It continues to ensure professionalism, good work ethics and principles of good governance are entrenched as its operational cornerstone. PNG Customs 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.

To conclude, PNG Customs had performed well for the year 2015 in all the areas of its core functions. One of the highlights was its contribution in ensuring timely release of South Pacific Games venue construction materials that saw the successful completion of the modern sporting facilities to host the 5<sup>th</sup> South Pacific Games.

This 2015 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 2015.

## Notable Facts for 2015

The financial year 2015 was featured by lower collection in revenue of K2.58 billion, below the budget projection of K2.615 billion whilst border security and trade facilitation were performed with exceptional results. Below is the summary of performance highlights of PNG Customs for 2015:

- > completed the construction of Container X-Ray Scanning facility at the Motukea Wharf in Port Moresby.
- > Completed construction of 8x1 bedroom Flat at Bisini, National Capital District and commissioned for officers' accommodation.
- > Construction of Duplex at Buka for staff accommodation completed and commissioned.
- > Renovation of Kavieng institutional houses in progress.
- > Successful implementation of ASYCUDA manifest module resulting in efficient facilitation of trade. A total of 141,846 declarations were assessed through the ASYCUDA system.
- > Customs processed 482,082 passengers through international airports.
- > Introduction of electronic payment for duty payments in selected PNG Customs ports successfully rolled out in 2015,
- > 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 including placing relevant information relating to Customs business on its website.
- > Customs User-Pay Service Trust Account (CUSTA) nets over K6.48 million in collections of service fees.
- > The Customs Service Plan (2013 – 2017) was implemented to the extent expected.
- > Completed recruitment and workforce plans by confirming existing staff to acting positions and employing new staff against vacancies.
- > Continued to build institutional capacity through establishment of

robust Training & Development Section to oversee and implement training development needs of PNG Customs and its officers.

- > Successfully conducted number of twinning programs for capacity building with Australian Customs and Border Protection which were coordinated through by Australian counterpart under the Strongim Gavman Program.
- > Completed the construction and installation of Container X-ray Examination Facilities in Port Moresby while construction of CEF in Lae port is progressing
- > Implementation of the PNG Customs Institutional Housing Plan (2012-2016) to secure accommodation for Customs staff.
- > Progressed work towards establishing PNG Customs Training Institute via Divine Word University and staff enrolment for Diploma Program completed.
- > Optimized use of Information and Communication Technology throughout all ports and areas of Customs functions.
- > Progressed 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).
- > Progressed work on the upgrade of ASYCUDA++ to ASYCUDA World Project,
- > Fully implemented the Tariff Reform Program up to 2018,
- > Developed container control and Action guidelines

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 its Vision, Mission and Values, of which the Values call for Commitment, Professionalism, Service and Integrity. Observation of these principles has substantially guided and promoted effective discharge of its mandated functions and responsibilities as reflected in this 2015 Annual Report.

## 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.







### 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 the border while maintaining the integrity and security of the border, ensuring supply chain security and protecting the health and safety of the 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



Ray Paul  
Chief Commissioner of  
Customs



John Pomoso  
Commissioner,  
Trade & Corporate Service



Waliya Abilo  
Commissioner,  
Border Security & Operations



Desmond Kenehe  
a | Assistant Commissioner,  
Corporate Service



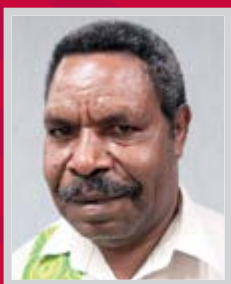
John Sam  
a | Assistant Commissioner,  
Trade & Revenue Admin.



Ben Sine  
a | Assistant Commissioner  
Enforcement



Frank Babaga  
a | Assistant Commissioner,  
Regional Operations



John Nakiria  
a | Assistant Commissioner,  
Compliance & Procedures



James Bire  
a | Assistant Commissioner,  
Modernization

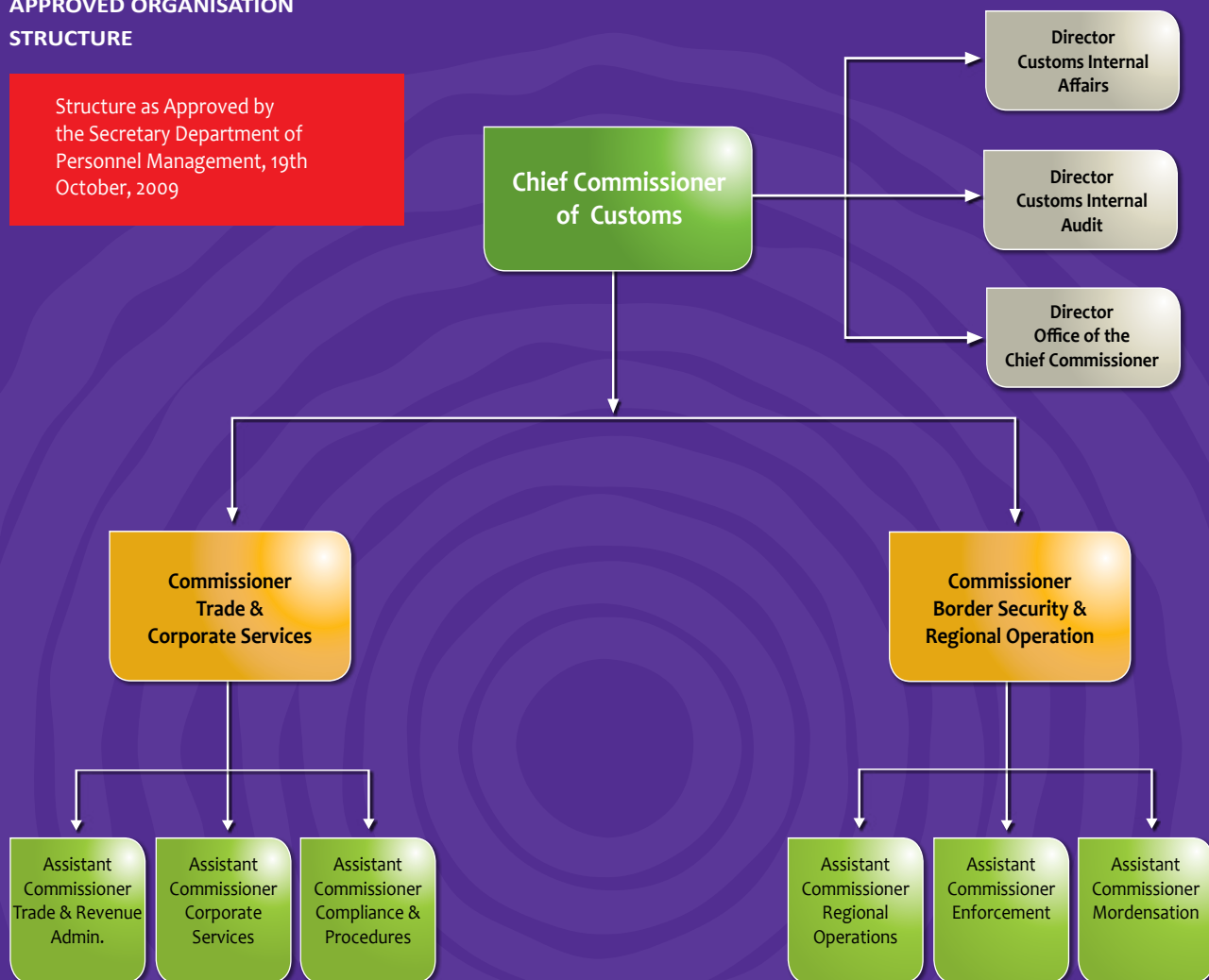
### 1.5 Executive Management

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.

## • ORGANISATIONAL STRUCTURE

APPROVED ORGANISATION  
STRUCTURE

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





### 1.6 Papua New Guinea Customs Service 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 534 fully funded staff positions. As at the end of 31 December 2015, PNG Customs employed 378 national Customs Officers (staff) to serve at the ports around PNG. This leaves 158 funded positions still vacant in respect of which recruitment is underway and is set to be concluded in 2016.

### 1.8 Budget

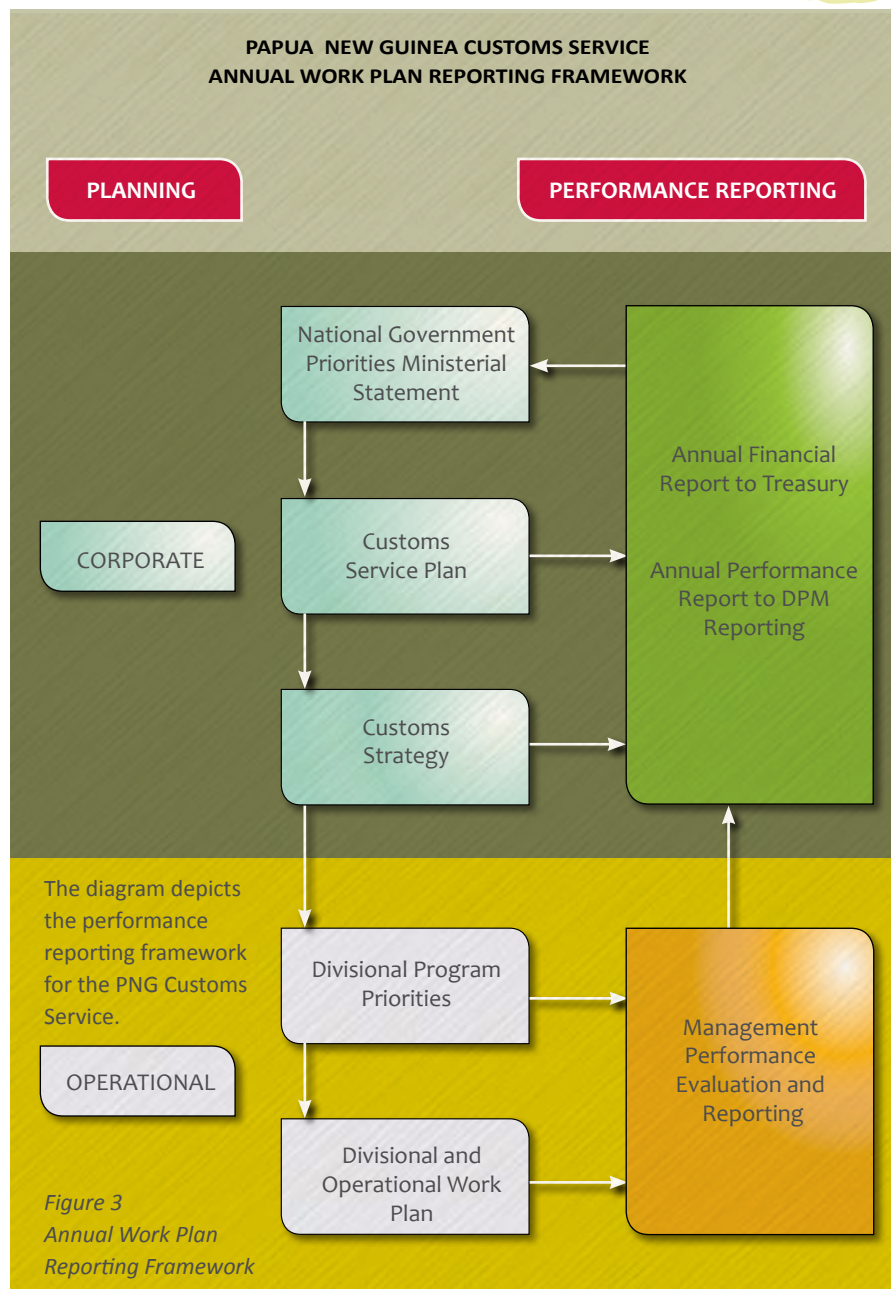
PNG Customs was appropriated K52.170 million in the 2015 national budget allocation. This saw a decrease of K11.328 million compared to 2014 budget of K63.498 million. This budget allocation was supplemented by collection of Customs User pay Service Fees in excess of over K4.48 million.

### 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. The diagram below depicts the performance reporting framework for the PNG Customs Service:

Annual work Plans are directly linked to



key government priorities and the Agency budget allocation. In the annual work plans, key performance indicators are clearly articulated with Division work plan targets and monthly work plan meetings are convened by the Chief Commissioner to review divisional achievements and failures/impediments with a view to address issues and find solutions.

### 1.10 2013 – 2017 Service Plan

Customs 2013-2017 Service plan is fully aligned to Medium Term Development Plans and the Vision 2050 and has been implemented since 2013. The performance of the outcomes has been satisfactory as envisaged in the Service Plan.

### 1.11 Implementation of Policies and Procedures

A Compliance and Procedures Division has been established to oversee and undertake this role. The implementation of approved and established policies and procedures require reviewing and improvement and this division undertakes this role.

A clearly articulated mechanism is required to be established within the framework to cater for division or section that becomes a depository of all policies and procedures adopted

and whose responsibility will extend to monitoring effective implementation of policies and adopted systems and procedures.

### 1.12 Facility and Asset Management Control

The facilities and assets of PNG Customs are strategically fundamental to its operation and must be wisely and properly used towards implementation of work programs. In order to maximise the use of these resources towards the advancement of PNG Customs work programs, stringent policies and guidelines have been put in place to manage and control their usage.

In addition to the number of properties purchased in the previous years as institutional housing for staff accommodation, an 8x1 bedroom units was completed and commissioned for accommodation for staff in 2016 at Bisini in Port Moresby. Renovation of properties in Kavieng was also progressed. A number of office equipment such as computers, printers, projectors etc were purchased.

Under the complete vehicle re-fleeting and disposal exercise, ports in the Islands region were supplied with 10 seaters Land cruiser vehicles while other two regions and head quarters also received new vehicles.

There is some more work need to be done to improve the enforcement of Policy on Vehicle and Housing in order to derive the desired results in terms of their use. The management is looking into the options of credit facilities and adoption or development of a suitable Asset Register Software.

Major developments and Maintenance status;

- > Maintenance of the Oro Bay Wharf and Constructions of 4 major bridges in Popondetta
- > The upgrading of the Girua Airport
- > Newcrest allocated residence at Lihir port for Customs officers
- > Completion of the New Office Building in Daru, awaiting connection of electricity and water.
- > Acquiring of the regional and operational offices in Kokopo and Kimbe to cater for the increased in manpower.

## PERFORMANCE AGAINST OUTCOMES AND STRATEGIES

### SECTION 2

#### 2.1 Outcome: BORDER SECURITY

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

#### 2015 – Performance

Generally, the border security function was performed well with satisfactory results notwithstanding the enormous challenges posed by the increasing movement of goods, conveyances and people across the border. 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) Cross Border Patrols and Community Awareness
- (d) Immigration clearance at major airports
- (e) Targeting and inspection of suspected green and red lane entries
- (f) Joint operations conducted with other law enforcement agencies on breaches of laws.
- (g) Investigations into breaches of Customs laws and related legislations.
- (h) Joint Border Patrols with Australian Customs & Border Protection along the border in the Torres Strait.

A number of investigations were conducted with several cases completed. A total of 12 suspects were apprehended and referred to the Police for further investigation and prosecution. Also substantial amounts of contraband and illicit goods were detected, seized and destroyed. There were number of seizures on prohibited & restricted items from passengers at the Jacksons International Airport. Expatriates without valid travel documents were deported and over 50 unscheduled flights were cleared.

#### Surveillance Capacity

Surveillance capacity and capability has been an ongoing issue and continues to pose significant challenge in terms of effective monitoring of PNG's land and maritime border. Nevertheless, the robust working relationship and partnership with both national and regional enforcement agencies have proven beneficial in underpinning efforts in securing the borders against incursion of illicit goods and poachers. A number of joint patrols were conducted with other agencies including Australian

Customs & Border Protection within the spirit of 'coordinated border management' to ensure the integrity of the border. 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 is obliged to ensure national security is not compromised in any circumstances by effectively discharging its border security roles and responsibilities. Being a member of the Technical Working Group in the formulation and promulgation of the pioneer National Security Policy, it has developed Standard Operating Procedures that are aligned to implementing the National Security Policy 2013. The year 2015 saw PNG Customs continue to implement this policy through the effective discharge of its role of border security.

Also it continued to actively participate in the discussions on security issues and formulation of plans and strategies to counter imminent or possible security threats and risk through its participation in the Transport Safety and Security Committee. The security measures and strategies were successfully executed during the South Pacific Games in 2015 hosted in Port Moresby which ended on a high note with commendations pouring in from all over the world. 2015 continued to see PNG Customs devising security measures and strategies in preparation for the 2018 APEC summit.

Through enforcement activities, deployment of non intrusive technologies, ship and aircraft inspections and joint maritime border patrols, PNG Customs continue to protect PNG's border from the illegal incursion of weapons, drugs, contrabands, terrorism, poaching, smuggling and other forms of transnational crimes. Given that the international trade is indispensable to PNG's economic growth and prosperity. PNG Customs ensures through its border security function that only legitimate trades are facilitated in a secured environment.

#### 2015 Performance;

- > Progressed work on establishment of a Border Command Centre.
- > Stepped up man-power in areas of auditing of manifest and gate checks at the wharves around the ports throughout the country.
- > Facilitated and processed clearance of international passengers and conveyances (ships and aircrafts).
- > Provided strong intelligence base and border control leading to number



of operations conducted in joint operations.

- > Tried out Canine Unit by Australian Customs & Border Protection.
- > Completed the construction and installation of the Container Examination Facility at about 85%.
- > Conducted capacity building trainings in Investigation, Intelligence and Passenger Processing with visible improvements.

## 2.2 Joint Operations

Joint agency operations have been the basis of effective border control and security over the years. PNG Customs in collaboration with other law enforcement agencies such as Police, National Fishery Authority, Department of Health, IPA, NICTA, Intelligence Organization and Defence had successfully conducted a number of joint operations that resulted in the seizures of various illicit and contraband items. The perpetrators that were caught were detained and dealt with under the laws accordingly.

Also PNG Customs and Australian Customs & Border Protection conducted similar joint patrols in 2015 in the Torres Strait waters to prevent poachers, drug trafficking and other transnational crimes.

PNG Customs continue to highly value the working relationship with other law enforcement agencies including the regional counterparts such as the Australian Customs & Border Protection as fundamental to ensuring effective border control and security. As such, its engagements with these agencies have been active and it continues to seek to strengthen this relationship into the future.

## 2.3 Investigations

The function of investigation is rudimentary to 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. The National Investigations based at Headquarter provides and support the regional investigations operation with policy guidance and intervention on high profile cases.

There were number of investigations conducted on the breaches of Customs laws and related legislation enforced by PNG Customs throughout the ports in the country in 2015. Of these investigations, 12 suspects were apprehended and 4 major cases investigated in Lorengau and Vanimo resulting in imposition of penalties against

the perpetrators. Firearms and other illicit goods (contrabands) 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.

The awareness activities conducted throughout their ports had proven successful and rewarding with increasing partnership and cooperation with the community, the industry and public at large in enforcing the Customs laws and related legislation at the border.

The effective administration and application of the Administrative Penalties had yielded positively with significant revenues collected that were incremental to the main streams of revenue. This had consequently improved and increased the level of compliance from the exporters and importers thus resulting in increased revenue collection.

## 2.4 Joint Cross Border Patrol

A good number of joint border patrols were conducted aimed at combating and reducing transnational crimes such as drug and firearms trafficking, smuggling, poaching of natural resources (fauna and flora), money laundering and terrorist financing, human trafficking, illegal fishing, illicit trade in tobacco, trade in illicit items such as pornographic materials etc.,. The joint operations were conducted with national enforcement agencies including the Australian Customs and Border Protection especially along the Torres Strait waters. Below are the brief details of operations conducted:

- > A successful joint operation done by PNGCS and Nicta in Kimbe
- > Twelve Joint Cross Border Patrols successfully conducted in Daru and Port Moresby.
- > Successful completion of joint operation with Police Mobile Squad in Kiunga town ship.
- > PNG Customs officers joined and participated in a number of border patrols initiated and conducted by the National Fisheries Authority.

A number of foreigners alleged to be illegally fishing around Daru waters were intercepted and referred to Transnational Crime Unit of the Police in Port Moresby. In our efforts to strengthen our role of Border security at the borders, a number of partnerships and understanding centered on collaboration were forged within other Government agencies and regional partners. In response to the increasing challenge posed at the border, the concept paper on

the establishment of the Border Command Centre was approved and preparatory work were undertaken, which included a team of Customs Officers visiting the Australian National Command Centre in Canberra and the Regional Command Centre in Brisbane.

Below are some of the benefits that entail from the joint border patrol conducted with the Australian Customs and Border Protection:

- > The joint patrol has proven successful and necessitated the opportunities for the PNG Customs and other national enforcement agencies to discharge their roles and responsibilities in remote areas too difficult for PNG agencies to access owing to logistics and resources limitations.
- > The patrols afforded PNG Customs the opportunity to conduct awareness and education to the people in the Treaty villages on the application of Customs Law & Regulation including related legislation relating to the movement of people and goods across the border, and the limits of rights under the Traditional Border Crosser arrangement.
- > The appreciation and acknowledgement by the local people of the combine-presence of Law Enforcement Agencies from both side of the border and the need for them to partner with them in dealing with transnational crimes along the border.
- > The patrol enabled them to gather information and intelligence including establishing communication and partnership with the local people.
- > The patrol sent out a warning and deterring message to the locals including foreigners on transnational crimes.

## 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 June 2014 ensuing the signing

of a Memoranda of Understanding 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 of course, for their mutual benefits and interests. 2015 saw the both administrations convening in Australia where they reviewed the action items agreed on earlier and further strengthened their ties by reaffirming their commitment to implementing the MOU.

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

Intelligence database is critical to PNG Customs' border operations and enforcement activities. Year 2015 saw the gathering of data and information for intelligence substantially improved and is attributed to effective engagement with the industries and communities through awareness on the roles of PNG Customs.

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 from the Regional Operations to integrate with Intelligence Section of Enforcement Division. This had necessitated an up-to-date flow of information on trends, risks and threats thus enabling the Customs Management to ensure a timely and effective approach and respond to addressing the areas of risks and threats.

## 2.7 Kastok and Website

The Kastok continued to presents quarterly news about events and developments regarding PNG Customs and shares success stories from Customs offices and staff throughout the ports in PNG. It also provide quarterly bulletin to trade industry (exporters and importers) including other stakeholders on trade issues and development. The publication of the Kastok has struggled through in 2015 due to serious manpower issues.

The Customs website has continued to serve as an important medium for the dissemination of Customs basic information on trade processes, border security, tariff, excise and the other Customs operations and procedures. The website is maintained and

updated on a periodic basis to ensure the stakeholders are kept abreast of the changes and developments in Customs procedures and processes so they make informed decisions. PNG Customs is conscious of the need to ensure it brings to the door step of the trading industry and stakeholders the basic information and will continue to seek to enhance the provision of information through the website.

## 2.8 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 2015, PNG Customs celebrated its 4<sup>th</sup> International Customs Day in Goroka that featured a meeting by senior management, various sporting activities where officers participated and presentation of special awards to officers in recognition of their outstanding performances in 2015. Customs also conducted a number of awareness at schools and public areas within and around the vicinity of Goroka informing the public on the roles and responsibilities of Customs. The awareness was aimed at securing public partnership in the enforcement of the Customs laws and regulations to improve compliance.

## 2.9 Container X-Ray Examination Facility

The increasing volume of trade together with the consequential challenges to ensure supply chain security saw the initiation of the Container X-Ray Examination Project which commenced some years earlier. It is essentially 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 Container Examination Facility (CEF) at the Motukea Wharf has been progressed well as scheduled and set to be completion in 2016.

- > The Container X-Ray Scanner was installed ready for usage.

- > CEF office and amenities fit outs was progressed well as scheduled.
- > A number of related equipment were purchased ready to operationalize the CEF.
- > Concluded maintenance and service Contracts.
- > Conducted successful testing of the scanner.

The CEF construction and installation in Lae was substantially delayed by the Contractor that defaulted. PNG Customs efforts to have the project regained and back in progress was further stalled by dispute over the land leased for the CEF. The Morobe Provincial Government has agreed to relocate the project to new site which is adjacent to the new tidal basin wharf in Lae.

The construction of the CEF in Lae is set to commence as soon as the land is freed up and made available for that purpose. This project will be undertaken in partnership with Morobe Provincial Government through its business arm called the Morobe Sustainable Development Corporation. It has been discussed that the design of the CEF in Lae will replicate the CEF constructed at Motukea, 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.

Successful installation and site testing of the Port Moresby CEF scanner - 2015

## 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.

## 2015 - Performance

The effective detection and containing of illicit trade of goods and contrabands at the borders have been largely attributed to increasing enforcement operations and activities conducted. The improved intelligence database has proven successful in necessitating such optimal results.



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.

PNG Customs continued to pride itself on the robust working relationship that it has with PNG Constabulary and the PNG Defence Force. This has enabled it to work jointly with them in conducting a number of joint operations (surveillance and investigations) in 2015 that resulted in detection, seizure and destruction of contraband goods. Through such great efforts, PNG Customs continue to protect the people, the community and the economy from the insidious effects of illicit trades and contrabands.

A total of 28 fraudulent cases have been registered, all of which involved unlawful removal of imports from Customs control through forgery and altering of Customs system-generated documents, like declaration and receipts. Some of these cases involved contraband and illicit goods. Ten people have been arrested with 5 behind the bar awaiting trial.

### 3.2 Public Awareness

Public awareness on Customs roles and responsibilities is essential in securing the community and industry partnership aimed at enhancing compliance with Customs laws and regulations. As such, PNG Customs has performed well in producing publications that included the release information and reports for TV, radio and the print media on its activities and functions.

A number of public awarenesses were conducted in 2015 at schools and major cultural shows to inform people on Customs and its roles. With the coordination and support from the Office of the Chief Commissioner and Enforcement Division, Customs Islands Region Operation conducted a total of 19 awarenesses around the ports within the region. The Customs Northern Region Operation conducted a total of 16 awarenesses throughout ports in the region whilst Customs Southern Region Operation conducted 8 awarenesses and is set to improve.

Added to these were the Joint Cross Border Patrols (JCBP) conducted in 2015 that afforded the Customs Officers to conduct awareness on the roles and responsibilities of Customs and other law enforcement agencies, and how the public 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 illegal movements of people, goods and conveyance across the border.

### 3.3 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 Divine Word University (DWU) Academic Council. It was used for teaching the Diploma in Customs program at the DWU under its faculty of Arts. Four units were completed in 2015 while the remaining four scheduled to be completed in 2016.

A good number of Customs officers attended and participated in the World Customs Asia Pacific capacity building trainings, workshops and conferences coordinated and delivered through the office of WCO Regional Organizations Capacity Building. PNG Customs' efforts in building its human resources capacity continued to be greatly supported and enhanced by the twinning exchange programs conducted in various areas of Customs operations with Australian Customs and Border Protection. In 2015, a number of twinning programs were conducted that saw exchanges of officers between PNG Customs and Australian Customs and Border Protection with fruitful outcomes. The twinning programs have essentially availed the PNG Customs officers the opportunities to be exposed to the practicality and operational environment in Australia Customs and learn from it. Indeed, the twinning programs conducted had proven successful and beneficial with demonstrable improvement in the officers' performances.

The development in terms of training in human resource has greatly enhanced staff work performance and production with positive outcomes on the organization's core businesses.

Training highlights in 2015;

- Conducted and completed internals trainings on Induction for 30 new officers, Rules of Origin for 15 officers, Cashiering for 10 officers, Leadership for 45 officers from middle management and up the rank, and Passenger Processing for 13 officers.
- Funded 11 officers to undertake Bachelor in Management, 11 officers for Diploma in Management, 16 officers for Diploma in Customs and one officer for Masters in Business Administration all at the Divine World University
- One officer was funded to undertake diploma in Business Studies at University of Papua New Guinea.
- One officer was supported through the Australian Scholarship program to undertake Masters in Business Administration at Flinders University in Melbourne.
- More than 20 officers attended and participated in the trainings and workshops conducted by WCO Office of Regional Organizations Capacity Building on various areas of Customs operations.
- A number of trainings coordinated and conducted by the Oceania Customs Organization on various areas of Customs Operations.
- A number of Twining Programs in various areas of Customs operations were successfully conducted with Australian Customs and Border Protection.

### 3.4 Industry and Community Partnership

Partnership and effective engagement with industry is fundamentally strategic to PNG Customs as it strengthens cooperation and exchange of information that goes towards assisting enforcement activities and improving compliance. PNG Customs has established partnership with the industry and community and continued to seek to strengthen cooperation and exchange of information aimed at enhancing the enforcement of Customs laws and regulation to improve compliance. The positive results in this are greatly attributed to PNG Customs' continuous awarenesses and engagements through meetings and consultations that fostered and maintained close partnership with the import and export industry 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 and its positive results, 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 the performance of its mandated role of Border Protection.

### 3.5 Intelligence

The information and intelligence gathering had greatly improved in 2015 as results of greater investment and efforts by PNG Customs' management and officers towards it. The intelligence network was broadened around the region and the world so as within the country. This had led to substantial improvement in profiling resulting in successful and increased number of detections of breaches of the Customs laws and regulations. The breaches included smuggling, undervaluation and misclassification of tariff codes, non-declaration of goods, evasion of duty, and importation and exportation of restricted goods and contrabands. Fines and administrative penalties were imposed on the perpetrators in addition to recovery of evaded duties.

## SECTION 4

### 4.1 Outcome: INTERNATIONAL PASSENGERS AND TRADE FACILITATION

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

#### 2015 - 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 and has proven very useful in facilitating efficient trade.

- > 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.
- > Facilitation of the successfully completed SP Games – temporary imports, consignment under exemptions, etc.
- > Processing of 2015 SP Games athletes and visitors
- > Facilitation of APEC Forestry/Pacific Water/Pacific Tuna Conference, MSG Meetings and Melanesian Festival of Arts

PNG Customs Service is conscious that the role of Trade Facilitation that it performs is strategically fundamental to Papua New Guinea's economy. As such, it has continued to seek and embrace modernization measures in line with World Customs Organization's recommended best practices and models to streamline its business processes and become globally competent in order to promote sustainable trade and investment in our economy. The succeeding paragraph details some of these best practices and their positive impact on the outcome of Trade Facilitation role.

#### 4.2 Advanced Ruling

The role of trade facilitation was greatly enhanced through the effective deployment of the Advanced Tariff Ruling Scheme. This scheme enables importers to apply for tariff classification on certain commodities. Once a decision is made and notified by the Chief Commissioner of Customs, the ruling becomes binding for a period of 4 years. In essence, this provides an environment of certainty and predictability for importers and investors to operate in the country.

With the successful implementation of this scheme, PNG Customs has experienced significant improvement in trade facilitation 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.

#### 4.3 ASYCUDA

The continued and effective deployment of the automated system of cargo clearance called ASYCUDA (Automated System for CUsStoms DATa) has sustained and promoted efficient trade facilitation. Besides trade facilitation, the ASYCUDA had tremendously served as the hub for information and data on revenue and trade statistics, which assisted Customs Management and the key government departments in the economic sector for their analysis on trends and decision making. The efficient use of ASYCUDA complemented by the introduction of the cargo manifest module continued to produce great results in trade facilitation.

In 2015, Express Service Models were created under the ASYCUDA and the imports for major impact resource projects such as the PNG LNG Project and South Pacific Games Infrastructure Project were speedily cleared for delivery to their designated sites.

The Information, Communication and Technology Division of PNG Customs continued to carry out regular maintenance and technical missions thus providing ongoing technical support for users in PNG Customs and the Customs Brokerage Industry. The effective implementation of cargo manifest module in 2015 had substantially assisted PNG Customs exerted greater control over the reporting and accounting of cargoes destined for the main ports of Port Moresby, Lae, Kimbe, Rabaul and Madang.

ASYCUDA has been an essential operation of PNG Customs Service and had gained much prominence within the trading industry. It was used to process import and export transactions, collection and accounting of State revenue and trade data essential for monitoring trade trends. PNG Customs and the trading industry have relied on it since its inception in 2008 and it has proven beneficial with great success and outcome in terms of trade facilitation.

The project that was initiated in 2014 to upgrade the current version of ASYCUDA++ to ASYCUDA World has progressed well in 2015 and is set to complete on schedule. The required contractual documentations relating to the upgrade has been concluded with the Secretariat of the United National Conference on Trade and Development (UNCTAD), which is the sole proprietor and distributor of this software. In preparation, the Customs Management had established the National Project Team (NPT) for the ASYCUDA World Project and they have done a great deal of work by gathering



information on current business process of Customs.

The successful installation and implementation of the ASYCUDA World will largely depend and base on the operational experience and success of the 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.

#### 4.4 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 through to 2015.

#### 4.5 Service Delivery and Travel Facilitation

PNG Customs is focused on improving its service delivery by becoming more service oriented. In its efforts to enhance import clearance, it has done away with the 'random selection' of import consignments and had replaced it with a 'risk based targeting' of cargoes.

It has also provided the avenues through close engagement with the Customs Brokers

Association to respond and approach issues raised by the industry and stakeholders in a manner aimed at improving the delivery of its services.

PNG Customs continued to facilitate international passengers and their cargoes through the international airports. In 2015, a total of 482, 000 international passengers were processed compared to 510, 000 passengers facilitated in the prior year of 2014.

#### 4.6 Compliance Assurance Strategy

2015 saw PNG Customs continue to implement the Compliance Assurance Strategy 2013 which enabled it to be focused on high risk clients. The challenges exerted by the increasing trade are quite enormous against the back drop of limited resources and capability. The effective implementation of the Customs Compliance Strategy has proven positive in managing risks to ensure legitimate trades are facilitated without compromising supply chain security.

#### 4.7 Facilitating Imports for Infrastructure Development Project

The need to ensure impact infrastructure projects were completed on schedule prompted PNG Customs to create 'express service module' in the ASYCUDA system. This had enabled PNG Customs to manage and facilitate the cargoes destined for the Infrastructure Development Projects such as 2015 Pacific Games speedily and delivered to their designated sites of construction. The added advantage to this was the arrangement with the Sport Commission that provided for the verification and endorsement by the Sport Commission, which serves as an authorization for Customs to clear the goods in a timely manner. This was purposely done to ensure the exemption facility was controlled and managed in such manner that it was not subject to abuse.

The close engagement and cooperation with the importers and contractors have assisted Customs ensured the goods were cleared in a timely manner and the sporting infrastructures and facilities were completed in time for the South Pacific Games in July 2015.

#### 4.8 Customs International Trade Data

The information on the merchandise trade is maintained and kept by PNG Customs in the ASYCUDA database. Pursuant to the requirements of the Customs laws and regulations, the import and export data are declared to Customs by the trading companies and individuals. The post clearance audits and compliance activities conducted by PNG Customs Service supports and substantiate the accuracy of the declaration and the information. Analysis of the trade data showed that Australia continued to feature prominently as the important trading partner to PNG in terms of both export and import. Trade between PNG and Japan has greatly improved in 2015 with a great volume of import by PNG from Japan whilst it also exported to Japan. PNG's top export destinations in 2015 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 which also involved the change of ownership on the crude oil.

Top 10 import and export countries 2015 (in million of Kina)

Import source	Value in Kina (CIF)	Export destination	Value in Kina (FOB)
PNG	44,136.93	Japan	6,861.04
Australia	13,119.16	Australia	5,469.62
Singapore	1,993.57	China	2,649.92
Iceland	1,838.78	Taiwan	2,000.14
Portugal	1,858.77	Indonesia	1,064.47
China	1,690.38	Philippines	979.39
Malaysia	872.92	Germany	720.91
USA	774.69	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

The main imports of Papua New Guinea are crude oil, aeroplane parts, rice, vehicles, heavy machinery, chemicals, meat, iron and steel. Its major trading partners in terms of exports are from the Asia Pacific Region while Germany and United Kingdom from Europe continued to demonstrate firm interest in trading with PNG.

2015 recorded 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. Yet Australia continues to dominate as the major import destination for PNG.

The top export destinations for Papua New Guinea's other commodities 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 2015, the major category of imports into PNG has been mineral fuels, ships and boats, closely followed by imports of aircrafts.

Top 10 commodities imported in 2015, and their progression from previous years (in millions of Kina)

Commodity	2015	2014	2013	2012	2011
Mineral fuels	1,588,762.06	46,293.69	1,273.70	2,948.8	2,286.2
Ships and boats	639.29	563.55	269.42	630.48	567.02
Aircraft and parts	451.77	3,998.42	208.5	393.1	319.9
Electrical machinery	358.03	648.5	329.6	520.4	10.64
Pharmaceuticals	321.63	143.25	106.98	46.74	3.71
Nuclear boilers	184.54	111.20	138.89	112.08	64.86
Nuclear reactors	166.09	210.13	99.53	74.57	35.04
Fertilizers	164.80	110.43	102.20	11.36	0
Vegetable textile fibre	146.46	0.88	0.56	0.49	0
Earth moving machines	102.02	25.60	49.36	190.92	169.57

Source: ASYCUDA

## Exports from Papua New Guinea

The last 5 years continued to feature the category of mineral fuels as dominant in leading other export commodities from PNG. The diesel and gasoline have led in export with greater values in this category of export.

Record of over K11.82 billion worth of liquefied natural gas (LNG) has been exported in 2015 by ExxonMobil-led consortium. This is K4.94 billion more than the values of shipments in 2014 June to December period. As projected, the export value of this commodity recorded a staggering increase following the initial shipment in June 2014.

Top commodities exported in 2015, and their progression from previous years (in millions of Kina)

Commodity	2015	2014	2013	2012	2011	2010
Natural Gas	11,812	6,875	0	0	0	0
Precious stones and articles	4,409	522	3,911	3,105	5,628	4,292
Copper ores and concentrates	4,369	3,075	673	845	1,054	1,703
Aero planes and aircrafts	2,525	900	705	559	94	50
Ships and boats	127	1,389	1,330	1,024	742	67

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.**

#### 2015 - Performance

PNG Customs collects revenues in the form of duties, goods and services tax, excise and other levies imposed under the Customs laws and related legislation. This segment details the financial performance of PNG Customs in terms of revenue collection including its income and expenditure for 2015.

The main streams of revenues are derived from the imports and exports taxes (import duty, import GST, import excise, export duty) and supplemented by the local taxes (inland excise and sundry collections).

- > Marking the sixth year of its operation, PNG Customs exceeded the forecasted revenue figures by K613 million for the period of 2010 to 2015.
- > The increase in revenue collection during this period of years reflected growing international trade and economy.
- > Good revenue collection outcomes is attributed to effective enforcement of the Customs laws and regulations that increased industry compliance.
- > Total revenue collection for the 5 years of evolution as a separate government agency is K 14.20 billion, which is K613 million above the revenue target set by the government.

PNG Customs collected an aggregate revenue of K2.58 billion for the year ending 2015. This revenue was K28 million (1%) lower than the 2015 Budget projection of K2.615 billion. In comparison with the 2014 collections of K2.53 billion, this was an increase of K5 million.

The falling global commodity prices experienced towards the end of 2015 had some drastic negative impact on the overall performance of the economy in terms of trade. This has consequently led to lower than expected collections for the year. There were fall in the volume of general imports led by aircrafts and parts plus electrical machinery. The collection of inland excise and GST has also dropped.

The comparative value of the aggregate revenue is also higher than the total revenues collected in 2014. The surplus collection of K73 million on export duty and K26 million on import excise are overshadowed by deficits in local excise



(K74 million), import GST (K40 million), import duty (K9 million) and sundry collections (K6 million). The significant shortfalls in the collections in these main revenue heads have offset the increased collection on export duty with overall deficit of K28 million.

Papua New Guinea's economy is not immune from the impact of the velocity and fluidity of the global economy. The receding global commodity prices towards the end of 2015 affected the volume of the general trade resulting in slight deficit collection by K28 million against the annual budget projection of K2.615 million.

## 5.2 Actual against Projections

Customs Duty	Actual Collections	Expected Collections	Sur/shtfl Collections	Sur/shtfl %
Import Duty	242.38	251.25 -	8.87	-4%
Import GST	1,220.74	1,260.90 -	40.16	-3%
Import Excise	298.72	271.78	26.94	9%
Export Duty	316.16	242.90	73.26	23%
Inland Excise	503.33	576.87 -	73.54	-15%
Sundry Receipt	5.61	11.61 -	6.00	-107%
<b>Total</b>	<b>2,586.94</b>	<b>2,615.31 -</b>	<b>228.77</b>	<b>-1%</b>

Figure 5 – Table of Actual Revenue against Projections under different revenue heads for financial year 2015

The rise in the volume of log exported resulted in an increased collection of export duty which exceeded the projection by K73 million. This was K43 million more than the prior year's collections. The port of Kimbe recorded collection of over 24% of the total export duty.

The logging ports that generated export duty for 2015 in descending order were:

- > Kimbe collected K76 million, or 24% of total export duties,
- > Vanimo collected K69 million or 22% of total export duties,
- > Port Moresby also collected K36 million, 11% of total export duties,
- > Rabaul collected K31 million, 10% of total export duties,
- > Kavieng collected K29 million, 9% of total export duties,
- > Daru collected K27 million, 8% of total export duties while
- > Other ports collected K50million, or the remaining 17%.

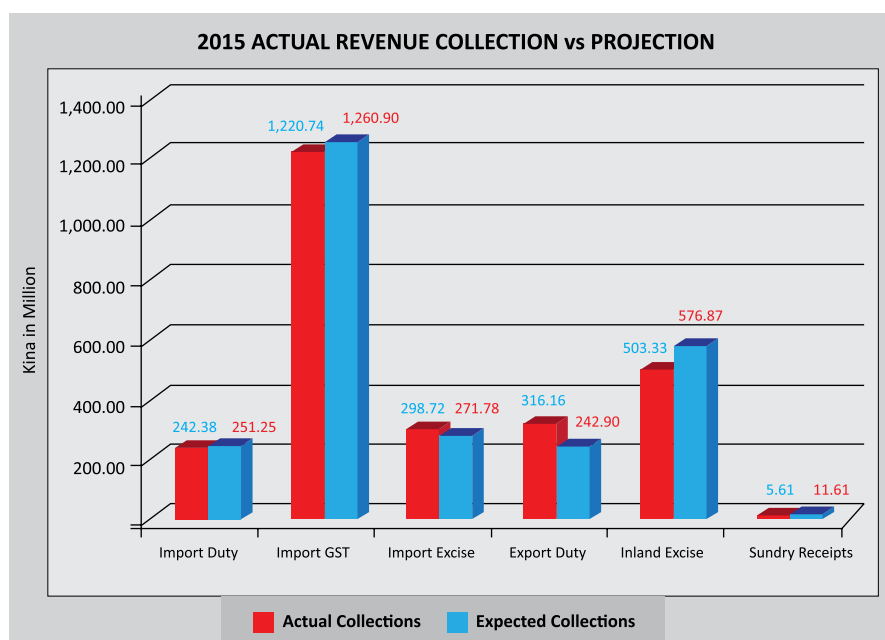


Figure 6 – Graph on Revenue Collection in 2015

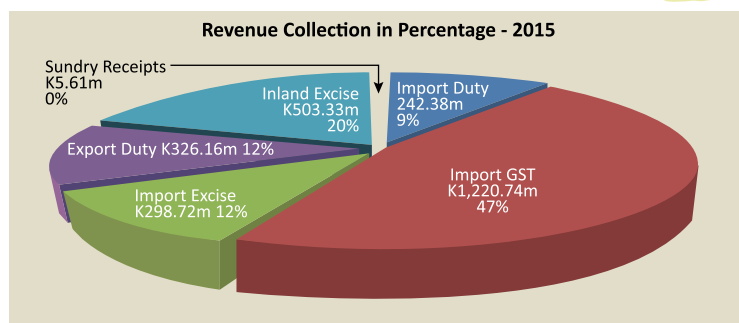


Figure 7 –Chart on Revenue Collection under different revenue heads for financial year 2015

The drastic drop on import values of aircrafts and parts including electrical machinery led to a deficit of K40 million in import GST in 2015.

A deficit of K74 million in Inland Excise was a result of over projection in 2015 budget. This is clearly shown by the lower collections of K503 million in 2015 compared to K639 million collected in 2014.

Import excise collection in 2015 was higher than budget estimates by K27 million. This rise was a direct result of increase in excisable goods led by motor spirit (gasoline) and diesel.

The import duty collection too registered a significant drop and was attributed to decrease on imports of prefabricated building materials, cigarettes of fired tobacco including decrease on general imports. A total of K242 million was collected against the budget projection of K251 million in import duty.

## 5.3 Government Sanctioned - Revenue Foregone

Over K400 million in State revenue was foregone through various State sanctioned exemptions for the 2015 period. Compared to 2014 record of K1.7 billion foregone revenue, 2015 registered a substantial decrease in revenue foregone and this was due to stringent control by the Government strongly supported through PNG Customs. With this trend, the amount of revenues foregone is anticipated to dwindle in the coming years.

Revenue foregone through Concessions and Exemptions in 2015.

Customs Duty	Revenue Foregone
Import Duty	25,168,970
Import GST	364,106,636
Import Excise	11,493,964
<b>Total</b>	<b>400,771,585</b>

Figure 8 – Revenue Foregone

A sum of K400.77 million was foregone under the State sanctioned exemptions, which could have formed part of the aggregate revenue collections for the year. This was K1.33 billion less compared to the 2014 figure of K1.73 billion. The three components that were most affected by the concessions were import GST (K364 million), import duty (K25 million) and import excise (K11 million).

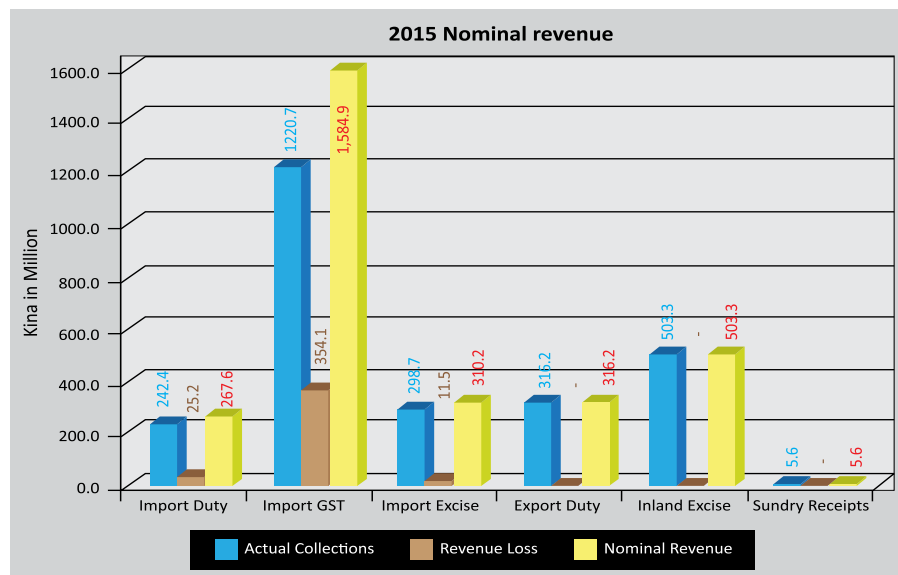
Exemptions on import GST include concessions granted on imports to charity organizations, religious organizations, community organizations, medical supplies, educational institutions and mining, petroleum, gas and oil resource companies. Exemptions and reduced rates on import duty apply in respect to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

Exemptions were decentralised to regional operations since 2014. Records of 314 exemption applications were received in 2015 and 313 approved while only 1 was rejected.

#### 5.4 Nominal Revenue

Nominal Revenue for the 2015 was K2.987 billion. This is K372 million higher than the projected receipts for 2015 Budget.

Nominal Revenue for the year 2015 is illustrated by the following graph:



#### 5.5 Revenue Recovery

Target of K400 million was established by Recovery Team on account of abandoned goods, double entries and hanging entries from various non-compliant importers. A total of K147 million was recovered including penalties while debts that amounted to K13 million in hanging entries were cleared from ASYCUDA system.

The Revenue Recovery Exercise did not only collect the outstanding Revenue but also assisted in reducing the hanging entries in the ASYCUDA System prior to the upgrade into ASYCUDA world. United Nations Convention on Trade and Development (UNCTAD) consultants have highlighted that since the hanging entries have been an ongoing issue for PNG Customs in the last seven (7) years, it was important to have them cleared from the system before the migration onto Asycuda World.

The post clearance audit function has been struggling over the years with manpower and capacity issues. The PNG Customs management's focus in revamping it had produced positive outcome and with the continuance of this trend, revenue collection is set to increase with the incremental revenues realized through recovery exercises.

#### 5.6 Outstanding Revenue

Substantial revenues were identified through internal system audits conducted as outstanding. The recovery of these revenues have commenced and yet to be realized due to dispute over the figures. Appropriate administrative penalties will be imposed on these outstanding revenues and collected accordingly.

Ending December 2015, hanging entries worth millions of kina in State revenues were outstanding to be realized. These will be pursued and recouped in early 2016.

#### 5.7 CUSTA Collections

The operations of PNG Customs have been greatly supported and assisted by collections for the Customs User-Pay Service Trust Account (CUSTA). The shortfalls and timely lapses in the flow of recurrent funds were remedied by injections of collections from the CUSTA and this had substantially assisted and maintained the continuance of Customs' operations. It is essentially a fundamental stream of revenue for PNG Customs Service.

- Major Components of CUSTA include:-
  - i. Entry processing fees;
  - ii. Advance ruling fees; and
  - iii. Merchant overtime.

- Actual amount in figure:-

PNG Customs collected more than K4, 159, 585.82 in 2015 for CUSTA;

- i. Balance carried forward from 2014 was K290.000 in accordance with CUSTA Instrument ;
- ii. Paid to Waigani Public Account in December 2015 a sum of K110, 000.00 as surplus pursuant to the terms of CUSTA Instrument;
- iii. Disposable fund as at 31 December, 2015 was ; K4,159,585.82 and
- iv. Closing balance as at 31 December, 2015 was K1,031,779.67

The CUSTA account is maintained at ANZ Bank and the 2015 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.

#### 2015 - Performance

### 6.2 Customs Service New Corporate Plan 2013 – 2017 and Implementation

The implementation of the Customs Service Plan 2013-2017 continued in 2015 with successful achievements of the core outcomes, not to mention the constraints. The corporate governance and entire



Customs operations is guided through the Service Plan and its implementation had yielded great results.

The demand to successfully implement the Service Plan has been the main driving force for the Customs Management and Staff. As such, the work plans and daily discharge of the officer's duties are aligned to and synced with the operational guidance of the Service Plan. The monthly and quarterly Work Plan meetings held to review performance bestowed the Customs Management the leverage to monitor performance to ensure the Service Plan was implemented as envisaged. Indeed, the year 2015 saw the implementation with some remarkable achievements of the core outcomes, goals and objectives.

Under the guidance of the Service Plan 2013-2017, PNG Customs has continued to grow into a 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.

### 6.3 Uniform

The roles and responsibilities performed by PNG Customs are strategically of high national significance to PNG and its economy. 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 endorsed in 2014 continues to enforce the proper use of the uniforms and its observance and compliance is further reinforced by the Customs Code of Ethics and Conduct.

Additional new uniforms were ordered in 2015 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.

### 6.4 Recruitment

2015 continued to experience delay in concluding recruitment to the organizational structure since 2011. The delays were due to a number of factors which included manpower capacity in HR and two subsequent eras of transitions, one as demerger from Internal Revenue Commission to PNG Customs, and the other, as PNG Customs becoming a Statutory Authority following the passage of Papua New Guinea Customs Service Act, 2014. The organizational structure following demerger from IRC was shortly replaced by the new PNG Customs Authority Organizational Structure. The recruitment to the new organizational structure was stalled by the need to have in place adequate office space to accommodate all the officers, and the capacity of Human Resources was still low with acute manpower shortage.

Ending year 2015, PNG Customs has yet to conclude and fill up all the positions in the restructure as shown below:

- Staff ceiling 534 (funded positions).
- 80 positions selection completed for permanency in December 2015.
- 20 probationary officers
- 04 short term contracts officers
- 07 unattached (for retrenchment)
- 376 total staff on strength
- 158 funded vacancies

Towards the end of 2015, all officers were placed on unattached status acting on their substantive positions pending recruitment formalities to be concluded in 2016.

### 6.5 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 376 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.

### 6.6 Human Resource Development

The management of PNG Customs continued to be focused on the development and training of its officers to elevate their level of competency aimed at increasing productivity and outcomes. In 2015, PNG Customs increased the number of officers that it sponsored to upgrade their qualification as well as increasing the number of internal trainings conducted. It has also modernized its approach to training by upgrading the Training Syllabus and continued to progress work on the establishment of a fully-fledged Customs Training Institute. The first intake of students to undertake Diploma Course in Customs in 2015 saw PNG Customs making a great progress with its ambitious goal to have the institution established in partnership with Divine Word University.

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 2015. 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 2015, thirteen senior officers graduated with Post Graduate Certificate in Higher Education Teaching & Learning at Divine Word University. They were endorsed by Customs and trainings were completed in 2014. They are now certified trainers for the diploma courses offered by Customs at DWU thus signifying the birth of the Customs Institute of Training. The first training for the diploma courses began in June 2015 and will end in June 2016.

The quantum of training and development programs conducted for Customs staff saw significant growth in 2015 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'.

#### 6.7 Institutional Capacity Building Program Initiatives

Institutional capacity building remains one of the priorities for PNG Customs Service. In 2015, submission for existing and new impact projects were given positive gesture by the Government with funding appropriation of through the Public Infrastructure Project (PIP) coordinated through the Department of National Planning. The impact projects aimed at building institutional capacity that were progressed include:

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

#### Institutional Housing Project

In 2015, PNG Customs continue to implement its 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). A total of K50 million is estimated to be appropriated by the Government for the implementation of this project.

In 2012, an initial funding of K7.8 million was appropriated to PNG Customs through the PIP funding. A number of houses were built

and properties purchased around the major port throughout the country. In 2015, K5 million was allocated to PNG Customs from PIP funding for the implementation of the Institutional Housing Project. This funding was spent to construct houses around the ports. They are as listed below:



The Duplex built at Sohano Island, Buka Port

- 8x1 bedroom Units completed at Customs Bisini Property and ready for officers to occupy.
- Complete construction of duplex housing at Sohano Island, Buka for Customs Officers based at Buka Port.
- Renovation works of two houses in Kavieng in progress
- Work in progress to purchase land to build staff houses in Manus,



Bisini Property



Gerehu Property

#### ASYCUDA World Project

National Project Team (NPT) has been gathering information on the current business process of Customs. This is in preparation for the business process review that will be carried out by the United Nations (UNCTAD) consultant/expert

#### V-SAT Project.

The main VSAT and hub installation as been sucessfully completed and tested at the Customs Six Mile Office. Priority ports includes Port Moresby, Lae and Rabaul. Installation of new V-SAT at Vanimo, Wewak, Lihir, Buka and other ports are under progress.

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

## SECTION 7

### FINANCIAL PERFORMANCE (Recurrent Budget & Expenditure)

#### 7.1 Operating Income

In the 2015 budget, the National Government appropriated K50.17 million to PNG Customs, decreased by K13.32 million compared to 2014 budget of K63.498 million. The total operating income was around K54 million and consisted of;

- Annual Budget Allocation from Government of K50.17m
- Supplemented by about K4 million collected as Customs User-Pay Service Fees.



## 7.2 Operating Expenses

Total operating expenses for 2015 from recurrent budget and PIP funds were K46.02 million, composition of which is as illustrated in the table below.

Description	1. INCOME/ APPROPRIATION	2. WARRANTED	4. EXPENDITURE	5. SAVINGS/OVER RUN (2-4)
<b>Recurrent Budget</b>	<b>50,170.0</b>	<b>42,452.5</b>	<b>46,018.1</b>	<b>- 3,565.6</b>
Personnel Emolument	26,795.6	22,518.1	26,308.8	- 3,790.7
Goods & Services	23,374.4	19,934.4	19,709.3	225.1
<b>Development Budget</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>-</b>
CEF Project	-	-	-	-
ASYCUDA Project	3.0	3.0	3.0	-
<b>Total</b>	<b>50,173.0</b>	<b>42,455.5</b>	<b>46,021.1</b>	<b>3,565.6</b>

Figure 9 – Operating Income & 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

## 7.3 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 K46.02 million, PNG Customs collected

K2.58 billion. This represented a return on government investment of K55.12 per K1.00 allocated. On average each Customs officer collected K6.75 million for the government in 2015 as demonstrated in the table below.

Programme	Quantity	Return	
		Input	Output
Total Expenditure	K46.02m expenditure	K2,537m revenue collected	K55 revenue collected per Kina of expenditure
Total staff	376 officers	K2,537m revenue collected	K6.75m collected per officer
International Passengers	32 Passenger processing officers	482,082 Passengers processed	15,065 passengers per officer
Trade entries	45 Invoice examining officers	114,072 import, export, local excise entries	2,535 entries per officer
Sea Vessel (ship)	25 boarding officers	2,102 vessels cleared	84 vessels per officer
Aircraft	13 boarding officers	7,922 aircraft cleared	609 aircraft per officer

Figure 11 – Return on Investment

The table below illustrates the trade trend for the 2015 in terms of import, export and local entry.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2015 Total
Import Entry	31,079	32,149	34,083	3,465	100,776
Export Entry	2,793	3,060	3,226	3,220	12,299
Local Entry	243	241	253	260	997
<b>Total Entries</b>	<b>34,115</b>	<b>35,450</b>	<b>37,562</b>	<b>6,945</b>	<b>114,072</b>

Figure 12 – International Trade Data

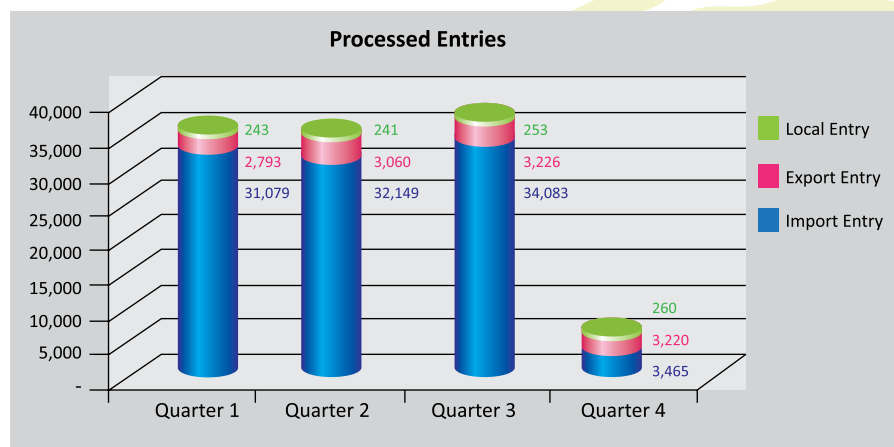


Figure 13 – International Trade Trend 2015

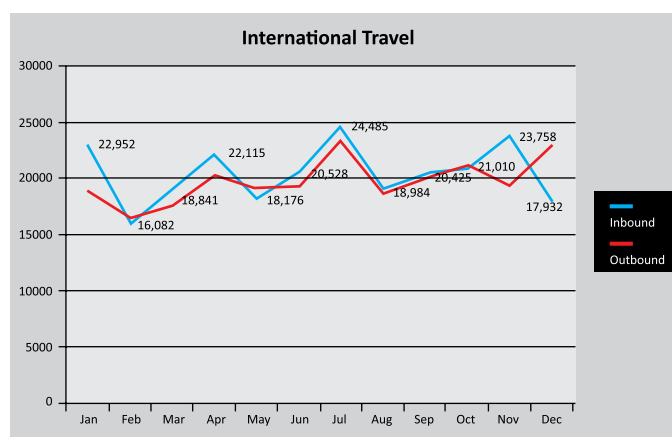


Figure 14—International Travel Trend 2015

#### 7.4 RECEIPTS (WARRANTS) FROM REVISED 2015 APPROPRIATION

The table below shows the receipt from the 2015 revised appropriation

	RECEIPTS (WARRANTS)	2013	2015
		K'000	K'000
	<b>PERSONNEL EMOLUMENTS</b>	<b>15,006.8</b>	<b>22,705.6</b>
211000	Salaries & Allowance	11,659.2	20,525.1
212000	Wages	434.8	225.5
213000	Overtime	102.0	320.0
214000	Leave fares	528.8	925.0
216000	Education Subsidy	30.0	400.0
215000	Gratuities	2,252.0	310.0
	<b>GOODS &amp; SERVICES</b>	<b>18,546.5</b>	<b>19,488.5</b>
222000	Travel & Subsistence	2,661.8	3,538.0
231000	Utilities	2,667.0	3,449.0
223000	Office Materials & Supplies	640.0	452.1
224000	Operational Materials & Supplies	613.0	698.9
225000	Transport & Fuel	1,079.4	1,246.0
226000	Consultancy Fee	450.0	406.0
401.0232000	Rental of Property	355.2	421.5
233000	Routine Maintenance	720.0	589.0
227000	Other Operational Expenses	7,203.5	5,670.1
228000	Training	1,845.6	2,705.9
251000	Membership Fee	311.0	312.0
	<b>CAPITAL ITEM</b>	<b>2,708.7</b>	<b>4,027.4</b>
271000	Furniture & Equipment	1,177.7	924.4
273000	Purchase of Vehicles	1,356.0	1,538.0
275000	Plant Equip. & Machinery	0.0	0
276000	Construction, Renovation & Improve.	175.0	265.0
277000	Substantial & Specific Maintenance	0.0	1,300.0
	<b>TOTAL RECEIPTS</b>	<b>36,262.0</b>	<b>46,221.5</b>

#### 7.5 PAYMENTS FROM REVISED 2015 APPROPRIATION

The table below illustrates the payment from the revised 2015 appropriation by PNG Customs Service.

	PAYMENTS (ACTUAL)	2013	2015
		K'000	K'000
	<b>PERSONNEL EMOLUMENTS</b>	<b>13,129.0</b>	<b>26,316.2</b>
211000	Salaries & Allowance	11,128.5	23,759.3
212000	Wages	424.8	218.9
213000	Overtime	100.9	320.0
214000	Leave fares	527.1	891.5
216000	Education Subsidy	30.0	150.0
215000	Gratuities	917.7	976.5
	<b>GOODS &amp; SERVICES</b>	<b>18,534.4</b>	<b>19,278.9</b>
222000	Travel & Subsistence	2,659.8	3,537.1
231000	Utilities	2,696.9	3,398.0
223000	Office Materials & Supplies	594.6	441.8
224000	Operational Materials & Supplies	626.1	688.9
225000	Transport & Fuel	1,078.8	1,245.9
226000	Consultancy Fee	408.0	406.0
232000	Rental of Property	405.2	420.8
233000	Routine Maintenance	719.9	582.9
227000	Other Operational Expenses	7,199.2	5,549.7
228000	Training	1,838.5	2,695.8
251000	Membership Fee	307.4	312.0
	<b>CAPITAL ITEM</b>	<b>2,697.2</b>	<b>4,015.0</b>
271000	Furniture & Equipment	1,172.2	912.0
273000	Purchase of Vehicles	1,350.0	1,538.0
275000	Plant Equip. & Machinery	0.0	0
276000	Construction, Renovation & Improve.	175.0	265.0
277000	Substantial & Speci. Maintenance	0.0	1,300.0
	<b>TOTAL PAYMENTS</b>	<b>34,360.6</b>	<b>49,610.1</b>
	<b>OTHERS</b>	<b>1,901.4</b>	
	Unused funds	1,901.4	3,559.9
	<b>GRAND TOTAL</b>	<b>36,262.0</b>	<b>53,170.0</b>



## 7.6 SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR 2015

**PNG CUSTOMS SERVICE**  
**SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	K'000
Opening Balance 1 January	0.0
<b>TREASURY APPROPRIATION</b>	
<b>RECEIPTS</b>	<b>46,221.5</b>
Personnel Emoluments	22,705.6
Goods & Services	19,488.5
Capital Expenditure	4,027.4
<b>TREASURY APPROPRIATION</b>	
<b>PAYMENTS</b>	<b>49,610.1</b>
Personnel Emoluments	26,316.2
Goods & Services	19,278.9
Capital Expenditure	4,015.0
<b>BALANCE (Unused funds)</b>	<b>-3,388.6</b>

Total warrants released was K46, 221.5 in 2015 while actual payments was K49, 610.1 with a variance of -K3, 388.6

Payments for Personal Emoluments (Salaries & Gratuities) has exceeded over the warrants released. This leaves us with the unwarranted funds of K6, 948.5.

(Figures taken from Expenditure Report as at 31 December 2015)

**SECTION 8****MANAGEMENT AND INTERNAL CONTROL****8.1 Customs Council**

To ensure PNG Customs has a vibrant and sound management framework, the following governance mechanisms have been established. At the strategic level is the Customs Management Committee, which is now replaced by the Customs Council that comprises of the Chief Commissioner and the two 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. In the new structure the Council will appoint various committees that will oversee Customs businesses and operations at various levels. For effective management and implementation of the Annual Work-plan,

monthly work-plan meeting is convened each month to assess each Division's 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 Chief Commissioner. This meeting is chaired by the Chief Commissioner of Customs and is attended by all the Assistant Commissioners and the Directors of Internal Affairs, Internal Audits and Office of the Chief Commissioner.

The Customs Council is responsible for the strategic collective decision making of the organization on policy issues and operational matters of high importance. The Council 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 Council also deliberates on strategic issues

aimed at providing guidance on ongoing developments and work of Customs in Papua New Guinea.

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

**8.2 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 Chief 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.

In 2015, the Internal Audit Division conducted field audits, completed 2014 follow-up audits, completed IT General Control, follow up audit in various ports and completed bank reconciliation audit for Log Levy, National Roads Authority & Ceased Goods Trust Accounts.

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. Because of the integrity awareness carried out at the ports in 2015, number of cases reported had drastically dropped.

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 PARTNERSHIP AND COLLABORATION WITH INTER-GOVERNMENT AGENCIES, AND REGIONAL AND INTERNATIONAL BODIES AND CUSTOMS ADMINISTRATIONS

In the backdrop of increasing transnational crimes, PNG Customs' aspiration to be a regional leader in securing PNG's national

border was not feasible without the cooperation of inter-government agencies and regional and international partners. 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 in combating transitional crimes including breaches of Customs laws and regulations.

The arrangements that fostered sharing of information 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.

PNG Customs continued its relationships with the inter-government agencies, regional and international partners and further sought to strengthen and deepen the relationship through close dialogue and commitment on matters of shared interest. The collegial working relationship that PNG Customs maintained with its partners had entailed substantial benefits in terms of greater collaboration, sharing of information and trainings resulting in achievement of its projected outcomes in the areas of Border Security, Trade facilitation and Revenue Collection.

### 9.2 Affiliation and Cooperation with International Organizations

PNG Customs is a member of the World Customs Organization (WCO). Its subscription to this international organization stems from Papua New Guinea's membership to World Trade Organization (WTO), an international body that contends and promotes free and fair trade amongst nations in the world.

The WCO continues to research and develop Customs business models and best practices for members to adopt or embrace in order to streamline their business processes and procedures to achieve greater outcomes.

PNG Customs acceded to the revised Kyoto Convention and Harmonised System Convention in 2014, which in effect standardised and globalized its trade practices and procedures through simplification and harmonization of Customs procedures with other WCO member countries, thus giving predictability, certainty and confidence to the traders. This had enabled PNG to trade with other countries with ease thus promoting sustainable trade and investment in PNG.

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.

The work on the implementation of the Specific Annexes of the Revised Kyoto Convention continued in 2015 and is set to be completed in early 2016. In effect, the implementation will involve legislating of specific procedures which will enable PNG Customs to meet the government's socio economic development policy objectives.

### 9.3 Cooperation with the Australian Government

The Customs-to-Customs relationship between PNG Customs and Australian Customs goes back in time and history, something that both administrations continue to highly value. The test of time continued to see the both administrations strengthening and deepening their relationships through their committed efforts to cooperate, share information and conduct trainings on Customs matters of mutual interest, given their shared border that tends to expose them to similar threats and risks.

2015 marked the second year of their bilateral meeting, in which they discussed and resolved on certain matters aimed at enhancing their cooperation to combat and deal with risks and threats at the border posed by transnational crimes. The bilateral meeting was held within the spirit of the Memorandum of Understanding on Customs Cooperation that was earlier signed by both administrations.

Australian Customs has substantially supported and assisted PNG Customs in a number of ways, which were more strategic and fundamental. Three Australian Customs officers have been deployed under the Strongim Gavman Program (SGP) as advisers to work within PNG Customs. They provide policy advices and guidance on matters affecting Customs operations including administration, where their inputs are sought. 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.

Under the SGP 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. AusAid funds and supports the SGP with officials drawn from a wide range of Australian agencies.

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 AusAID. During 2015,

several PACTS activities were undertaken in the areas of strengthening risk, managed vessel boarding procedures, postal control, core officer skills, intelligence management and the implementation of container examination facilities.

Further, 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 PERFORMANCE FOCUS FOR THE YEAR AHEAD

PNG Customs will focus on a number of priorities for 2016. These include;

- Progress work on the organisational structure of PNG Customs Authority and implement its functions.
- Complete recruitment and workforce plans by confirming existing staff to acting positions and employing new staff against vacancies.
- Pursue the recovery of the reduced debt of K141 million from import GST plus 200% administrative penalties.
- Continue to build human resources 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 ports of Port Mores and Lae.
- Progress implementation of the PNG Customs Institutional Housing Plan (2012-2016) to secure better accommodation for Customs staff.
- Progress the development training with Diploma Programs in Customs at the DWU.
- Optimize use of Information and Communication Technology throughout all ports and areas of Customs functions.
- Continue to implement Customs Service Plan 2013-2017.
- Improved Border Security Role.
- Improved Trade Facilitation for Sea, Air Cargo and International Passenger Movements.
- Complete the final phase of the introduction of electronic payment system called Kina Automated Transfer System with the Bank of PNG and commercial banks.
- Continue the project for the upgrade of ASYCUDA++ to ASYCUDA World Project.
- Enhance compliance through enforcement of Customs laws and regulations including conducting of regular Post Clearance Audit.
- Implement and operationalize the Customs Trusted Traders concept.
- Establish the Border Command Centre to conduct surveillance and monitoring border.
- Commence construction of Container Examination Facility for Lae Port.
- Introduce and commence Profiling and Targeting Centre Concept.
- Progress and operationalize the Customs Officers Home Ownership Scheme.
- Progress and complete Customs Officers Life and Medical Insurance.
- Implementation of Individual officers Work-plan task tracking program.
- Complete and implement Policy on Succession Planning for the Organisation.
- Progress establishment of Customs Training Institute.
- Progress transition of Customs to Customs Authority.
- Progress work on Standard Operating Procedures.
- Progress work on Customs Administrative Orders.
- Progress work on consolidation of Customs Legislation.
- Implement the Customs Modernization and Capability Development Plan.
- Continue with Upgrade of Customs ASYCUDA World program.
- Progress and complete V-SAT Project.
- Commence preparatory work for new Customs Building and other others around the country.



Some of the weapons/goods detained by Customs, Police and Defence in Sandaun



## 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
<b>Office of the Commissioner</b> Ph: 322 6793   Fax: 320 0571 P.O. Box 923, Port Moresby National Capital District	<b>Lae   Madang   Mt. Hagen</b> P.O. Box 421, Lae Morobe Province Ph: 472 2105   Fax: 472 3989	<b>Kokopo   Kavieng   Lihir</b> P.O. Box 422, Kokopo East New Britain Province Ph: 982 9674   Fax: 982 9329	<b>Port Moresby   Jacksons International Airport</b> P.O. Box 1830, Port Moresby National Capital District Ph: 322 6802   Fax: 321 2892   Ph: 311 2391   Fax: 311 2392
<b>HEADQUARTER DIVISIONS</b>  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  <b>Vanimo   Wewak   Wutung</b> 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  <b>Kimbe   Lorengau</b> <b>Buka/Arawa/Kieta</b> 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	<b>Alotau   Samarai Popondetta</b> 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  <b>Tabubil   Kiunga   Daru</b> 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



Successful installation and site testing of the Port Moresby CEF scanner - 2015





papua new guinea  
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