

KPMG Kundu

March 2023

Foreword



This March edition of Kundu will be the last where readers have the foreword authored by Zanie, with the passing of the baton to Ces Iewago. Ces will provide his commentary in future newsletters, which will no doubt be very insightful.

In this edition we continue with our discussion of artificial intelligence, especially ChatGPT, and some consideration of risks and benefits. ChatGPT has to be credited with co-authoring one paragraph in this edition.

In terms of the ever-increasing prominence of ESG for business, KPMG hosted a well-attended ESG seminar in early March at Apec Haus, where subject matter experts walked us through ESG as a concept and the associated considerations.

Taxation is always an important topic included in our monthly newsletters, and recently we met with the IRC to understand their progress with reforming the GST refund system and process. The IRC also announced the restructure of their leadership team this month, with the creation of three business arms. They have also launched a Certificate of Compliance (COC) self-validation mobile phone app on Google Play Store.

In terms of statutory compliance the IPA has been moving to a new online registry system since November 2022, and one implication of this system requires reregistration by all companies.

Finally, and this may be met with mixed reviews: the National Payments Council has determined that private sector cheques will not be accepted after this calendar year, with electronic payment required going forward.

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.

Zanie

Chat GPT – the next chapter

by Zanie Theron, Managing Partner

In the February Kundu we discussed what ChatGPT is and its potential applications and advantages. One month on, developments in this area have progressed in leaps and bounds, to the extent that certain industry voices are calling for a slowdown in this space.

In terms of the growth statistics, the growth acceleration is demonstrated by the fact that ChatGPT is attracting an estimated 96 million visitors per month. In fact, this chatbot of OpenAI reached 1 million users within one week of its launch on 30 November 2022. Chat GPT has gained 57 million users in its first month, backed by Microsoft's 10 billion USD investment in Open AI. By January 2023 it had secured 100 million users globally. Research shows that Chat GPT costs approximately 100,000 USD per day or 3 million USD per month to run. Microsoft's Azure cloud is currently hosting this tool.

It provides an estimate of the cost of using the tool on a large scale. This cost must be weighed against the potential benefits of using Chat GPT, such as increased efficiency, improved accuracy, and faster results. As the cost of running Chat GPT increases, organizations will need to carefully consider the value it provides and whether the cost is justified.

Countries that are currently excluded from using ChatGPT include China, Russia, Ukraine, Afghanistan, Iran, Belarus, and Venezuela.

Some of the potential risks (and questions asked) around using ChatGPT are:

- To what extent does it pose a risk to students' creativity and problem-solving abilities? It is understood that many schools and universities have reportedly banned the use of Chat GPT.
- The data available on ChatGPT is limited to the year 2021. The training of the model stopped in the year 2021. Hence, it does not provide the readers latest information or the latest updates.
- Chat GPT has an inability to access external sources of information. This means that Chat GPT cannot access any external sources that may provide additional information.
- There is the potential that ChatGPT can be used for malicious purposes. This highlights the need for security measures to be taken to protect against malicious applications created with ChatGPT.
- Which other risk and unintended consequences can you think of while reading this article?

Recently, GPT-4 was launched, and it is reportedly a hundredfold more powerful than the version 3 launched in November 2022. This is significant because it will revolutionize the way chatbots are used, allowing for more complex conversations and interactions.

Interestingly, it has been found that GPT-4's performance is close to human-level performance in mathematics, software coding, image recognition, medicine, law, and psychology. Does this mean that GPT-4 may be approaching artificial general intelligence, implying the ability of a machine to reason more broadly in a fashion indistinguishable from a human being?

Returning to the call to slow down the speed of development of AI systems generally, including ChatGPT, it is reported that certain technology leaders have called for a six-month pause in further development. The reason for this is that AI labs are seen to be locked in an out-of-control race to develop and deploy ever more powerful digital minds that no one – not even their creators – can understand, predict, or reliably control.

A petition was published by the Future of Life Institute, stating that "Powerful AI systems should be developed only once we are confident that their effects will be positive and their risks will be manageable.... Therefore, we call on all AI labs to immediately pause for at least 6 months the training of AI systems more powerful than GPT-4."

There is a concern amongst those raising alarm bells that because the next ChatGPT generation is likely to be even more powerful than GPT-4, allowing anybody to make use of such computing power without erecting guardrails could have quite negative consequences in addition to the obvious benefits.

Nevertheless, Pandora's Box has been opened and chatbots and other forms of artificial intelligence are here to stay and furthermore develop into forms of AI that we cannot currently envision. Perhaps ChatGPT

can envision those future developments and thus the author asked ChatGPT the question, with the following unedited results, giving either more food for thought or more reason to become concerned:

- Enhanced Natural Language Processing (NLP) capabilities that enable more accurate and efficient communication between humans and machines
- Improved computer vision technologies that can enhance image and video recognition and analysis
- Advanced machine learning techniques that allow for more accurate and efficient data analysis and decision-making
- Intelligent automation tools that can increase productivity and efficiency in various industries
- Continued developments in robotics and autonomous systems that can perform complex tasks with greater efficiency and accuracy

Arguably some of the above already exist or are in their infancy stages, and for the moment we do encourage people to explore the tool(s) that exist and do the necessary research that will allow them to form a view on the advantages or disadvantages of exploring and using ChatGPT in their personal and professional environments.

People have built applications around it too (but not limited to):

- Automate writing computer code
- Write compelling fiction short stories
- Explain and summarise difficult concepts into simpler layman's terms
- Write college-level / high-school essays
- Draft commercial strategies that are applicable to organizations
- Craft digital content including writing LinkedIn posts, blogs

Some may argue that ChatGPT and other similar forms of next-generation chatbots may appear to be too good to be true. That there are various risks associated with its usage is undeniable and we will explore these in a future article. In the meantime, for the more inquisitive and adventurous-minded, feel free to explore this exciting new technology.

ESG – various shades of green

At our ESG seminar in early March in Apec Haus subject matter experts walked us through Environmental, Social & Corporate Governance (ESG) and the risks. The global backlash from lacklustre ESG progress is introducing risks to even the world's largest companies. Some companies have tried to falsely promote or misrepresent their ESG credentials with significant legal and reputational implications.

Green-washing

Green-washing involves unsubstantiated or misleading claims about environmental credentials. Examples of green-washing gone wrong include a case where an environmental charity and energy company shareholder took an action against its investee for an inadequate energy plan that was not aligned to the Paris Agreement thus breaching the board's duties.

In 2022, ASIC fined two energy companies in Australia over allegedly misleading sustainability related statements. ASIC has stated it will continue to take action where necessary.

Green-lighting

Green-lighting is the emphasis of certain features or products to draw attention away from other activities. In 2021 a 'Beyond Zero' sustainability campaign by a car manufacturer included captions such as 'the future looks electric' although only 0.2% of its 2021 car sales consisted of zero emissions vehicles. This was the lowest proportion out of the top 10 car manufacturers worldwide.

Green-shifting

Green-shifting is the implication that the consumer is at fault and the shifting of blame to them. In its 'Know your footprint campaign' in 2019, an energy company launched a carbon calculator and invited customers to share their pledges for reducing emissions.

Green-rinsing

Green-rinsing is the regular changing of ESG targets before they are achieved. A beverage company is one of the world's top plastic polluters and is known for missing and moving its recycling targets and using many caveats. Between 2020 and 2022 the company dropped its target for using recycled packaging materials from 50% by 2030 to 25%.

The risks of getting ESG wrong include:

- Customer and public alienation
- Brand damage and loss of market share
- Legal cases and director consequences
- Share price erosion
- Unplanned (high) remediation costs
- Increased scrutiny from regulators

GST refunds

We recently met with IRC to understand their progress with reforming the GST refund system and process. As previously reported by us IRC reformed their GST refunds team last year and also took on 12 new staff. IRC have been building up the capability of the new staff through training and they believe progress has been made. They hope to clear out all historical GST refund/credit transfer requests by June 2023 and after this hope to turn around ongoing requests within 60 days.

For an efficient processing of GST claims it is important that all required information is lodged with GST refund applications. The IRC has streamlined the processes and significantly reduced the documentation required at first instance. The days of providing bank statements and invoices at time of lodgment of the request has ceased. If documents are required they will be requested.

IRC restructure

IRC announced the restructure of their leadership team this month. The restructure involves the creation of three business wings being:

- Divisions reporting directly to the Commissioner General such as Governance, Internal Audit, Tax Intelligence and Tax Crime
- Tax Operations and Corporate Support business wing which includes finance and accounting, ICT, HR, facilities and office management, regional operations, services and processing and debt collection
- Tax compliance, advising and services business wing which includes debt strategy, compliance risk management, audit strategy, LTO and legal services

The restructure reflects the IRC's strategic interests and imperatives.

Certificate of Compliance app launched

IRC launched a Certificate of Compliance (COC) self-validation mobile phone app on google play store. The app is called Track Tru-IRC and it may be used by taxpayers to authenticate CoCs. IRC hope it will assist in combatting CoC fraud as this has been a major issue in recent years with 287 cases investigated since 2020 by IRC resulting in terminations and prosecutions.

We recommend taxpayers making eligible payments for Business Income Payments Tax such as construction payments, security payments, transport of goods, motor vehicle repairs etc ensure they obtain valid Certificates of Compliance from their suppliers and check their validity against the app prior to making payment. This should be built in as part of the control process when onboarding new suppliers in BIPT related industries.

IPA updates

As previously reported in this newsletter the IPA has been moving to a new on-line registry system. The process commenced in November and the migration has been ongoing with a recent shutdown for two weekends during March to complete the process. While we have been advised by IPA that the process is now complete we note the website says some data migration is yet to be completed. The new system has a new, improved functionality as compared to the old system. For example, on searching for a company name the new system now shows the status and all historic filings. As mentioned previously all companies must re-register under the new system or they will be struck off. In addition Business Names must be reregistered by 31 July 2023 or be struck off.

Private sector cheques end date

The PNG National Payments Council (NPC) chaired by the Acting Governor of Bank of PNG has decided upon an end date of 31 December 2023 on the use of private sector cheques. Cheques pose a higher risk of fraudulent use together with longer processing times and inconvenience so customers are encouraged to use electronic and mobile transfers. Although Government is also moving towards electronic rather than cheque payments, Government cheques have not yet been given an end date.

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/>.

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