

KPMG Kundu

July 2023

Foreword



In this month's Kundu we discuss the considerations for an effective Cost Benefit Analysis as a key tool to inform evidence-based investment and/or policy decisions. We also again touch on our continuing topical theme of cyber security – we cannot over emphasise the importance of protecting your business in this area. PNG business and Government are strongly advised to engage an external cyber professional to analyse and test your systems. We also have some reminders on the IRC and IPA front in terms of today's deadline for provisional tax payments and business name renewals. Also included is news of our new partner addition to the firm effective 1 August 2023, Brett McDermott.

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Enjoy the read this month and reach out with any enquiries at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

tes

Cost Benefit Analysis

by Rachel Armstrong, Director, Advisory Services

Cost Benefit Analysis is a key tool to inform evidence-based investment and/or policy decisions by the private sector, government, and NGOs. Cost Benefit Analysis is a systematic way of evaluating the desirability of a policy, project, or investment by weighing up its potential benefits versus its potential costs.

What is a Cost-Benefit Analysis?

Cost-benefit analysis (CBA) is a process that calculates the total cost of a project/investment against the benefits and assesses whether it is viable. It can also weigh up different project/investment options against each other to assess which is the optimal decision. CBA can focus purely on financial costs and benefits, but non-financial costs and benefits can also be included for public sector organizations or organizations that want to better understand broader, non-tangible benefits such as social or environmental impacts.

Why undertake Cost-Benefit Analysis?

CBA allows decision-makers to consider the merits of a policy, project, or investment and provides the basis for objective resource allocation decisions.

How does a Cost-Benefit Analysis achieve this?

This is achieved by presenting a robust and evidence-based case by looking at total lifecycle costs, benefits for stakeholders and potential risks to deliver the project or program. A CBA model will be developed to include all costs and benefits (including financial and potentially non-financial). The total costs and benefits are compared quantitatively.

Cost-Benefit Analysis steps

There are a number of steps that need to be undertaken when doing a CBA. These include:

- **Identifying project scope** – understand the situation and identify the goals, timeline and resources needed.
- **Definition of the base case** – the expected impact or outcome without implementing the proposed policy, project or investment.
- **Determine costs** – including direct costs, indirect costs, non-financial costs, and cost of potential risks.
- **Determine benefits** – including increased revenue, avoided costs, and non-financial benefits such as social and environmental.
- **Develop a model and undertake analysis** – this could be relatively simple if the project is over a short timeframe or could include a more detailed analysis if there are multiple options over a longer timeframe.

Considerations when undertaking Cost-Benefit Analysis

There are a number of considerations that need to be taken into account when undertaking analysis, it is not just as simple as taking away the costs from the benefits. These considerations include:

- **Inflation** – over what period is the CBA being undertaken, and what inflation rates need to be applied? Are there certain costs and benefits that might have higher rates of inflation such as fuel?
- **Discount rates** – what discount rate should be applied to ensure that the net present value of the cash flow is accurate?
- **Multiple options** – what are relevant and realistic policy, project, or investment options?
- **Sensitivity analysis** – how do changes in key assumptions impact the outcome of the analysis?
- **Risk considerations** – are there any potential risks that need to be considered?

Cost Benefit Analysis is a commonly used phrase within business and government, however to be truly useful there are a lot of factors that need to be considered. Industries and sectors all need to be treated differently and require unique approaches to the analysis, often including complex assumptions and calculations. For this reason, people, including the author of this article, need to specialise in this area to undertake Cost Benefit Analysis.

Cybercrime in PNG: What businesses need to know to stay safe by Happymabel Ketias-Zingunzi, Associate Director, Advisory Services

Anyone reading our Kundu newsletters in recent months will have picked up on the cyber theme coming through. While we may seem to be labouring the point, we cannot understate the very real and live threat cyber security poses to PNG businesses. We too are aware of the challenges PNG businesses face just managing operations, people, cash flow etc so it is easy to put intangible and unseen cyber threats on the back burner.

If you do not hear about these attacks, it is not because they are not happening, but simply because where they do happen, companies work hard to keep their clients and customers from finding out as the reputational damage can have serious consequences.

But all is not lost, you can take active steps to protect your business such as:

- Carrying out staff training on cyber awareness
- Engaging an external cyber professional to analyse and test your systems
- Simulating phishing emails to test staff responses
- Having a pre-prepared cyber-attack plan

The tools are available to help you protect your business, you just need to ask.

IRC matters

In IRC matters, provisional tax is due 31 July. Penalties will apply for late payment. Meanwhile, taxable and non-taxable returns for companies with a 31 December year-end are due 31 August and 30 September respectively.

In other matters, IRC announced this week the extension of the Section 65A GST withholding scheme to all subnational government entities and authorities.

IPA matters

Another reminder that business names were due for renewal by 31 July. Also, following the move by IPA to a new system, companies are required to re-register by 30 November or be struck off.

KPMG's new partner addition

We are very proud that our firm has grown substantially over the past five years in terms of clients, people and market presence. In fact, our Business & Tax Advisory division has doubled in size over this period under the leadership of Karen McEntee. Due to this significant growth, we are pleased to announce that Brett McDermott will be joining as a partner in Business & Tax Advisory effective 1 August 2023. Brett has over 25 years of accounting and tax experience with KPMG Australia having worked in Tasmania and Brisbane. Brett will be based in our Port Moresby office and will oversee our offerings in the payroll, migration, statutory compliance, back-office accounting and financial statement preparation space. Karen McEntee will focus on our tax compliance and advisory offerings. We welcome Brett to the team and look forward to the future for our Business & Tax Advisory team and for the firm.

Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage www.kpmg.com.pg and Facebook <https://www.facebook.com/pngkpmg/>.

Contact us

Zanie Theron
SPP PIC

ztheron@kpmg.com.au

Ces Iewago
Managing Partner

ciewago@kpmg.com.au

Pieter Steyn
Partner

psteyn@kpmg.com.au

Karen McEntee
Partner

kmcentee@kpmg.com.au

Brett McDermott
Partner

bdermott@kpmg.com.au

©2023 KPMG PNG. KPMG PNG is associated with KPMG Australia, an Australian partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.