

REPORT OF THE AUDITOR-GENERAL



ON THE ACCOUNTS OF THE TUVALU WHOLE OF GOVERNMENT for the year ended 31 December 2012

Parliamentary Paper
Number:.....2013

The Tuvalu Audit Office is responsible for expressing an independent opinion on the financial statements and reporting that opinion to Parliament. This responsibility arises from section 32 of the Public Finance Act.

Our audit has been carried out in accordance with the International Standards of Supreme Audit Institutions. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that is not material in terms of the Tuvalu Whole of Government's financial statements.

The implementation and maintenance of the Tuvalu Whole of Government's systems of controls for the detection of these matters remains the responsibility of the Minister for Finance and management.

Statutory Audit Report

Tuvalu Whole of Government Audit

For the year ended 31 December 2012

To: Honourable Members of the Tuvalu Parliament

Dear Members

I have audited the financial report and transactions of the Tuvalu Whole of Government as required by the Public Finance Act. This Statutory Audit Report outlines the results of my audit for the years ended 31 December 2012, and details any significant matters that in my opinion call for special notice. The Public Finance Act requires that I send this report to the Parliament.

This report is not the Independent Audit Report, which expresses my opinion on the Whole of Government's financial report. **I have enclosed the Independent Audit Report for the year ended 31 December 2012, together with the Tuvalu Whole of Government's financial reports in Appendix 1.**

Audit Result 2012

I expressed a qualified (disclaimer) opinion on the Tuvalu Whole of Government's financial report for the years ended 31 December 2012. The limitations of scope and disagreement with management are considered significant.

Basis for qualified (disclaimer) opinion

The non-inclusion of fixed assets and inventory in the financial statements

The Tuvalu Whole of Government's accounting policy is to expense all fixed assets in the period in which they are acquired. This is contrary to Generally Accepted Accounting Practice which requires assets to be depreciated over their useful life. No asset register is maintained by the Tuvalu Whole of Government, nor is there any depreciation charged.

Assets in kind which have been received by the Tuvalu Whole of Government are not recognised in the financial statements. This is contrary to Generally Accepted Accounting Practice which requires assets in kind to be accounted for.

Inventories are not disclosed as assets in the financial statements. They are expensed when purchased, rather than recorded as assets until consumed. There is no record of inventory, nor is there any management surrounding inventory.

I have not been able to obtain sufficient appropriate audit evidence to support the Assets portion of the Statement of Assets and Liabilities, the non-inclusion of the Statement of Summaries of Unallocated Stores and Manufacturing Accounts and the non-inclusion of the Depreciation Expense part of the Statement of Income and Expenditure. This constitutes a limitation of scope of the audit which is significant.

Prior year comparatives

My audit report on the financial statements for the period ended 31 December 2011 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2011 comparatives presented in these financial statements.

I have not been able to obtain sufficient appropriate audit evidence to support the prior year comparatives. This constitutes a limitation of scope of the audit which is significant.

Non consolidation of NAFICOT

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT). NAFICOT has not produced financial statements since 1999, however it has become financially active in the past years, including entering into multiple joint venture agreements which are financially active. Without the consolidation of the NAFICOT financial statements which include the joint venture operations, the Tuvalu Whole of Government accounts are incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of NAFICOT and through it the Joint Ventures. This constitutes a limitation of scope which is significant.

Tuvalu Development Fund

The Tuvalu Development Fund receipts and payments by project for 2012 are disclosed in the financial statements. No opening cash balances of each project were provided and accordingly the closing balance (remaining funds) for each project was not disclosed. The Tuvalu Whole of Government was unable to provide the opening balance of each project.

The non-inclusion of opening and closing balances of the individual projects in the Tuvalu Development Fund constitutes a limitation of scope which is significant.

End of year transactions effecting expenses

A significant amount of expenses which were either incurred and paid, or paid during the 2012 period have been entered incorrectly into the 2011 financial year. Government officials expended \$358,385 of the 2011 budget during 2012. This issue was formally raised with the Secretary for Finance and the Minister for Finance, however, the Ministry did not agree to adjust the expenditure into the correct period. This is not in compliance with the Public Finance Act and Constitution of Tuvalu. This effects the expense transactions for 2012. The effect is an understatement of expenses of \$126,565.

The Recurrent Expenditure component of the Statement of Income and Expenditure, the Statement of Receipts and Payments by Heads, and the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head' are mis-stated due to this disagreement with management.

Report on Other Legal and Regulatory Requirements

In auditing the accounts of the Tuvalu Whole of Government for the year ended 31 December 2012, due to the matters in the Basis for Disclaimer of Opinion above and the matters raised in the statutory audit report below, I do not express an opinion on the matters which are contained in section 24 of the Audit Act.

Scope of the Audit

My audit procedures are targeted specifically towards forming an opinion on the Whole of Government's financial report. This includes testing whether the Government has complied with key legislation that may materially impact on the financial report. The results of the audit are reported in this context.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Acknowledgment

I thank the Treasury and other departments' staff for their courtesy and assistance during the audit process. I again acknowledge that in 2012 improvement in the annual reporting process has been made and hope that these improvements continue into the future.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Eli Lopati', with a long horizontal flourish extending to the right.

Eli Lopati

Acting Auditor General for Tuvalu

30 September 2013

Funafuti Tuvalu

Executive Summary

Audit Opinion

I expressed a qualified (disclaimer of opinion) opinion on the Tuvalu Whole of Government's financial report for the years ended 31 December 2012. The disagreement with management and limitations of scope of the audits are significant.

The disagreements with management arise from the Ministry of Finance not agreeing to adjust the financial statements for expenditure incurred and paid, or paid, outside the accounting period. The limitations of scope arise from the non-inclusion of fixed assets including assets in kind, and inventory in the financial statements; prior year comparatives being disclaimed; non consolidation of NAFICOT and through NAFICOT the joint ventures; and non-provision of closing balances for the Tuvalu Development Fund projects.

I draw your attention to Note 19 of the financial statements which discloses the Statement of Unauthorised Expenditure and the excess of expenditure over the Final Budget provision.

The Independent Audit Report is attached to the financial statements in Appendix 1 of this report.

Introduction

We have performed this audit in accordance with the International Standards for Supreme Audit Institutions.

The key issues identified in the audit are lack of evidence, breaches of legislation and noncompliance with generally accepted accounting principles.

We confirm that we are independent. There are unresolved disagreements surrounding the accounting treatment of expenses at year end. The matters raised in previous management reports have not been adequately addressed.

Areas of Audit Emphasis

We note in respect of the areas of audit emphasis that:

- the 2011 Qualification issues which remain unresolved are:
 - non-inclusion of fixed assets and inventory in the financial statements; and
 - expenditure exceeding approved budgets.
- there has been an effort to resolve issues raised in prior years with 31 issues marked as closed during the 2012 audit;
- the accounts were largely in compliance with the Public Finance Act in terms of presentation. This is a significant improvement from the previous years' accounts in terms of compliance with GAAP. The usability and understandability of the accounts has improved;
- financial statement supporting documentation was presented, however, further improvements are recommended;
- no fraud policy is in place;
- the management control environment in the Government was assessed as ineffective, however, there were some improvements; and
- multiple legislative breaches were noted during the audit.

Legislative Compliance

There were breaches of significant legislation noted. The most significant breaches were:

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

- the over expenditure by four heads of their appropriations, amounting to \$349,092, which is in breach of the Constitution of Tuvalu
- the non-provision of estimates of expenditure and supplementary estimates of expenditure surrounding the Tuvalu Development Fund to Parliament;

Significant Matters Arising from the Audit

The most significant matter for your attention is the qualification of the accounts and the issues causing the qualification. There has been an improvement in the quality of the accounts, however, we recommend that efforts are continued to ensure the financial statements are in compliance with GAAP, the Public Finance Act and that appropriate supporting documentation is provided to audit. The following significant matters were noted during the 2012 audit:

- non consolidation of NAFICOT due to NAFICOT not producing financial statements since 1999. NAFICOT has recently entered into multiple substantial joint ventures, which have a material effect of the TWOG accounts;
- non appropriated payments to Tuvalu Cooperative Society suppliers which caused over expenditure of the Finance Head's appropriated limit;
- limited accountability of the Tuvalu Development fund as estimates of expenditures are not being produced and tabled into Parliament;
- no complete record of cabinet minutes and decisions were provided for review.
- no progress on fraud investigations; and
- limited rules and monitoring of Observer's Fund expenditure.

The significant matters outstanding from the previous audits are:

- non compilation of a fixed asset register for property, plant and equipment which should include In Kind Assets provided at no cost by donors;
- non compilation of an inventory listing;
- unauthorised expenditure within votes and heads;
- issues with reconciliation of tax revenue records to cash collected, no audits of companies tax returns being performed, non-usage of the Tax Revenue Management System and non-enforcement of penalties for noncompliance with legislation;
- weaknesses in management of Customs revenues surrounding documentation, auction of goods and follow up of payments;
- no reconciliation between Fisheries and Treasury records of revenue, the fisheries management system is not updated and there are no records of fisheries negotiations on file;
- no financial link between Inland Revenue Department and Treasury; and
- lack of debt management policy to manage the TWOG's receivables.

Contents

The Tuvalu Audit Office has completed the financial audit of the Tuvalu Whole of Government for the year ended 31 December 2012. This report summarises our findings from the audit and draws attention to areas where the Tuvalu Whole of Government is doing well or could improve.

Table of Contents

Statutory Audit Report	3
Executive Summary	6
Contents.....	8
List of Abbreviations.....	10
Types of Audit Opinions	11
Introduction	12
The Format and Mandate of this Report	12
Auditing Standards Used	12
Compliance with ISSAI Auditing Standards.....	12
Performance, Waste and Probity	12
Subsequent Events	12
Changes in Accounting Policy	12
Unusual Accounting Policies	13
Statement of Auditor Independence.....	13
Independence.....	13
Unresolved Disagreements.....	13
Status of Areas of Audit Emphasis	14
Issues Surrounding the 31 December 2011 Qualification.....	14
Issues Raised in Previous Management Reports	14
Financial Statement Compilation and Compliance with GAAP	14
Financial Statement Supporting Documentation	15
Fraud Policy	15
Management Control Environment	15
Legislative Compliance	16
Compliance with Legislative Requirements.....	16
Breaches of Significant Legislation.....	16
Legislative Compliance (LC) Systems	16
LC 2012.1 Section 168 of the Constitution.....	16
LC 2012.2 Schedule to the Public Finance Act – Estimates of Expenditure	16
LC 2012.3 Schedule to the Public Finance Act – Supplementary Estimates of Expenditure.....	17
LC 2012.4 Section 178(2) of the Financial Instructions	17
LC 2012.5 Section 224 and 225 of the Financial Instructions	17
LC 2012.6 Section 7 of the Currency Act.....	17
LC 2012.7 Payment of Allowances to Co-opted Members and Support Staff of the Public Accounts Committee.....	18
Significant Matters Arising From the Audit.....	19
1.2012 Non Consolidation of NAFICOT and its Joint Ventures.....	19
2.2012 Non Appropriated Payments to Tuvalu Cooperative Society suppliers	19
3.2012 Tuvalu Development Fund (TDF) Opening and Closing Balances and Budget Estimates	20
4.2012 Tuvalu Development Fund Accountability.....	21

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

5.2012 Cabinet Minutes and Records of Decisions	21
6.2012 Fraud Investigations	22
7.2012 Observer Fund Expenditure	22
8.2012 Management of .TV Contract	23
9.2012 Vote Book Maintenance and Reconciliation	23
10.2012 Purchase Order Usage	24
11.2012 Special Funds Rules and Governance	24
12.2012 Review of Financial Statements Reconciliations and Provision of Supporting Documentation	25
13.2012 Improper Consolidation of Public Enterprises	25
14.2012 Documentation of Cut-off Review	26
15.2012 Cash Journal Entry in January to correct General Ledger	26
16.2012 Netting of Customs Income and Expenditure	27
17.2012 Follow up of Special Imprests	27
18.2012 Financial Information Security	28
19.2012 Variance Between Cash Accounts and Statement of Receipts and Payments by Heads	28
Overall analytical review	30
Status of Prior Year Audit Issues which Remain Open as at 31 December 2012	32
Audit Issues Closed during the 2012 Audit	45
Appendix 1: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2012	46

List of Abbreviations

ACCPAC:	the Tuvaluan Government's Accounting Software
ADB:	Asian Development Bank
AFL:	Air Fiji Limited
AIMS:	Aid Information Management System
AusAID	Australian Agency for International Development
DCC:	Development Coordinating Committee
EEZ:	Exclusive Economic Zone
EU:	European Union
FTF:	Falekaupule Trust Fund
GAAP:	Generally Accepted Accounting Principles
GL:	General Ledger
GOT:	Government of Tuvalu
IBD:	Interest Bearing Deposit
IFRS:	International Financial Reporting Standards
INTOSAI:	International Organisation of Supreme Audit Institutions
IPSAS:	International Public Sector Accounting Standards
IRD:	Internal Revenue Department
ISSAI:	International Standards of Supreme Audit Institutions
k:	Thousands
MoFED:	Ministry of Finance and Economic Development
MCE:	Management Control Environment
NAFICOT:	National Fishing Corporation of Tuvalu
NBT:	National Bank of Tuvalu
PAC:	Public Accounts Committee
PASAI:	Pacific Association of Supreme Audit Institutions
PE Act:	The Public Enterprises (Performance and Accountability) Act.
PE:	Public Enterprise
PEFA:	Public Expenditure and Financial Accountability
PFM:	Public Financial Management
PFM-PR:	Public Financial Management Performance Report
TWOG:	Tuvalu Whole of Government
TAO:	Tuvalu Audit Office
TDF:	Tuvalu Development Fund
TMTI:	Tuvalu Maritime Training Institute

Types of Audit Opinions

The following are the types of audit opinions issued by the Tuvalu Audit Office:

- **Unqualified:** In our opinion the financial statements present a true and fair view.
- **Qualified except for:** In our opinion except for the matters noted in the qualification paragraph the financial statements present a true and fair view.
- **Qualified adverse:** In our opinion the financial statements do not present a true and fair view.
- **Qualified disclaimer:** We are unable to form an opinion whether the financial statements present a true and fair view.
- **Unqualified with an emphasis of matter paragraph:** In our opinion the financial statements do present a true and fair view, however, emphasis which we consider important to the user is drawn to a certain disclosure within the financial statements.
- **Unqualified with an other matter paragraph:** In our opinion the financial statements do present a true and fair view, however, users' attention is drawn to a matter relevant to their understanding of the audit of the financial statements or the audit report.

Introduction

The Format and Mandate of this Report

This report is tabled under section 45 of the Audit Act. The Auditor General's mandate for this report comes from section 32 of the Public Finance Act. This report contains the results of the audit of the accounts of the Tuvalu Whole of Government for the year ended 31 December 2012 including:

- auditing standards used;
- compliance with INTOSAI auditing standards;
- important issues identified in the audit;
- performance, waste and probity;
- subsequent events;
- changes in accounting policy;
- unusual accounting policies;
- statement of auditor independence;
- unresolved disagreements;
- status of areas of audit emphasis;
- legislative compliance;
- legislative compliance systems;
- breaches of significant legislation;
- significant matters arising from the audit;
- status of prior year audit issues; and
- audit issues closed in 2010/11

Auditing Standards Used

The auditing standards used in the performance of the financial statement audits were the International Standards for Supreme Audit Institutions (ISSAI). The audit approach is a risk based approach and is considered to be compliant with the ISSAIs.

Compliance with ISSAI Auditing Standards

Our audit is considered to be in compliance with the requirements of ISSAI auditing standards.

Performance, Waste and Probity

During the planning and fieldwork stages of this audit, the Auditor-General briefed the team on the need to maintain awareness for performance, waste, probity, and fraud issues.

No specific performance, waste and probity issues were noted as part of the financial statement audit. Commentary regarding efficiency and effectiveness has been made in our significant and less significant matters commentary, where appropriate.

Subsequent Events

No subsequent events were noted during the 2012 audit.

Changes in Accounting Policy

There have been no significant changes to the accounting policies of the Tuvalu Whole of Government.

Unusual Accounting Policies

The following accounting policies are considered unusual by the Auditor General:

- expensing of fixed assets and inventories; and
- not recognising assets received in kind.

These issues form part of our audit qualification or have been raised in significant matters arising from the audit.

Statement of Auditor Independence

Independence

We confirm that, for the audit of the financial statements of the Tuvalu Whole of Government for the year ended 31 December 2012 we have maintained our independence in accordance with the requirements of the Constitution of Tuvalu, the Audit Act and the International Organisation of Supreme Audit Institutions.

Other than the audit, we have not provided any engagements for the Tuvalu Whole of Government during the year ended 31 December 2012. In addition, we confirm that we have no relationships with, or interests in, the Tuvalu Whole of Government.

Unresolved Disagreements

We have an unresolved disagreement with management about a significant amount of expenses which were either incurred or paid during the 2012 period have been entered incorrectly into the 2011 financial year, in order to continue to expend the 2011 budget during the 2012 year. This issue was formally raised with the Secretary for Finance and the Minister for Finance, however, adjustment into the correct period was not approved

Management has not sought to influence our views on matters relevant to our audit opinion.

Status of Areas of Audit Emphasis

In the audit arrangements letter issued to the Tuvalu Whole of Government, (TWOG) we identified areas of audit emphasis that we would pay particular attention to during the audit. Our response to these areas of audit emphasis is outlined below:

Issues Surrounding the 31 December 2011 Qualification

A disclaimer of audit opinion was issued for the year ended 31 December 2011 TWOG accounts. A disclaimer of audit opinion means that we are unable to form an opinion whether the financial statements present a true and fair view due to all evidence reasonably expected to be available not being available.

The 2012 audit opinion was a disclaimer of audit opinion. We acknowledge there has been considerable improvement in the presentation of the accounts and the issues within the qualification. The evolution to a set of accounts which is approaching compliance with general accepted accounting practice (GAAP) was the major improvement in the financial statement reporting process.

The 2011 issues which are considered to be resolved are:

- End of year transactions effecting cash on hand, expenses and accounts payable.
- Non preparation of Statement of Arrears of Revenue, Statement of Receipts and Payments and Statement of the Balance on the Tuvalu Development Fund account by Annual and Aggregate Receipts and Payments.
- Tuvalu Development Fund reconciliation to bank account balance.
- Material departure from GAAP in the preparation of financial statements, save for the non-disclosure of fixed assets.
- Accrual basis of accounting used when cash basis is required under the Public Finance Act.

Issues remaining unresolved are:

- non-inclusion of fixed assets and inventory in the financial statements;
- expenditure exceeding approved budgets.

We recommend that the TWOG continue its efforts to improve the financial statement preparation process and reporting process.

Issues Raised in Previous Management Reports

The progress that the TWOG has made in addressing the issues raised in the 2011 management report issues has been commented on below.

Financial Statement Compilation and Compliance with GAAP

The TWOG's 2012 financial statements were not prepared in compliance with GAAP as required by section 3(3)(e) of the Public Finance Act. The major departure was the non-inclusion of fixed assets and inventory in the financial statements.

There has been considerable improvement in the presentation of the accounts, namely the production of the accounts largely in accordance with the Public Finance Act requirements. This is a significant improvement from the 2011 accounts. The usability and understandability of the accounts has improved.

The TWOG has defined its own Tuvalu GAAP, in which fixed assets are expensed in the year of acquisition. Because of the fixed assets position, Tuvalu GAAP is not considered by the Auditor General to be in compliance with GAAP.

Financial Statement Supporting Documentation

Financial statement supporting documentation was presented to audit with the financial statements. This is an improvement from the prior year, where all of the documentation had to be requested by the Auditor General.

While acknowledging the improvements made to the supporting documentation, further work could be performed by Treasury in reviewing the accounts, performing variance explanations surrounding the movements in the accounts and attaching additional supporting documentation.

Going forward we will continue to work with Treasury to ensure that they continue to improve their documentation process.

Fraud Policy

The Auditor-General expects that every public entity should formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with.

In 2012, there has been no progress in relation to the development of a fraud policy. Progress of fraud policy creation and awareness will continue to be an area of audit emphasis in future audits.

We acknowledge that the Financial Instructions contain information on how to deal with fraud. However, a stand alone policy with clear definitions and processes will benefit the TWOG.

Included in the fraud policy should be training surrounding fraud.

Management Control Environment

The control environment of an entity co-ordinates all systems used in order to safeguard the entity's assets, check the accuracy of the accounting information, promote efficiency, encourage staff to be productive and assist management to adhere to the policies of the entity.

The purpose of the control environment is to monitor how the entity is performing and to implement a plan that will help the entity perform. Controls also deter and prevent people from doing things their own way, and from committing fraud.

With controls in place, employees' duties can be arranged and the records and systems designed to make it possible to carry out effective accounting control over the assets, liabilities, income and expenses of the entity. Under this system the work of the employees is broken up wherever possible, so no single employee will perform a complete cycle of a particular operation.

We have completed a management control environment (MCE) assessment and overall we have concluded that the MCE is "Ineffective".

Our primary bases for reaching this conclusion are:

- management decisions are sometimes taken without appropriate consultation with the finance and legal departments;
- decisions are reached without proper risk assessment and due diligence;
- payments have been made which knowingly exceeded budget allocations; and
- significant capacity and capability gaps exist in all ministries.

We acknowledge that there have been improvements made to the MCE including:

- input of budget figures into ACCPAC and the monitoring process of expenditures to budget;
- the addressing of issues raised in audit reports; and
- production of monthly management accounts by Treasury since April 2012

We will continue to review the MCE in the 2013 audit to assess if any improvements have been made.

Legislative Compliance

Legislation breaches were noted during the audit. These are explained in the legislative compliance section below.

Compliance with Legislative Requirements

Breaches of Significant Legislation

During the audit, our main focus has been on the TWOG's financial reporting obligations. As part of our planning we identified the Public Finance Act and the Financial Instructions as key legislation and regulations that government officers should comply with. While our focus is on financial reporting obligations, we do maintain an awareness of other legislation that impacts on the entity. We noted the following breaches of legislation:

Legislative Compliance (LC) Systems

We reviewed the systems and procedures the TWOG uses to identify and comply with legislative requirements. There is no formal system in place for monitoring, compliance and reporting.

We recommend that the TWOG put in place a system to monitor compliance of key legislation and ensure processes are in place to report breaches in legislation to the governing body.

LC 2012.1 Section 168 of the Constitution

The Statement of Unauthorised Expenditure by Statutory and Non Statutory Heads shows that for the non statutory heads, there was expenditure in excess of the appropriated amounts for 4 of the 15 Heads, amounting to \$349,092. This is a breach of section 165(1) and section 168 of the Constitution of Tuvalu which requires that "*No money of or under the control of the Government shall be spent except as provided by this Constitution or by or under an Act of Parliament.*"

LC 2012.2 Schedule to the Public Finance Act – Estimates of Expenditure

The schedule to the Public Finance Act requires that all expenditure from the Tuvalu Development Fund (TDF) is performed via a Development Warrant and that no Development Warrants are to be issued unless the expenditure has been authorised by resolution of Parliament.

No resolution of Parliament has been performed in order to approve expenditure out of the TDF for 2011 or 2012.

The expenditure made out of the TDF is considered to be unlawful because there has been non compliance with the Public Finance Act requirements. Estimates of the expenditure should be produced in line with the expectations of Parliament as part of the budget process and the expenditure limits are adhered to.

LC 2012.3 Schedule to the Public Finance Act – Supplementary Estimates of Expenditure

Late in 2012, funds provided by ROC (Taiwan) were paid into the Tuvalu Development Fund in order to make payment for the repairs to one of the TWOG's passenger ferries. The Auditor General requested an opinion from the Attorney General in regard to the legality of these payments. Where grant monies are provided for a specific development purpose, they may be paid into the TDF. However, any payments from the TDF must be approved by Parliament. Where expenditure is made because it cannot be deferred without serious injury to the public interest, the expenditure should be tabled in a supplementary estimate at the next session of Parliament for approval. No supplementary development estimate of TDF expenditure was tabled in the next Parliament session, nor in the session following.

Without annual development estimates or the supplementary development estimates being tabled in Parliament and approved by a resolution of Parliament, there is no accountability to Parliament for the expenditure surrounding the TDF.

LC 2012.4 Section 178(2) of the Financial Instructions

Section 178(2) of the Financial Instructions specifies that no accounting officer shall incur or commit any expenditure that shall exceed the approved estimates of expenditure for any sub head item under his control. By incurring expenditure above the estimates for sub head items, the accounting officer will be in breach of section 178(2) of the Financial Instructions.

We note that during the year there has been expenditure above the estimates for sub head items. This was indicated by an overspend in the budget sub head expenditure. The expenditure estimates were updated for virements (approved movements) between sub head expenditure items before the calculation of overspends.

LC 2012.5 Section 224 and 225 of the Financial Instructions

Section 224 and 225 of the Financial Instructions details the monthly reconciliation process between the Ministry of Finance and each of the Ministries' executive offices. We noted during the 2012 audit that this process requires improvement for this to be an effective control.

LC 2012.6 Section 7 of the Currency Act

Section 7 of the Currency Act requires the Commissioner of Currency (Minister for Finance) to:

(d) not later than the 31st day of March each year prepare a report on all coin issued and redeemed during the preceding financial year together with an account of all expenditure incurred and revenue therefrom;

(e) publish as at the 31st day of March each year by such means as he may think appropriate to inform the public a statement of the liabilities and assets of the Coin Security Fund;

(f) perform all such other duties as are or may be imposed on him by or under this Act.

No report under section (d) and (e) was produced by the Minister of Finance who is the Commissioner of Currency for the year ended 31 March 2012 and 31 March 2013. Additionally, it is not clear from the Currency Act what the Coin Security Fund (the Fund) purpose is, nor are there any detailed reporting requirements in the Currency Act.

There is limited transparency surrounding the Fund, its usage and the distributions from the Fund. Payments may be made into the Fund which should be paid into the Consolidated Fund. Given the purpose of the Fund is not clear, the funds use is considered to be unclear as well.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

The Currency Act should be amended to make clear the purpose of the Fund. The Commissioner of Currency should begin reporting on annual basis the financial position of the Fund. This could be incorporated into the TWOG Report for ease of reporting.

LC 2012.7 Payment of Allowances to Co-opted Members and Support Staff of the Public Accounts Committee

The Auditor General noted that payments of allowances from the TWOG were made to support staff and co-opted members of the Public Accounts Committee in 2012 and 2013. The Auditor General requested a legal opinion from the Attorney General regarding the legality of these payments. The support staff and allowance payments were not permitted under the Prescription of Salaries Act.

We understand that this practice has been discontinued. Sitting allowances should only be paid to members of the Public Accounts Committee who are entitled to the allowances, not the co-opted member and support staff.

Significant Matters Arising From the Audit

The following significant matters have been raised during the audit for your attention and comment:

1.2012 Non Consolidation of NAFICOT and its Joint Ventures

FINDINGS AND ANALYSIS

Although NAFICOT is a company scheduled as a trading enterprise under the PE Act, it is under the definite control of the Ministry of Natural Resources and should be incorporated into the TWOG's financial statements. The TWOG has via NAFICOT entered into multiple joint ventures with companies who are fishing within Tuvalu's waters. These are not recognised in the TWOG's financial statements, given NAFICOT have not produced financial statements since 1999.

Under GAAP, Joint Ventures entered into are accounted for in the both parties' financial statements. The Auditor General has only received the financial statements of the 2012 accounts for one of the Joint Ventures.

IMPLICATION

- The assets, liabilities, expenses and revenues of the TWOG will be understated given the non-consolidation of the Joint Ventures into the TWOG's financial statements.
- Without proper reporting by NAFICOT and the Joint Ventures, the TWOG does not have any oversight of the operations of the Joint Ventures.

RECOMMENDATION

- The Joint Ventures are consolidated into the financial statements of the TWOG in the future;
- Proper monitoring of the Joint Ventures' performance occurs through NAFICOT; and
- The TWOG requests that NAFICOT produce financial statements and present them to the Office of the Auditor General for audit as required by the PE Act.

MANAGEMENT COMMENT

No comment provided by Management.

2.2012 Non Appropriated Payments to Tuvalu Cooperative Society suppliers

FINDINGS AND ANALYSIS

In 2012, the TWOG made payments of \$300,000 to suppliers of the Tuvalu Cooperative Society. These payments were made without an appropriation and without any estimates of expenditure being approved in the budget. No virements or supplementary appropriation was made in regards to these expenditures. These payments are in breach of the Constitution which requires Parliamentary approval of public spending.

We acknowledge that this amount has been reported in the Statement of Unauthorised Expenditure; however, the concern is that this payment for obviously irregular unauthorised expenditure was not stopped during the process of checking for valid appropriation before making payment or brought to the immediate attention of the Auditor General or Attorney General. This payment was a significant contributing factor in the non-statutory expenditure of Finance and Economic Development head being over spent by \$248,790.

IMPLICATION

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

This expenditure is contrary to the Constitution of Tuvalu, which requires that no amount be paid from the consolidated fund without expenditure being authorised by an Appropriation Act.

RECOMMENDATION

The TWOG follows the proper process for making unforeseen payments as stated in the Public Finance Act by either enacting a Supplementary Appropriation or using the Interim Expenditure provisions in the Public Finance Act.

MANAGEMENT COMMENT

A direction to proceed with the payments was issued by the Minister and Secretary of Finance, who indicated that the Parliament had approved a \$500k guarantee for TCS debts. The Parliament did not provide a transcript of these discussions, and no supplementary appropriation was submitted.

3.2012 Tuvalu Development Fund (TDF) Opening and Closing Balances and Budget Estimates

FINDINGS AND ANALYSIS

- Opening and closing balances per project have not been disclosed in the financial statements. The TWOG is unable to show the remaining amount of funding in each project account.
- The TDF is required by 2(2) of the Schedule of the Public Finance Act to produce budget estimates annually. No budget estimates were produced for 2012 for the Tuvalu Development Fund.

IMPLICATIONS

- Without opening and closing balances, the risk is greatly increased that a project may overspend without the TWOG realising. Overspent projects paid from the TDF are usually made by expending funds from another project.
- Without budget estimates for expenditure from the TDF, which are to be approved by resolution of Parliament, no development warrant should be issued, except under exceptional circumstances stated in the Schedule to the Public Finance Act. Payments made under exceptional circumstances (without prior approval) must be the subject of a supplementary development estimate and be tabled and approved by resolution at the next session of Parliament. Without this Parliamentary approval, all expenditures out of the TDF are illegal.

RECOMMENDATION

We acknowledge that measures are being taken to improve the management of Aid and the Tuvalu Development Fund through the creation of the Aid Information Management System (AIMS). The TWOG should:

- endeavour to produce opening and closing balances for each project.
- produce budget estimates for the TDF within the budget process which occurs surrounding the expenditure from the Consolidated Fund. Perform monitoring of the expenditure which occurs to ensure that expenditure is in line with amounts warranted from the budget.

MANAGEMENT COMMENT

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

It has been a major step by the Tuvalu Treasury to incorporate the TDF into the Annual Accounts. Treasury is continuing to improve processes and reporting of the TDF and expects to address these findings as part of the 2013 Annual Financial Statements.

4.2012 Tuvalu Development Fund Accountability

FINDINGS AND ANALYSIS

Currently the TDF requirements are contained in the Schedule to the Public Finance Act, which can be amended by the Minister for Finance, by giving notice to Parliament. Given these requirements are surrounding the expenditure and provision of estimates from the TDF, they are considered to be important.

The only accountability surrounding expenditure from the TDF is to the provider of the funds into the TDF. Some of the contributions into the fund (for example payment of observers fees by foreign fishing vessels) do not require any accountability. The only method of accountability is the estimates and reporting process required by the Public Finance Act.

IMPLICATION

With these limited controls over the amendment of the TDF schedule, the Minister for Finance could potentially change the reporting and expenditure requirements of the TDF and further limit the TWOG's accountability in terms of expenditure of funds from the TDF. This has the potential to undermine Parliament's responsibility for the control of public finances. With limited external accountability, funds could be expended without any Parliamentary approval and control of expenditure.

RECOMMENDATION

Amend the Public Finance Act to make the Schedule part of the Public Finance Act, so that it can only then be changed by an Act of Parliament. Additionally, include further rules surrounding the expenditure from the TDF, to ensure that expenditure is for the purpose of the funds provided and made with Parliamentary approval.

A review of the rules of expenditure of all of the projects within the TDF is performed, and where it is noted there is limited accountability to external parties, the TWOG develops expenditure guidelines. These guidelines are then used by TWOG staff to assess whether payments related to the purpose of the projects.

MANAGEMENT COMMENT

The Ministry will work on amending the Act to make the Schedule part of the Act.

5.2012 Cabinet Minutes and Records of Decisions

FINDINGS AND ANALYSIS

The Auditor General requested copies of Cabinet minutes for 2012 and into 2013 to review the critical decisions made to ensure that there was executive approval.

The majority of minutes requested were unable to be provided as they had not been finalised.

IMPLICATION

Without documentation of the decisions made by Cabinet, the Government is less able to enforce and make the changes to programs which are required. If an approved program is not performed or there is disagreement on the outcomes of the meeting, then there will be no evidence to demonstrate what should have been done.

RECOMMENDATION

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Cabinet Minutes are produced and circulated in a timely manner to key decision makers. A record of decisions made should be made available soon after each meeting.

MANAGEMENT COMMENT

Executive approval of minutes depends on the return of draft minutes. They must be resubmitted for final endorsement of Cabinet members. During this period the majority of 2012 Minutes have been finalised.

6.2012 Fraud Investigations

FINDINGS AND ANALYSIS

There were instances of fraud noted in 2011 which were submitted to the police for investigation. In 2012 when following up these investigations, the Auditor General found that no progress had been made and that no recoveries of the monies were attempted by the TWOG.

IMPLICATION

Not taking a firm stance on recovery of fraud monies indicates that the TWOG is prepared to tolerate fraud. This does not act as deterrence.

RECOMMENDATION

- Any identified fraud is investigated the police in a timely manner.
- A person who committed the fraud is prosecuted to the full extent of the law, to set a no tolerance of fraud example.
- The Ministry of Finance are to be responsible for continuously monitoring and following up the police on the progress of their fraud investigations.
- The speed of fraud investigations should be increased. The longer the investigation is left, the less likely it is that a successful prosecution will occur.

MANAGEMENT COMMENT

The Permanent Secretary and his assistants are fairly new to the Ministry of Finance and Economic Development and were not aware of these fraud cases until they found out from the recent audit report. The Ministry will follow up with Police on the status of the investigations, and also will find out the reasons for the delay.

7.2012 Observer Fund Expenditure

FINDINGS AND ANALYSIS

The Observer's Fund, one fund within the Tuvalu Development Fund, is used to employ observers to monitor foreign fishing vessels fishing in Tuvaluan waters. In our review of the transactions of the fund we found that there was expenditure on fuel and ministerial travel.

The Fisheries Department was unable to present us with any rules governing the Observer's Fund, only a letter from the Secretary with guidelines on expenditure.

IMPLICATION:

Without any rules surrounding the usage of the Observer's Fund, there is no accountability surrounding the expenditure out of the fund.

RECOMMENDATION:

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

A detailed set of rules is developed in order to ensure that expenditure out of the Observer's Fund is used to fund the observers program and funding is not used for purposes such as fuel and ministerial travel expenditure.

MANAGEMENT COMMENT

No comment received from management.

8.2012 Management of .TV Contract

FINDINGS AND ANALYSIS

We have reviewed the .TV agreement with VeriSign and subsequent amendments to the agreement. We found that there were provisions in the contract surrounding scholarships and other benefits to the TWOG. The TWOG is yet to take these benefits up with VeriSign.

IMPLICATION

Tuvalu is missing out on benefits of the VeriSign contract.

RECOMMENDATION

The agreement is reviewed and all the benefits to Tuvalu are documented and provided by VeriSign.

MANAGEMENT COMMENT

The Minister of Communication & Transport together with the Secretary will meet Verisign Officials in Brisbane in November, 2013 and these issues will be raised with them.

9.2012 Vote Book Maintenance and Reconciliation

FINDINGS AND ANALYSIS:

Vote books are required by the Financial Instructions to be kept by each head of expenditure, to track virements, expenditure to date, accounting warrants and budget remaining figures. Vote books are to be reconciled to the cash expenditure within ACCPAC.

In 2012, vote book reconciliations were performed, however, not on a regular basis, nor was there any documentation of the reconciliations.

IMPLICATION

Without documentation evidence of the reconciliation of vote books, there is no accountability on when the reconciliations are completed, if there are any variances in the reconciliations and the actions which were required to be taken to rectify the vote books to ACCPAC. With timely reconciliation of the vote books, overspends of appropriations and votes should decrease.

RECOMMENDATION:

- That documentary evidence is kept for the reconciliation of the vote books, including signoff by the vote keeper and the Treasury reviewer and the date.
- Part of the vote book sign off process could require the vote keepers to explain large movements in their votes, in order for them to understand the expenditure movements.
- The vote book reconciliation process should annually include review of the stocktake of the assets of the vote keeper both purchased by the TWOG and received in kind.
- Vote book reconciliations should be performed over the grants and non-cash items including fixed assets and liabilities when they are included in the financial statements.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

MANAGEMENT COMMENT

Treasury now performs monthly vote book reconciliation with vote keepers. This information and vote keeper signoff has been provided to the Audit office for 2013. In place of this process, in 2012 Vote keepers were provided with Monthly reports to enable them to reconcile vote book ledgers with Treasury records, this is in line with normal practice.

10.2012 Purchase Order Usage

FINDINGS AND ANALYSIS

Purchase Orders are a record of the commitment to purchase, so that in the event that the incorrect goods/ service are supplied, there is documentary evidence of the intent to purchase. Purchase orders allow buyers to clearly and explicitly communicate their intentions to sellers. The TWOG does not use Purchase Orders as part of their operating procedures. Purchase Orders are mentioned in the financial instructions, however, there are no rules governing their usage or a standard format for the TWOG.

IMPLICATION

Without using Purchase orders and rules surrounding the usage of Purchase Orders, the TWOG could potentially overcommitting funds, not getting the best value for money, and not obtaining appropriate approval before committing to purchase goods and services.

We acknowledge that there are procurement rules and regulations coming into force, and look forward to reviewing the implementation of these rules.

RECOMMENDATION

- The TWOG develops rules surrounding purchase orders and procurement of goods, to ensure that value for money is being obtained and those funds are not committed without prior budget approval.
- The financial instructions/ legislation are updated to include these requirements.

MANAGEMENT COMMENT

Purchase orders are scheduled to be introduced along with Government Procurement in 2014.

11.2012 Special Funds Rules and Governance

FINDINGS AND ANALYSIS

Under section 167(2) of the Constitution, special funds have to be established under the authority of an Act of Parliament. During the audit we requested the documentation for the establishment of each of the special funds in existence by Ministerial Order under the authority of the Public Finance Act or under a dedicated Act of Parliament.

The documentation we received was satisfactory in the establishment of the funds, however, it was not comprehensive surrounding the rules and governance of each of the funds. We acknowledge there has been limited expenditure from the funds.

IMPLICATION

Without rules surrounding the usage, governance and purpose of the funds, monies could be expended without proper justification and management scrutiny. There are inadequate controls for ensuring Parliamentary oversight of the receipt and expenditure of public monies from special funds.

RECOMMENDATION

That the Minister establishes regulations for the operations and control of the Special funds, or closes the funds.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

MANAGEMENT COMMENT

This finding was compiled after management comments were sought and management are yet to review this finding. The Auditor General will formally request management respond to this issue at a future date.

12.2012 Review of Financial Statements Reconciliations and Provision of Supporting Documentation

FINDINGS AND ANALYSIS

We acknowledge that there has been an improvement in the preparation of the financial statement supporting documentation; however, further effort is required. The issues which were noted by the Auditor General were:

- The reconciliations to the balance sheet accounts were completed, but limited supporting documentation was attached.
- No analytical review of movements to budget and the prior year was completed.
- No evidence of review on most of the documentation presented to the Auditor General.
- No documentation of the payroll fortnightly reconciliation and payroll analysis of movements in the pays.
- Missing Payment Vouchers for pay 11 and 17.

IMPLICATION

Compiling supporting documentation and performance of analytical review demonstrates understanding of the formation of the financial statements and the key drivers of the figures. This demonstration assists in the audit process and also develops TWOG staff understanding. Without review, the risk of errors being reported in the accounts is increased.

RECOMMENDATION

We recommend that supporting documentation, calculations and analytical review are attached to the working papers and they are evidenced as reviewed.

MANAGEMENT COMMENT

Treasury acknowledges that there will always be room for improvement.

13.2012 Improper Consolidation of Public Enterprises.

FINDINGS AND ANALYSIS

Currently the TWOG consolidates the Public Enterprises by taking into account the equity movements (i.e. Assets minus Liabilities) of each of the Public Enterprises at the end of each year. This is not in compliance with GAAP, which the TWOG is using to prepare their financial statements.

Under GAAP, entities that are controlled by the TWOG should be consolidated into the financial statements of the TWOG. That is all revenues, expenditures, assets and liabilities of the Public Enterprises and other controlled entities should be added to the all revenues, expenditures, assets and liabilities of the TWOG.

The process of consolidation should also include the elimination of the TWOG's investment in each of the Public Enterprises with the TWOG's equity in each of the entities; and the elimination of transactions between the Public Enterprises and the TWOG, including Community Service Obligations.

IMPLICATION:

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

The expenses and revenues of the TWOG will be understated as well as the assets and liabilities. In net terms, assets and liabilities will be equivalent, as the PEs are accounted for as an investment.

RECOMMENDATION

Given the current stage of the TWOG's accounts, it is recommended that a lesser priority be placed on the proper consolidation of the Public Enterprises. The TWOG should continue to account for the Public Enterprises using the equity method until there is sufficient capacity to undertake the consolidation process. However, the improper consolidation is still considered an accounting and audit issue, and should not be ignored because of priorities currently taking precedence.

MANAGEMENT COMMENT

The Treasury suggests that this finding be removed by the Audit office, as Tuvalu currently includes the Net Assets of Government Public Enterprises in the annual financial statements in line with Tuvalu Accounting Policies, and there would be minimal benefit provided from the full consolidation of these entities.

14.2012 Documentation of Cut-off Review

FINDINGS AND ANALYSIS

The TWOG performed a review of transactions entered into ACCPAC after the end of 2012 to ensure that no material transactions which were incurred in 2012, however, were journaled in 2013. TWOG performed this review as evidenced by an accrual journal being raised in 2012. No documentation of the review was kept.

IMPLICATION

The Auditor General was unable to check which transactions were reviewed and which were not as part of the Treasury review. Seeing the review was performed, providing documentation of all transactions reviewed to the Auditor General would have ensured that higher quality audit evidence was presented.

RECOMMENDATION

Treasury continue to perform the cut-off review in the future. Treasury should document all of the transactions reviewed, the process of selecting the documentation, and what evidence was reviewed.

MANAGEMENT COMMENT

Treasury agrees with the finding.

15.2012 Cash Journal Entry in January to correct General Ledger

FINDINGS AND ANALYSIS

At the beginning of 2012, a journal entry to reconcile the balance of the General Bank Account in the General Ledger and the Bank module was performed. This represented an over statement of the General Ledger cash balance by \$27,695 compared to the Bank module balance. This variance was allocated to a miscellaneous expense account in order to reconcile the General Ledger and the Bank Module within ACCPAC.

At December , we were able to reconcile the 110600 (General Bank Account) account in the General Ledger to the Bank module balance because of this journal entry. However there was no misstatement noted.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

IMPLICATION

The TWOG has not identified all transactions which were causing the General Ledger and the Bank module not to balance. The TWOG has allocated the difference to a miscellaneous expense account. The actual underlying transactions which make up this difference are unknown. The difference should not have been amended by a journal of this nature.

RECOMMENDATION

- This journal entry should not be repeated for the 2013 year end. Given the improvement in processing and the reduced usage of bank entries, a variance of this nature is not expected.
- Reconciliation of the 110600 account in the GL and the balance in the bank module should be documented and reviewed monthly until the 2013 year end.

MANAGEMENT COMMENT

Treasury Agrees, and it is not expected that this will reoccur in 2013.

16.2012 Netting of Customs Income and Expenditure

FINDINGS AND ANALYSIS

Customs pay their staff overtime if they are required to clear goods during non-working hours. This overtime fee is then recovered from the importer. In 2012, it was found that Customs overtime charged for attendance is being netted off against the payment to the Customs officer. This occurred in the 442630-F04-01 staff overtime account. These funds are paid into the consolidated revenue fund and are then paid back out to staff for overtime.

IMPLICATION

Whilst the net impact on the Statement of Income and Expenditure is nil, Customs fee revenue and overtime expenses are being understated. Additionally, the payment to staff for overtime is being made without a valid budget allocation or appropriation.

We acknowledge the difficulties in the estimation of amount of staff overtime to be budgeted for, however, there is no provision in the Financial Instructions for this process.

RECOMMENDATION

- The Customs fee charged for clearing goods during non-working hours should be a separate account in the General Ledger to the overtime expense.
- A valid budget and appropriation line item is included for the staff expenses associated with the overtime costs.
- The TWOG could levy an additional percentage for each cost of overtime for administration costs.

MANAGEMENT COMMENT

This practice was ceased in 2013 as a Budget was allocated to the Department for the Expense Component.

17.2012 Follow up of Special Imprests

FINDINGS AND ANALYSIS

There has been an improvement in the accounting for special imprests in 2012 compared with previous years. However, some issues were noted by audit:

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

- No reminder letters were sent to officers with outstanding imprests to remind them to continue settling amounts owed. This is required by section 318(2) of the Financial Instructions which clearly states that reminder letters must be sent to officers with outstanding imprest.
- Interest which should be charged on overdue imprests as per section 315(1) of the Financial Instructions is not being charged. The imprests which have not been charged relate to imprests issued in 2009.

IMPLICATION

Reminder letters not sent and not charging interest on overdue imprest could lead to people with outstanding imprests neglecting to settle their overdue amounts with the TWOG. The interest which is currently not charged on overdue imprests is lost revenue for Tuvalu Government.

RECOMMENDATION

The requirements of the Financial Instructions surrounding imprests is adhered to, including sending timely reminders of overdue imprests and charging interest on outstanding imprest accounts.

MANAGEMENT COMMENT

Treasury agrees with the recommendation and has taken steps to improve processing in this regard.

18.2012 Financial Information Security

FINDINGS AND ANALYSIS

In 2012, the Auditor General reviewed the backup process for the TWOG's financial information. It was found that daily backups of the data are performed, however, not off site. There was a process in place of performing offsite backups, however, this was discontinued due to internet bandwidth issues.

IMPLICATION

In the event of a failure of the Treasury server, critical data could be lost.

RECOMMENDATION

An effective data and application recovery plan should be developed and adhered to, in order to safeguard the Treasury division from possible data loss. This should include a routine back-up to an off-site location.

MANAGEMENT COMMENT

Treasury currently maintains backups of Financial Information on a daily basis on the ACCPAC server, and externally on a weekly basis on a separate PC.

19.2012 Variance Between Cash Accounts and Statement of Receipts and Payments by Heads

FINDINGS AND ANALYSIS

During our review of the financial statements, we noted a variance of \$15,227 between the Statement of Receipts and Payments by Heads and the Cash Account movement. We acknowledge that this is an improvement from the previous years of not producing a cash based statement of receipts and payments.

IMPLICATION

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

With a variance, there is potential that an underspend of cash may have been reported, which effects the Statement of Receipts and Payments as well as the Statement of Unauthorised Expenditure.

RECOMMENDATION

That Treasury continues to perform this reconciliation in the future, and investigate and amend any future variances.

MANAGEMENT COMMENT

This finding was compiled after management comments were sought and management are yet to review this finding. The Auditor General will formally request management respond to this issue at a future date.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Overall analytical review

Particulars	2012 Actual	2011 Actual	2012-2011 Actual variances	2012 Movement %	Movement Explanations
GOVERNMENT EQUITY					
Surplus / (Deficit)	7,366,793	(3,186,616)	10,553,409	-331%	Increase due to revenue collection increases, including fishing licences \$2.7m, TV revenue \$1.8m, external grants \$2.6m, gain on TTF investment \$2.5m and gain on TDF \$0.8m partially offset by decreases in revenue from Tax \$1.2k and interest, dividends and rent \$216k and loss on investment in corporations of \$311k.
Retained Earnings	54,390,522	57,577,138	(3,186,616)	-6%	Decrease in retained earnings due to deficit of \$3.1m in 2011.
TOTAL GOVERNMENT EQUITY	61,757,315	54,390,522	7,366,793	14%	Increase in surplus of \$10.5m offset by decrease in retained earnings of \$3.1m
ASSETS					
Current Assets					
Cash & Cash Equivalents	1,565,471	(489,263)	2,054,735	-420%	Increase movement due to increased revenues during 2012, without corresponding increases in expenditure.
Special Funds	1,096,226	1,023,647	74,579	7%	Increase movement by \$74k due to increase in special coimage security account by \$50k, IBD insurance fund account 01-420002-48 by \$10k and IBD insurance fund account 01-680824-40 by \$15k.
Cash Investments	4,504,381	3,198,993	1,305,389	41%	Increase in consolidated Investment Fund by \$1.3m led to the increase movement in cash investment in 2012.
Prepayments	0	170,978	(170,978)	-100%	There were no prepayments in 2012.
Debtors	791,410	1,290,014	(498,604)	-39%	Decrease due write off of debtors and further provisioning of the Debtors account.
Total current assets	7,959,489	5,194,368	2,765,120	53%	Overall increase due to movement in cash \$2.0m and cash investments \$1.3m partially offset by decrease in prepayments \$0.17m and debtors \$0.5m
Non-Current Assets					
Tuvalu Trust Fund	50,408,827	46,947,827	3,461,000	7%	Increase due to increase in GOT contribution by \$3.4m, due to favourable market conditions.
Tuvalu Development Fund	2,384,159	1,544,362	839,797	54%	Increase due to more development and projects in 2012 compared to 2011.
Investments in Corporations	11,048,265	11,474,370	(426,105)	-4%	Decrease movement due to PFI shares being sold out to Samoa and payment of \$114,969 for NAFICOT loan.
Total Non-Current Assets	63,841,251	59,966,559	3,874,692	6%	Increase due to TTF investment increase in value of \$3.4m.
TOTAL ASSETS	71,800,739	65,160,927	6,639,812	10%	Increase due to TTF investment increase in value of \$3.4m, movement in cash \$2.0m and cash investments \$1.3m partially offset by decrease in prepayments \$0.17m and debtors \$0.5m.
LIABILITIES					
Current Liabilities					
Accounts Payable	570,645	687,645	(117,000)	-17%	Decrease movement due to less credit purchases for the year 2012.
Accounts Payable - Tuvalu Provident Fund	301,018	329,740	(28,722)	-9%	Decrease due to government paying most PF contributions in 2012.
Overseas Civil Servants Deductions to NBT	1,210	0	1,210	n/a	Increase movement due to more overseas civil servants having deductions at NBT and late payment of overseas deductions to NBT.
Clearing - Money Orders	740	0	740	n/a	Increase movement due to money orders sent to outer islands not received by recipients.
Tuvalu Police Fund	2,058	1,196	862	72%	Increase in Police Fund due to more police officers penalised in 2012 and fund not utilised by police department.
Total current liabilities	875,671	1,018,581	(142,911)	-14%	Overall decrease due to TNPF contributions due being paid in 2012 and less credit purchases.
Non-Current Liabilities					
Offshore Loans	6,614,396	7,119,554	(505,158)	-7%	Decrease movement due to repayment of \$128k to FIF, TMTI original loan of \$37k, TMTI supplementary loan of \$36k and the DET equity injection of \$4.8m.
Domestic Loans	2,553,357	2,632,269	(78,912)	-3%	Increase movement due to interest on loan repayment of the following loans guaranteed by Tuvalu Government, \$25k interest on the Air Fiji overdraft and \$10k interest on the NAFICOT loan.
Total non-current liabilities	9,167,753	9,751,823	(584,070)	-6%	Overall decrease due to repayment of loans.
TOTAL LIABILITIES	10,043,424	10,770,404	(726,980)	-7%	Decrease due to repayment of loans of \$584k and more prompt payment of creditors.
TOTAL NET ASSETS	61,757,315	54,390,522	7,366,793	-14%	Increase primarily due to increased cash on hand \$2m and cash investments \$1.3m, and TTF increase \$3.4m, without corresponding liability increases.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Particulars	2012 Actual	2012 Budget	2011 Actual	2012-2011 Variances Actual (\$)	2012 Movement %	2012 Actual-2012 Budget (\$)	Movement Explanation
RECURRENT INCOME							
Taxation	5,732,050	6,257,480	6,444,401	(712,351)	-12%	(625,430)	The decrease in taxation is due to decrease in income tax by \$56k, company tax by \$630k, sales tax by \$35k, TCT by \$31k, import duty levy by \$115k, import lev and excise by \$38k, and decrease in other taxes by \$3k. Taxation revenue over budgeted in 2012.
Interest, Dividends and Rent	1,304,096	1,528,473	1,520,430	(216,334)	-17%	(224,377)	The decrease is due to no interest on investment in 2012; decrease in NBT dividend by \$191k, dividend from Tuvalu Tuna also decreased by \$201k, sublease rental by \$8k, Office space rental by \$7k, rent of houses by \$10k and rent of queens warehouse by \$1k. Interest, dividends and rent over budgeted in 2012.
Fisheries Licences	8,401,494	5,400,000	5,683,624	2,717,870	32%	3,001,494	Increase is due to increase in revenue from fishing licence by \$1.7m in 2012; Fishing licence revenue under budgeted in 2012. Budget overspent in 2012.
TV	3,712,031	3,600,000	1,876,980	1,835,051	49%	112,031	The increase movements in Dot TV revenue is due to increase in quarterly amounts received from \$500k per quarter to \$1m, thus increasing Dot TV revenue by \$1.8m in 2012. Increase from budget was due to TV revenue under budgeted in 2012.
External Assistance and Grants	10,760,913	4,656,000	8,086,961	2,673,952	25%	6,104,913	Increase is due to Tuvalu government EU V flex grant of \$2m, AUS Aid CIF fund of \$3.9m Grant from other donors increased to \$30k in 2012. External assistance and grants under budgeted in 2012.
Other Income	2,674,898	2,680,199	2,693,297	(18,399)	-1%	(5,301)	Decrease is due to decrease in income from vessel registration by \$35k, income received from marine services by \$93k, stevedoring and wharfage by \$10k and provision of food and services also decreased by \$66k.
TOTAL RECURRENT INCOME	32,585,481	24,122,152	26,305,692	6,279,789	19%	8,463,329	Increase due to revenue collection increases, including fishing licences \$2.7m, TV revenue \$1.8m, external grants \$2.6m partially offset by decreases in revenue from Tax \$712k and interest, dividends and rent \$216k.
RECURRENT EXPENDITURE							
Wages, Salaries, and Allowances	11,291,669	11,846,933	10,985,474	306,195	3%	(555,264)	The increase in wages and salaries by \$301k is due to increase in contract teachers' salaries by \$183k, overseas allowance by \$59k, salaries from secondary school teachers by \$50k, Permanent Representative to the UN by \$36k partially offset by decrease in stevedoring salaries by \$35k, and relieving fund by \$59k. Despite the increase, budget under spent by \$56k.
Contributions to Tuvalu National Provident Fund	984,579	1,031,404	955,986	28,591	3%	(46,825)	The increase in PF contribution by \$29k is in line with increase in Wages Salaries and allowances as expected. Budget underspent by \$47k for PF contributions.
Travel	1,690,827	1,062,832	1,379,164	311,663	18%	627,994	Increase in travel is due to the increase in local travel and subsistence by \$137k, leave travel entitlement by \$29k and statutory travel by \$163k. Budget overspent by \$628k.
Fuel, Electricity and Communications	1,934,031	1,950,774	2,240,792	(306,761)	-16%	(16,743)	The decrease in electricity expense by \$421k, telephone and internet expense by \$39k contributed to the overall decrease in fuel, electricity and communication expense in 2012. Budget underspent by \$17k.
Maintenance	1,308,154	1,311,196	1,372,896	(63,742)	-5%	(2,043)	Decrease is due to decrease in vessel maintenance expense by \$93k, office equipment expense by \$7k and plant & other maintenance by \$76k. Budget under spent by \$2k.
Loan Repayments & Bank Fees	228,310	618,560	497,611	(269,300)	-118%	(390,250)	Decrease is due to the significant decrease in bank charges & interest by \$210k partially offset by the increase in TMTI Loan Service Commission by \$106k. Budget underspent by \$390k.
Grants and Subsidies (incl. Scholarships Support)	6,517,570	6,598,187	5,989,489	528,081	8%	(80,617)	The increase of \$528k is due to the increase in grants and subsidies by \$473k and increase in contribution to Japan Grant Counterpart fund by \$790k partially offset by decrease in outer islands project of \$305k, decrease in scholarship and support of \$284k and outer island contribution of \$167k. Despite the increase, budget underspent by \$80k.
Tuvalu Medical Treatment Scheme	1,926,981	1,431,250	2,132,755	(205,774)	-11%	495,731	The decrease in movements in the Tuvalu Medical Scheme expenses by \$208k is due to the decreasing amount of medical expenses incurred which includes patients and caretakers airfares, DSA's, accommodations and other medical costs compared to 2011. Despite the decrease, budgeted amount still overspent by \$496k.
Other Expenses	3,183,700	3,385,831	3,654,497	(470,797)	-15%	(202,131)	The decrease in other expenses by \$471k is due to the decrease in advertising and provisions by \$11k, supplies and equipment by \$356k, senior citizen scheme/pension by \$8k and land & property rent by \$13k. Budget underspent by \$202k.
Special Development Expenditures	97,782	193,644	681,280	(583,498)	-597%	(95,862)	The increase movement by \$2.5m is due to increase in market value of the Trust Fund balance from \$119k in 2011 to \$131k in 2012. GOT contribution decreased from 40% in 2011 to 39% in 2012.
TOTAL RECURRENT EXPENDITURE	29,164,603	29,450,611	29,889,946	(725,343)	-2%	-266,008	Over all expenditure remained consistent from year to year. Minor underspend from budget.
RECURRENT SURPLUS / (DEFICIT)	3,420,878	(5,308,459)	(3,854,253)	7,275,131	-189%	8,729,337	Increase due to revenue collection increases, including fishing licences \$2.7m, TV revenue \$1.8m, external grants \$2.6m partially offset by decreases in revenue from Tax \$712k and interest, dividends and rent \$216k, with limited movements in expenditure.
OTHER REVENUE AND EXPENDITURE							
Unrealised Gain (Loss) on Trust Fund Investment	3,461,000	n/a	912,549	2,548,451	74%	n/a	The increase movement by \$2.5m is due to increase in market value of the Trust Fund balance from \$119k in 2011 to \$131k in 2012. GOT contribution decreased from 40% in 2011
Unrealised Gain (Loss) on Investment in Corporations	(311,137)	n/a	(562,502)	251,365	-81%	n/a	The decrease movement by \$290k is due to decrease in DBI net assets by \$386k, VLH by \$29k, TTC by \$96k, PFL by \$95k partially offset by increase in NBT net assets of \$364k and TEC net assets of \$775k.
Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	133,123	n/a	47,236	85,887	65%	n/a	The increase movement by \$86k is due to strengthening of the AUD against currencies in 2012.
Gain (Loss) on Tuvalu Development Fund Operation	835,376	n/a	0	835,376	100%	n/a	The increase movement by \$893k is due to movements in amounts received from donors to payments made on the following projects; Tuvalu Photovoltaic Electricity Network integration by \$5k, Japan funded projects by \$87k, NZAID projects by \$176k, ROC funded projects by \$8k, UNDP projects by \$29k, UNICEF projects by \$109k and WHO funded projects by \$28k.
Doubtful Debts Expense	(172,445)	n/a	355	(172,803)	100%	n/a	The increase in doubtful debts is due to proper assessment of doubtful debts occurring in 2012.
TOTAL OTHER REVENUE AND EXPENDITURE	3,945,914	n/a	397,638	3,548,276	90%	n/a	Movement primarily due to increase in TTF investment value of \$2.5m, partially offset by a loss on the Tuvalu Development fund of \$835k.
TOTAL SURPLUS / (DEFICIT)	7,366,793	n/a	(3,186,616)	10,553,409	331%	n/a	Increase due to revenue collection increases, including fishing licences \$2.7m, TV revenue \$1.8m, external grants \$2.6m, gain on TTF investment \$2.5m and gain on TDF \$0.8m partially offset by decreases in revenue from Tax \$712k and interest, dividends and rent \$216k and loss on investment in corporations of \$311k.

Status of Prior Year Audit Issues which Remain Open as at 31 December 2012

Recommendation	Risk	Management response
<p>5.2011 Fraud</p> <p>A fraud policy should be created, dealing with the definition of fraud, what is and is not fraud, the process to follow when you suspect fraud, the process to follow investigating and prosecuting fraud and the training which is required surrounding fraud.</p> <p>We acknowledge that the Financial Instructions contain information on how to deal with fraud. However, a more user friendly, easier to understand policy with clear definitions and processes will benefit the TWOG.</p> <p>Both cases of fraud would have benefited from guidance surrounding investigation, reporting and recovery of monies. A more aggressive collection and faster investigation process should occur, with the police being involved.</p>	<p>The Auditor-General expects that every public entity should formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. There has been no progress in relation to the development of a fraud policy.</p> <p>Audit noted two instances of suspected fraud during 2010, 2011.</p> <p>There is limited communication, awareness and training being conducted on fraud. There is a need to communicate ethics and leadership code principles to the entire staff of the TWOG.</p>	<p>The Headquarters has not yet developed a Fraud Policy, or proceeded with investigation of the instances referred to by Audit, despite the provision of the supporting evidence from Treasury.</p> <p>Treasury has further raised Fraud amounts as Accounts Receivable against the parties suspected of the Fraud.</p> <p>The Ministry of Finance and Economic Development Headquarters experienced a shortage of administrative staff from December 2012 to July 2013, and there was no time to focus on developing the Fraud Policy because of limited staff, and the need to attend to other urgent priorities. The Ministry is contemplating to complete the Fraud Policy before the end of the year.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:

Year ended 31 December 2012

Recommendation	Risk	Management response
<p>6.2011 In Kind Asset Accounting Policy</p> <p>The TWOG should initially use the amounts reported in the budget as in kind to identify and report in kind assets. Additionally the TWOG should revise its accounting policy to include in kind assets. A threshold on value could initially be employed in order to distribute the work load.</p>	<p>It was noted in the Statement of Accounting Policies that Grants in Kind are not recognised within the accounts. When known the amounts are recorded in the budget. This accounting policy is not in accordance with generally accepted accounting principles. The <i>International Accounting Standard 20 Accounting for Government Grants and Disclosure of Government Assistance</i>, requires that non-monetary grants are usually accounted for at the fair value of the non-monetary asset.</p> <p>The full extent of assistance given to the TWOG is not disclosed. The full picture of the running of the TWOG will not be given to the financial statement users. The statement of Assets and Liabilities will be understated as well as the statement of Revenues and Expenditures.</p>	<p>While Treasury Agrees in principle, it is unlikely that this will be possible in the short to medium term.</p>
<p>8.2011 Tax Reconciliation Issues</p> <p>Monthly or more frequent reconciliation between ACCPAC and RMS is recommended. The audit team can provide an Excel template for the reconciliation. The purpose of the reconciliation is to identify mis-posting errors, payments received that are not in ACCPAC but recorded, arrears of tax which are recorded in RMS but not in ACCPAC, and payments received that appear in ACCPAC but are not recorded with IRD. Additionally we recommend the IRD document the reconciliation as audit evidence and to keep a record of variances.</p>	<p>For the past three years, the Inland Revenue Department (IRD) has not performed any reconciliation from their records of taxation revenue due and collected with ACCPAC which records the actual revenue and receivables. Reconciliation should be performed between the IRD's Revenue Management System (RMS) and the Treasury's ACCPAC for both revenues and taxation amounts receivable.</p> <p>We acknowledge that there has been improvement in the documentation of the IRD's taxes due, however, no reconciliation is being performed.</p> <p>The non-performance of the reconciliation poses a risk in that: the IRD are not able to tell who has paid their tax or not, there have been posting errors into ACCPAC, that payment of tax has been made but is not recorded, unpaid taxes are unable to be detected and other concealed fraudulent activities are occurring. Even though Tax and Customs have their own cashier, reconciliation with ACCPAC is essential.</p>	<p>With the Cashier in place at IRD and Customs office since 2011, IRD now has an up to date record of taxes paid or unpaid and by which taxpayers. Revenue collected by the cashier is paid thrice a week to Treasury who then posts the revenue totals to their relevant heads. Reconciliations between what has been posted to ACCPAC and IRD Cashier receipts are currently done on a quarterly basis.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>9.2011 Auditing of Business Taxation has not Been Performed for Past Two Years.</p> <p>The IRD performs, on a risk basis, audits of private businesses currently operating in Tuvalu. The purpose of the inspection is to prevent fraudulent reporting from occurring, make sure businesses are calculating their taxation correctly and to make sure businesses are up to date in settling their taxes. We recommend the IRD document each audit in case court proceedings are required to collect the outstanding amounts.</p>	<p>Net profit tax is one of the main sources of revenue for the IRD. Businesses do their own calculation of their net profit taxes. In 2012 there were audits performed on some of the Public Enterprises, however, no private businesses had been audited as yet.</p> <p>Businesses could be misstating figures in their tax returns in order to pay less tax and the IRD would not be aware of this.</p>	<p>Tax Audits were conducted for 3 Public Enterprises and the results showed that about \$650,000 is their total outstanding tax arrears. The IRD is currently at the final stages of its audit of the 4th PE with a view to also complete the 5th PE by end 2013.</p>
<p>10.2011 Penalties and Measures for Non-Compliance With Taxation Legislation Have not Been Enforced.</p> <ul style="list-style-type: none"> • These penalties and measures to be enforced and put into practice as soon as possible; • Create and run awareness workshops with the public encouraging them to pay taxes promptly, educating them about the process surrounding the payment of taxes and to inform them about the penalties for noncompliance; and • Grant an amnesty for a limited period where taxpayers are able to lodge overdue returns without penalty. 	<p>For each tax payer that fails to comply with payment of taxes, the TWOG should impose a penalty in accordance with the provisions of the Income Tax Act. The TWOG through the IRD is not enforcing these penalties.</p> <p>There is no incentive for taxpayers to submit their returns and make payments on time. This disadvantages the taxpayers who are in compliance. The rate of compliance when penalties and measures are enforced will be much higher.</p> <p>Without enforcing such penalties this will lead to a loss of TWOG revenue as tax payers have no incentive to lodge a tax return on time.</p>	<p>No penalties and recovery measures have been enforced by IRD as they have had to update their data postings into RMS as well as some data cleansing. The IRD expects to get this done before the end of 2013 so penalties can be enforced early 2014.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:

Year ended 31 December 2012

Recommendation	Risk	Management response
<p>11.2011 Ensure Reminder Letters Sent Have Been Received by Taxpayers.</p> <p>Registering and signing the despatching process is recommended. The reminder letters should all be registered at the time of despatch and for the taxpayer to sign on the register confirming that the letter has been received. In doing this, the IRD will know that the letters have been received. Alternatively the letter could be hand delivered to the person; with a record taken that the person has received the letter.</p>	<p>For overdue tax payments and clients in noncompliance, the IRD send out reminder letters. When the letters are despatched, the IRD register the date of despatch without ensuring the taxpayer receives the letters. In 2012, no reminder letters were sent.</p> <p>When penalties are charged on the taxpayer may argue that he/she has not received the reminder letter. Not having the record or the taxpayer receiving the letter may have a consequence on the legal proceedings taken to recover the amounts.</p>	<p>The Department since 2011 have a system whereby taxpayers on receiving letters from the IRD sign in the register as proof that they have received the letter. This is necessary for the Department in cases where taxpayers are penalised or taken to court.</p>
<p>12.2011 RMS System is Not Updated in a Timely Manner</p> <p>It is recommended that the Inland Revenue Department update RMS as soon as possible. It is recommended for the IRD perform vigorous checks and reviews when transferring data onto the RMS system to ensure data quality.</p>	<p>The Tuvalu Inland Revenue Department (IRD) has developed a system to calculate and record every transaction relating to Taxation revenue. This system is called the RMS (Revenue Management System). It is a user-friendly system with inbuilt formulas to calculate taxes levied to businesses and individuals.</p> <p>The IRD confirmed that the RMS has not been updated for taxation transactions, although in 2012 the 2011 transactions have been entered into the RMS.</p> <p>With RMS not being updated on a timely basis, it becomes increasing difficult for the IRD to assess the amounts overdue for each taxpayer. Additionally, the IRD will have to rely on manual methods which have an increased risk of error.</p>	<p>RMS is and has been operating well since October 2012 with the assistance of Data Torque and the ICT Department. The IRD is currently working on cleansing data on RMS in preparation for enforcement of penalties in 2014.</p>
<p>13.2011 Customs Revenue Management</p> <p>1. Physical counts are completed and a record is kept, when goods are cleared from private warehouses. Once all of the goods are cleared, perform reconciliation to the Bill of Entry to ensure that no goods have been taken from the warehouse without paying</p>	<p>We noted some issues with the process of clearing imported goods through Customs and the payment of Duties and Taxes:</p> <p>1. No evidence of physical counting of released goods from the private warehouse by Customs Staff. Any goods could be being taken out of the warehouse and sold, without the payment of Customs Duty. This could reduce revenue for the TWOG and increases</p>	<p>1. The officer in charge of the warehousing system physically counts and release the amount reflect in the ESAD and record is kept making sure the correct amount of revenue is collected.</p> <p>2. The system was not worked that way, it was a misunderstanding here. The reported stated that the payment was made 5 months later.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>duty.</p> <ol style="list-style-type: none"> 2. Continue to follow up overdue bill of entries on a regular basis. Maintain a record of this. 3. Improve record keeping surrounding voyage documents and ensure that all are on file 4. Issue receipts for the sale of all goods via auction 5. Perform a stocktake of all goods present in the Customs Warehouse and update for any movements in and out. Continue to update and perform regular stocktakes. 6. Have a senior member of staff sign off on the review of the auction sale listing and agree these to receipts and cash collected. 	<p>the risk of non-payment of Duty.</p> <ol style="list-style-type: none"> 2. Settling of a Bill of Entry selected for testing was performed five months later than date payment was required. The late settling of the bill of entry implies that the follow-up performed by Customs on overdue payments is inadequate. 3. 34 transactions of the 84 voyage documents selected for audit testing had missing supporting documentation which amounted to \$147k of Duty. With missing supporting documentation, we were unable to ascertain whether the correct amount of duty has been paid. 4. No sub-receipt was issued to customers purchasing goods during auction sale. Not issuing a receipt for the goods sold increases the risk of fraud and misappropriation of assets 5. No updated record of unclaimed goods stored at the Queens warehouse was kept. This is to determine goods that will be auctioned and the numbers of years the goods have been kept at the warehouse. No updated records of unclaimed goods increase the risk of fraud through theft. Customs are unable to tell if there are unclaimed goods which have gone missing. 6. No evidence of review of auction sale listing and collection prior pay in to Treasury department. Not reviewing the auction sale listing and reconciling the amount of revenue collected to the sale listing increases the risk of fraud via payment of a smaller amount than agreed upon at the auction. 	<p>The situation in this case, is that there was another ESAD was paid on the 30/7/10. This was the first due payment for one month defer payment. Therefore the last payment as stated in the report was 6/10/10 in which I believed this payment was made when the warehouse was due for warehousing meaning the owner should clear the stock in the bond warehouse.</p> <ol style="list-style-type: none"> 3. Supporting document had been provided and handed over to the department of Audit. 4. We had agreed to provide a receipt to customers purchasing goods during auction in future. 5. No update in our Queens warehouse register due to the fact that there was no budget allocation in our casual labour, so there was no transfer of goods to our Queen warehouse. It was also take into consideration to update this register in the future. 6. We will take into consideration this issue and allocate a senior officer to look into this matter.

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>15.2011 Tuvalu Fisheries Management System (TUFMAN) Data not Up-to-date</p> <ol style="list-style-type: none"> 1. The fisheries management system is updated with all financial data, including payments, and receivables. 2. Ensure that all license and access fees are entered into TUFMAN not on an excel spread sheet. 	<p>Every vessel that has been granted permission/license to fish within Tuvalu's EEZ must pay access fees and vessel day fees or licence fees. Tuvalu fisheries do not maintain adequate records of payment of these fees by vessels as they do not update their system of recording payments. Currently payments are entered into an excel spread sheet rather than into their fisheries management system (TUFMAN), which has capability to record payments.</p> <p>If record of payment is not updated in TUFMAN, fisheries are unable to tell which foreign fishing vessels have made payment of their licence fee. The completeness of revenues collected from these fees is also at risk. Errors can be made and not picked up when entering data into excel spread sheets as there are no data entry controls.</p>	<p>No comment received from Management.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>16.2011 No Reconciliation Between Fisheries and Treasury Records.</p> <p>The Audit recommends that the Fisheries department and Treasury department to perform a regular reconciliation of their fishing license revenue and fines to ensure that all amounts due are paid and that all payments are recorded in the Fisheries Management System (TUFMAN).</p>	<p>Fishing license Fees and Access Fees are collected by the TWOG. Payment confirmation is sent to the Treasury Department and sometimes copied to the Tuvalu Fisheries Department to update their records of payments received. No reconciliation of fishing licenses between Treasury records and the Fisheries Department records is performed. The Fisheries Department needs to know if payment has been made in order to determine if a vessel is fishing illegally in Tuvalu's Exclusive Economic Zone.</p> <p>Vessels that are found to be illegally fishing in Tuvalu's waters are normally fined in accordance with the laws of Tuvalu. The monitoring of the fines imposed and payment of the fines is not performed by the Fisheries Department. There is no follow up on fines payment, nor any method to record all fines which are due to be paid.</p> <p>As treasury records and fisheries records are not reconciled, it makes it difficult for the fisheries department to trace whether a particular fishing vessel has paid for their fees and fines and also for Treasury to ensure that all revenues of the TWOG are completely collected. This reconciliation would also assist in identifying payments which relate to multiple financial years.</p>	<p>The Office and Administration Team has been established in Treasury in 2013. Government Accounts Receivable is a component of this team's responsibility and this team will investigate opportunities for improved tracking and reconciliation.</p> <p>Treasury also notes that the position in the Fisheries Department to support this process is no longer filled.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:

Year ended 31 December 2012

Recommendation	Risk	Management response
<p>17.2011 Fisheries to Keep Minutes of Negotiation on File</p> <ul style="list-style-type: none"> • Official records and minutes of negotiating to approve fishing licenses discussed via email should be filed for transparency. • The secretary for the Access Agreement and Licensing committee should file official records of decisions made (including printing or saving emails), to ensure transparency and accountability of the Access Agreement and Licensing committee. 	<p>Fishing nations/companies interested in fishing in Tuvalu's waters will firstly negotiate with the Fisheries Department through the Permanent Secretary and Director for Fisheries. The negotiation is surrounding the terms and condition of the Access Agreements. We noted that the fisheries staff are using their personal email addresses for negotiation purposes and that there are no written minutes to confirm the negotiation outcomes.</p> <p>If negotiation records including emails and minutes are not kept properly the process becomes more vulnerable to fraudulent activities which can lead to decreased revenues from fishing or increased exploitation of Tuvalu's limited fisheries resource.</p>	<p>No comment received from management.</p>
<p>8.2009 Reconciliation Between Customs and ACCPAC</p> <p>Develop a reconciliation which is performed monthly, to ensure that all transactions in the Customs database are accounted for in ACCPAC.</p> <p>Initially the monthly movements could be reconciled in order to simplify the reconciliation process.</p>	<p>Currently there is no reconciliation process between the Customs revenue collection system and ACCPAC. The amount of revenue noted in the Customs database does not agree to the amount collected in ACCPAC.</p> <p>The implication is that payments recorded by ACCPAC may not agree to the Customs revenue collection database. This may cause either issues surrounding the release of goods without payment or the refusal to release goods, even though payment has been made.</p>	<p>The Office and Administration Team has been established in Treasury in 2013. Government Accounts Receivable is a component of this team's responsibility and this team will investigate opportunities for improved tracking and reconciliation.</p>
<p>9.2009 Improper use of Bank Entries</p> <p>Discontinue the practice of using bank entries to process payments. Raise the payments in the Accounts Receivable or Accounts Payable module and then clear them using the bank module.</p> <p>We reviewed the 2012 General Ledger and noted bank entries were made throughout the entire year. We acknowledge that they are practical for bank charges and interest, however, we noted substantial revenues being journalled with Bank Entries.</p>	<p>Currently the treasury uses bank entries to process receipts which have been made into the TWOG's bank account, but which have not been journalled into ACCPAC.</p> <p>This process does not use the Accounts receivable module which is useful for tracking donations/ payments per vendor/ person as well as tracking if full payment has been made or not.</p> <p>Bank entries should only be for transfers between bank accounts, interest earned and bank fees.</p>	<p>This finding should be closed.</p> <p>AR and AP modules are now being utilised for the vast majority of payments and receipts.</p> <p>The problem of incorrect coding of entries to allocation error or cash has also been ceased.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>1.2008 Guarantees and Commitments Issued by Government</p> <p>Perform due diligence to identify the risks, exposure, likelihood of recovery of outlay and alternative options prior to issuing any guarantee or other financial commitments to any local or overseas institutions.</p> <p>Involve the Attorney General's office to provide a legal opinion as to the correct level of approval authority required before the TWOG commits financial or other obligations both locally and overseas.</p> <p>Formally notify and provide supporting documentation to Treasury when such guarantees are issued after proper approval and due diligence so that the nature and extent of the TWOG's commitments can be correctly recorded and reported.</p>	<p>TWOG enters into contract/ commitment which is not able to be serviced or is onerous</p> <p>Cashflow forecasts are inaccurate as all contract payments are not known by Treasury</p> <p>Contract payments may not be in accordance with the Public Finance Act if the correct authority is not provided.</p> <p>Nature and extent of the TWOG's commitments are not recorded</p>	<p>There is a Government policy for Public Debt, but the assignment of responsibility for monitoring and implementing this policy has not been clearly identified. The Government identified this need to assign responsibility within the MFED in the Government's PFM roadmap and it is expected to be reviewed by the Ministry in the coming year.</p>
<p>5.2008 Debt Management Policy</p> <p>Develop and implement a debt management policy to assist in the timely recovery of debts owed to TWOG.</p> <p>Approve advances based only on full and complete budget details.</p> <p>Ensure appropriate documentation is available for all advances made against this account prior to processing payment.</p>	<p>That all debts which are owed to the TWOG are not collected.</p>	<p>There is a Government policy for Public Debt, but the assignment of responsibility for monitoring and implementing this policy has not been clearly identified. The Government identified this need to assign responsibility within the MFED in the Government's PFM roadmap and it is expected to be reviewed by the Ministry in the coming year.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:

Year ended 31 December 2012

Recommendation	Risk	Management response
<p>9.2008 Employee Entitlements Maintain a record of leave entitlement liabilities and provide this information at least quarterly to 'finance'.</p>	<p>Liabilities for leave and sick leave may accrue without finance being able to forecast resultant cash flows. Leave may be taken, however, not recorded in the system.</p>	<p>The Government of Tuvalu does not currently record a liability for staff entitlements as this information is not maintained by the Personnel Department. Treasury will liaise with Personnel to improve this practice in 2013 and 2014. Additionally the Payroll and Imprest Team is investigating the possible use of ACCPAC for Payroll.</p>
<p>1.2007 Property, Plant and Equipment That a fixed asset register be completed to record all fixed assets of the TWOG. A uniform capitalisation policy needs to be formulated to ensure that assets are initially recorded when purchased and to be able to monitor for existence periodically through stocktakes.</p>	<p>Statement of Assets and Liabilities of the TWOG is understated. Statement of Income and Expenditure is overstated if capital items are expensed.</p>	<p>Treasury has established a position of a Financial Accounts Clerk (Asset Register) in the Financial Reporting Team. Treasury has been waiting for approval from the Minister of Finance to proceed with recruitment since January 2013, and is unable to proceed at this stage. Treasury's intention is to incorporate PP&E in the Annual Financial Statements.</p>
<p>3.2007 Inventory Recognition That a full inventory stocktake be undertaken to determine the level of inventory held by all TWOG entities. It is recommended that: i) All departments with inventory perform a stocktake of the inventory at least once per year (preferably year-end) ii) A master inventory listing is created by the Asset Manager and updated yearly</p>	<p>Statement of Assets and Liabilities of the TWOG is understated. Statement of Income and Expenditure is overstated if inventory on hand is expensed.</p>	<p>Treasury has established a position of an Financial Accounts Clerk (Asset Register) in the Financial Reporting Team. Treasury has been awaiting approval to proceed with recruitment since January 2013, and is unable to proceed at this stage. Treasury's intention is to incorporate PP&E in the Annual Financial Statements.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:

Year ended 31 December 2012

Recommendation	Risk	Management response
<p>4.2007 Unauthorised Expenditure That all expenditure is processed only within the approved vote appropriation. Any irregular expenditure should be drawn to the immediate attention of the Auditor General.</p>	<p>Unauthorised expenditure is processed without appropriate authority i.e. through the initial budget process, virements or supplementary funding.</p>	<p>ACCPAC is now utilised to ensure spending is maintained in line with Budgeted and Warranted expenditure. Responsibility drafted into Treasury role descriptions. Monthly vote keeper reconciliations also assist this process.</p>
<p>8.2007 Capital Items Recorded in Recurrent Expenditure That a capital expenditure budget be prepared to separate capital items from normal operating expenses in the annual budget process.</p>	<p>The balance sheet if understated by the value of the fixed assets expensed. Correspondingly the surplus in financial performance is understated and the associated depreciation expense is not recognised over the remaining useful life of the asset.</p>	<p>Treasury has established a position of an Financial Accounts Clerk (Asset Register) in the Financial Reporting Team. Treasury has been awaiting approval to proceed with recruitment since January 2013, and is unable to proceed at this stage. Treasury's intention is to incorporate PP&E in the Annual Financial Statements.</p>
<p>13.2007 Unlawful Issue of Guarantees That TWOG officials ensure proper due diligence is conducted and approvals as required by legislation obtained before 'guarantees' and commitments involving TWOG funds and assets are given to third parties. One guarantee given on an overdraft facility with the National Bank of Tuvalu for \$600K for Air Fiji Limited might need to be paid by the TWOG of Tuvalu due to the financial difficulties faced by Air Fiji.</p>	<p>That TWOG management expose the TWOG to financial loss and legal action if critical analyses covering all aspects of the transaction including financial cost benefit and risk of loss, are not conducted before committing the TWOG. Providing guarantees without Parliamentary approval undermines Parliament's responsibility for public finances.</p>	<p>There is a Government policy for Public Debt, but the assignment of responsibility for monitoring and implementing this policy has not been clearly identified. The Government identified this need to assign responsibility within the MFED in the Government's PFM roadmap and it is expected to be reviewed by the Ministry in the coming year.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>18.2007 Government Policy Register Compile a TWOG policy register to log all TWOG policies to ensure easy access and consistent application for all TWOG employees.</p>	<p>TWOG officials apply TWOG policy inconsistently giving rise to inconsistent practices across ministries and functions.</p>	<p>MFED agrees with the finding, however responsibility for this activity has not yet been identified.</p>
<p>19.2007 Government Contracts Register All TWOG contracts are reviewed by the TWOG legal division and monitored through a centralised contracts register. Centralising and updating TWOG contracts will facilitate better decision making, better cash flow forecasting, better management and budgeting and increased transparency.</p>	<p>Budgets are based on estimates rather than source documents. TWOG is unaware at a global level what contracts they are counter-party to and the impact this has on TWOG cashflows. That the TWOG are not able to effectively manage contracts to its fullest extent.</p>	<p>MFED agrees with the finding, however responsibility for this activity has not yet been identified. It is anticipated that this register will be established in line with Procurement processes that will be introduced in 2014. The Ministry agrees for all government contracts to be reviewed by the government legal division and monitored through centralised contracts register</p>
<p>21.2007 Conflict of interest Conflict of interest situations are avoided to remove real and perceived conflicts of interest in TWOG operations. Consider the establishment of an Office of Ombudsman to preside over and action the Leadership Code. The leadership code is not about criminal proceedings but about breach of leadership principles.</p>	<p>TWOG are unaware of conflict of interest situations that will increase the risk of inappropriate spending of TWOG funds or loss of TWOG revenue.</p>	<p>The Ministry supports and encourages the establishment of the Office of the Ombudsman and to be fully operational before the end of the year 2013.</p>
<p>23.F.2007 Bank Reconciliations Stale cheques >6 months need to be reviewed, written back and then reissued. As at 31 December 2012 it was noted that there were 16 cheques which related to 2011 payments and 10 cheques related to payments before 30 June 2012.</p>	<p>That stale cheques, outstanding deposits and unrepresented cheques are not valid</p>	<p>This finding should be closed. Treasury has improved Bank reconciliation procedures. Only truly unrepresented cheques remain outstanding and there are no significantly aged cheques.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Recommendation	Risk	Management response
<p>23.I.2007 Bank Reconciliations Ensure that the Ministry of Finance are aware and record all other bank accounts that are being administered at individual ministry level for completeness.</p>	<p>That TWOG is not aware of all bank accounts in operation at ministry level.</p>	<p>Remains Outstanding. Treasury has made some progress in closing some departmental bank accounts however there remain some accounts not under the control of Treasury. This is an item that requires Ministries to come forward with bank accounts not held by Treasury.</p>

Audit Issues Closed during the 2012 Audit

1.2011 Tuvalu Development Fund
2.2011 Special Funds Balances
3.2011 Debt Repayment Accounting Treatment
4.2011 Cash Not Able to be Reconciled
7.2011 Cut Off Review of Revenue and Expenditure at Year End
14.2011 Usage of ACCPAC
18.2011 Signing of Access Agreements
2. 2009 Payments and Expenses Backdated to the Previous Year
7.2009 Top-Up Payments
2.2008 Journals Processing
3.2008 Minimising Errors in The Annual Accounts
7.2008 Payroll Fortnightly Pay Analysis
8.2008 Change in Payroll Bank Details
5.2007 Netting of Income And Expenditure
14.2007 Consolidation of Kaupule Operations
17.2007 TMTI Upgrade Project
23.G.2007 Bank Reconciliations
23.H.2007 Bank Reconciliations
25.2007 Cash on Hand for Outer Islands
27.2007 Mission Accounts
29.2007 Receivables
30.2007 Advance Accounts
31.2007 Special Imprest Accounts
32.2007 Special Imprest Accounts
34.2007 Accounts Payable
39.2007 Revenue - Monitoring and Reconciling Accounts
43.2007 Contracts Monitoring Database
45.2007 In-Kind Contributions (Merged With 6.2011)
47.2007 Vote Books
48.2007 Payroll
53.2007 Financial Information Security

Appendix 1: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2012



Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

Tuvalu Whole of Government Independent Audit Report for the year ended
31 December 2012

To: Honourable Members of the Tuvalu Parliament

We have audited the accompanying financial statements of the Tuvalu Whole of Government, which comprise the Statement of Income and Expenditure, the Statement of Assets and Liabilities as at 31 December 2012, Statement of Changes in Equity, Statement of Revenue and Expenditure and by Heads, Statement of Receipts and Payments by Heads, Comparative Statement of Actual and Estimated Recurrent Expenditure by 'Subhead' for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Financial Report and Finance Minister's Responsibility

The Minister of Finance is responsible for the preparation and true and fair presentation of the financial report in accordance with the Public Finance Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Basis for Disclaimer of Audit Opinion

The non-inclusion of fixed assets and inventory in the financial statements

The Tuvalu Whole of Government's accounting policy is to expense all fixed assets in the period in which they are acquired. This is contrary to Generally Accepted Accounting Practice which requires assets to be depreciated over their useful life. No asset register is maintained by the Tuvalu Whole of Government, nor is there any depreciation charged.

Assets in kind which have been received by the Tuvalu Whole of Government are not recognised in the financial statements. This is contrary to Generally Accepted Accounting Practice which requires assets in kind to be accounted for.

Inventories are not disclosed as assets in the financial statements. They are expensed when purchased, rather than recorded as assets until consumed. There is no record of inventory, nor is there any management surrounding inventory.

I have not been able to obtain sufficient appropriate audit evidence to support the Assets portion of the Statement of Assets and Liabilities, the non-inclusion of the Statement of Summaries of Unallocated Stores and Manufacturing Accounts and the non-inclusion of the Depreciation Expense part of the Statement of Income and Expenditure. This constitutes a limitation of scope of the audit which is significant.

Prior year comparatives

My audit report on the financial statements for the period ended 31 December 2011 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2011 comparatives presented in these financial statements.

I have not been able to obtain sufficient appropriate audit evidence to support the prior year comparatives. This constitutes a limitation of scope of the audit which is significant.

Non-consolidation of NAFICOT

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT). NAFICOT has not produced financial statements since 1999, however it has become financially active in the past years, including entering into multiple joint venture

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

agreements which are financially active. Without the consolidation of the NAFICOT financial statements which include the joint venture operations, the Tuvalu Whole of Government accounts are incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of NAFICOT and through it the Joint Ventures. This constitutes a limitation of scope which is significant.

Tuvalu Development Fund

The Tuvalu Development Fund receipts and payments by project for 2012 are disclosed in the financial statements. No opening cash balances of each project were provided and accordingly the closing balance (remaining funds) for each project was not disclosed. The Tuvalu Whole of Government was unable to provide the opening balance of each project.

The non-inclusion of opening and closing balances of the individual projects in the Tuvalu Development Fund constitutes a limitation of scope which is significant.

End of year transactions effecting expenses

A significant amount of expenses which were either incurred and paid, or paid during the 2012 period have been entered incorrectly into the 2011 financial year. Government officials expended \$358,385 of the 2011 budget during 2012. This issue was formally raised with the Secretary for Finance and the Minister for Finance, however, the Ministry did not agree to adjust the expenditure into the correct period. This is not in compliance with the Public Finance Act and Constitution of Tuvalu. This effects the expense transactions for 2012. The effect is an understatement of expenses of \$126,565.

The Recurrent Expenditure component of the Statement of Income and Expenditure, the Statement of Receipts and Payments by Heads, and the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head' are mis-stated due to this disagreement with management.

Audit Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of Matter

I draw attention to Note 19 to the financial statements which describe the unauthorised expenditures above the final budget amounts which have been made by the Tuvalu Whole of Government. My opinion is not qualified in respect of this matter.

Scope

I was engaged to audit the accompanying financial statements of the Tuvalu Whole of Government, which comprise the all statements required under section 31 of the Public Finance Act for the year ended 31 December 2012.

Auditor's Responsibility

I have conducted an independent audit in order to express an opinion on the financial report. I have audited the accounts of the Government of Tuvalu for the year ended 31 December

Report of the Auditor-General on the Tuvalu Whole of Government Accounts:
Year ended 31 December 2012

2012 in accordance with section 172 of the Constitution and section 32 of the Public Finance Act.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). This responsibility arises under the Audit Act. The ISSAI standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

My audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. I assessed the results of those procedures in forming my opinion. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, I considered internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

My audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I planned and performed the audit to obtain all information and explanations I considered necessary in order to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements.

I did not examine every transaction, nor do I guarantee complete accuracy of the financial statements. I evaluated the overall adequacy of the presentation of information in the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Audit Independence

The Tuvalu Audit Office complies with all applicable independence requirements of the Audit Act.

Sincerely,



Eli Lopati

Acting Auditor General for Tuvalu

Funafuti

30 September 2013

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TUVALU WHOLE OF GOVERNMENT



FINANCIAL STATEMENTS

for the Year Ended 31 December 2012

STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2012

We hereby declare that:

- We have been responsible for the preparation of these Financial Statements and the judgments made in them.
- We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In our opinion these Financial Statements fairly reflect the financial position and operations of the Government of Tuvalu for the Year Ended 31 December 2012

The Financial Statements were authorised for issue by the Acting Minister of Finance and Economic Development on 27 June 2013.

These Financial Statements have been adjusted in line with audit identified mispostings and reissued to the audit office on 24 September 2013.



Hon Maatia Toafa
Minister of Finance & Economic
Development



Mrs Sunema Maheu
Ag. Government Accountant
Tuvalu Treasury

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

	Notes	<u>2012</u> <u>Actual</u>	<u>2012</u> <u>Budget</u>	<u>2011</u> <u>Actual</u>
<u>RECURRENT INCOME</u>				
Taxation	9	5,732,050	6,257,480	6,444,401
Interest, Dividends and Rent	10	1,304,096	1,528,473	1,520,430
Fisheries Licenses		8,401,494	5,400,000	5,683,624
.TV		3,712,031	3,600,000	1,876,980
External Assistance and Grants	11	10,760,913	4,656,000	8,086,961
Other Income	12	2,674,898	2,680,199	2,693,297
TOTAL RECURRENT INCOME		32,585,481	24,122,152	26,305,692
<u>RECURRENT EXPENDITURE</u>				
Wages, Salaries, and Allowances		11,291,669	11,846,933	10,985,474
Contributions to Tuvalu National Provident Fund		984,579	1,031,404	955,988
Travel	13	1,690,827	1,062,832	1,379,164
Fuel, Electricity and Communications		1,934,031	1,950,774	2,240,792
Maintenance		1,309,154	1,311,196	1,372,896
Loan Repayments & Bank Fees		228,310	618,560	497,611
Grants and Subsidies (incl. Scholarships Support)	14	6,517,570	6,598,187	5,989,489
Tuvalu Medical Treatment Scheme		1,926,981	1,431,250	2,132,755
Other Expenses	15	3,183,700	3,385,831	3,654,497
Special Development Expenditures		97,782	193,644	681,280
TOTAL RECURRENT EXPENDITURE		29,164,603	29,430,611	29,889,946
RECURRENT SURPLUS / (DEFICIT)		3,420,878	(5,308,459)	(3,584,253)
<u>OTHER REVENUE AND EXPENDITURE</u>				
Unrealised Gain (Loss) on Trust Fund Investment	4	3,461,000		912,549
Unrealised Gain (Loss) on Investment in Corporations	5	(311,137)		(562,502)
Unrealised Gain (Loss) on Currency Mvmt (Offshore Loans)	7	133,123		47,236
Gain (Loss) on Tuvalu Development Fund Operation	16	835,376		0
Doubtful Debts Expense	6	(172,448)		355
TOTAL OTHER REVENUE AND EXPENDITURE		3,945,914		397,638
TOTAL SURPLUS / (DEFECIT)		7,366,793		(3,186,616)

Disclosure: 2011 comparative for Gain (Loss) on Tuvalu Development Fund Operation presented in statement of Changes in Equity

STATEMENT OF ASSETS AND LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(i)

For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

	Notes	2012	2011
<u>GOVERNMENT EQUITY</u>			
Surplus / (Deficit)		7,366,793	(3,186,616)
Retained Earnings		54,390,522	57,577,138
TOTAL GOVERNMENT EQUITY		61,757,315	54,390,522
REPRESENTED BY:			
<u>ASSETS</u>			
Current Assets			
Cash & Cash Equivalents	1	1,565,471	(489,263)
Special Funds	2	1,098,226	1,023,647
Cash Investments	3	4,504,381	3,198,993
Prepayments		0	170,978
Debtors	6	791,410	1,290,014
Total current assets		7,959,488	5,194,368
Non-Current Assets			
Tuvalu Trust Fund	3 & 4	50,408,827	46,947,827
Tuvalu Development Fund	3 & 16	2,384,159	1,544,362
Investments in Corporations	3 & 5	11,048,265	11,474,370
Total Non-Current Assets		63,841,251	59,966,559
TOTAL ASSETS		71,800,739	65,160,927
<u>LIABILITIES</u>			
Less Current Liabilities			
Accounts Payable		570,645	687,645
Accounts Payable - Tuvalu Provident Fund		301,018	329,740
Overseas Civil Servants Deductions to NBT		1,210	0
Clearing - Money Orders		740	0
Tuvalu Police Fund		2,058	1,196
Total current liabilities		875,671	1,018,581
Less Non-Current Liabilities			
Offshore Loans	7	6,614,396	7,119,554
Domestic Loans	7	2,553,357	2,632,269
Total non-current liabilities		9,167,753	9,751,823
TOTAL LIABILITIES		10,043,424	10,770,404
TOTAL NET ASSETS		61,757,315	54,390,522

STATEMENT OF CHANGES IN EQUITY**For the Year Ended 31/12/2012**

The accompanying notes form part of these financial statements.

	Notes	<u>2012</u>	<u>2011</u>
Retained Earnings as at 1 January		54,390,522	56,936,531
Movements reflected on Income Statement			
Net Surplus/(Deficit) for the period		3,420,878	(3,584,253)
Other Gain (Loss) for the period		3,945,914	397,638
Movements not reflected on Income Statement			
Reduction in Offshore Debt - Principal Repaid		0	287,350
Increase (Decrease) in Tuvalu Development Fund Holding		0	353,257
Accumulated Funds as at 31 December		<u><u>61,757,315</u></u>	<u><u>54,390,522</u></u>

STATEMENT OF REVENUE AND EXPENDITURE BY HEADS

For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head</u>	<u>Head of Expenditure / Government Function</u>	<u>2012 Actual</u>	<u>2012 Original Budget</u>	<u>Variance (Bud - Act)</u>
RECURRENT REVENUE				
A	Office of the Governer General	0	0	0
B	Office of the Prime Minister	223,624	264,850	41,226
C	Legal Services	101,775	82,500	(19,274)
D	Parliament	0	0	0
E	Office of the Auditor General	3,157	110,000	106,843
F	Finance and Economic Development	17,443,828	11,435,236	(6,008,592)
G	Public Utilities	88,463	160,500	72,037
H	Health	6,885	31,000	24,115
I	Natural Resources	8,743,935	6,236,850	(2,507,085)
J	Home Affairs	21,457	16,500	(4,957)
K	Police and Prison Services	104,599	38,800	(65,800)
L	Transport and Communications	5,396,658	5,591,043	194,385
M	Education, Youth and Sports	49,329	80,000	30,672
N	Judiciary	328,474	8,300	(320,174)
O	Foreign Affairs, Trade, Tourism, Environment & Labour	73,298	66,573	(6,725)
TOTAL RECURRENT REVENUE		32,585,481	24,122,152	(8,463,329)
RECURRENT EXPENDITURE				
A	Office of the Governer General	206,573	166,036	(40,537)
B	Office of the Prime Minister	2,140,661	2,186,703	46,043
C	Legal Services	212,028	242,731	30,703
D	Parliament	533,564	441,089	(92,475)
E	Office of the Auditor General	175,479	269,240	93,761
F	Finance and Economic Development	1,833,981	1,485,316	(348,665)
G	Public Utilities	2,315,652	2,312,212	(3,440)
H	Health	4,850,963	4,322,290	(528,673)
I	Natural Resources	1,805,634	1,982,173	176,538
J	Home Affairs	2,677,043	3,291,984	614,940
K	Police and Prison Services	1,024,738	1,030,345	5,608
L	Transport and Communications	3,746,343	3,901,361	155,018
M	Education, Youth and Sports	5,544,558	5,809,587	265,028
N	Judiciary	116,451	106,992	(9,459)
O	Foreign Affairs, Trade, Tourism, Environment & Labour	1,980,936	1,882,552	(98,383)
TOTAL RECURRENT EXPENDITURE		29,164,603	29,430,611	266,008
RECURRENT SURPLUS / (DEFICIT)		3,420,878	(5,308,459)	(8,729,337)
OTHER REVENUE AND EXPENDITURE				
	Unrealised Gain (Loss) on Trust Fund Investment	3,461,000		
	Unrealised Gain (Loss) on Investment in Corporations	(311,137)		
	Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	133,123		
	Gain (Loss) on Tuvalu Development Fund Operation	835,376		
	Doubtful Debts Expense	(172,448)		
TOTAL OTHER REVENUE AND EXPENDITURE		3,945,914		
TOTAL SURPLUS / (DEFECIT)		7,366,793		

STATEMENT OF RECEIPTS AND PAYMENTS BY HEADS
Prepared in accordance with Public Finance Act s31(1)(ii)
For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head</u>	<u>Head of Expenditure / Government Function</u>	<u>2012</u> <u>Expense &</u> <u>Revenue</u>	<u>2012</u> <u>Accrual</u> <u>Movement</u>	<u>2012</u> <u>Receipts &</u> <u>Payments</u>	<u>2012</u> <u>Final</u> <u>Budget</u> <u>Provision</u>	<u>Variance</u> <u>(Bud - Act)</u>
RECURRENT REVENUE						
A	Office of the Governer General	0	326	326	0	(326)
B	Office of the Prime Minister	223,624	16,715	240,339	264,850	24,511
C	Legal Services	101,775	(791)	100,983	82,500	(18,483)
D	Parliament	0	(7,995)	(7,995)	0	7,995
E	Office of the Auditor General	3,157	39,307	42,464	110,000	67,536
F	Finance and Economic Development	17,443,828	269,011	17,712,839	11,435,236	(6,277,603)
G	Public Utilities	88,463	112,897	201,360	160,500	(40,860)
H	Health	6,885	2,053	8,938	31,000	22,062
I	Natural Resources	8,743,935	(4,080)	8,739,855	6,236,850	(2,503,005)
J	Home Affairs	21,457	0	21,457	16,500	(4,957)
K	Police and Prison Services	104,599	67,192	171,791	38,800	(132,991)
L	Transport and Communications	5,396,658	320,645	5,717,303	5,591,043	(126,260)
M	Education, Youth and Sports	49,329	(1,091)	48,238	80,000	31,762
N	Judiciary	328,474	(499)	327,975	8,300	(319,675)
O	Foreign Affairs, Trade, Tourism, Env. & Labour	73,298	(12,759)	60,539	66,573	6,034
TOTAL RECEIPTS by heads		32,585,481	800,930	33,386,411	24,122,152	(8,463,329)
RECURRENT EXPENDITURE						
A	Office of the Governer General	206,573	3,598	210,171	166,036	(44,135)
B	Office of the Prime Minister	2,140,661	37,322	2,177,982	2,197,392	19,410
C	Legal Services	212,028	4,567	216,595	242,731	26,137
D	Parliament	533,564	9,674	543,238	495,218	(48,020)
E	Office of the Auditor General	175,479	7,203	182,682	269,241	86,558
F	Finance and Economic Development	1,833,981	(21,517)	1,812,464	1,540,915	(271,549)
G	Public Utilities	2,315,652	(172,958)	2,142,694	2,312,212	169,518
H	Health	4,850,963	(180,947)	4,670,016	4,587,350	(82,666)
I	Natural Resources	1,805,634	112,448	1,918,082	1,982,171	64,089
J	Home Affairs	2,677,043	684,232	3,361,275	3,293,983	(67,292)
K	Police and Prison Services	1,024,738	9,580	1,034,317	1,068,346	34,028
L	Transport and Communications	3,746,343	99,528	3,845,870	3,959,271	113,400
M	Education, Youth and Sports	5,544,558	180,630	5,725,188	5,991,275	266,087
N	Judiciary	116,451	2,425	118,877	106,992	(11,884)
O	Foreign Affairs, Trade, Tourism, Env. & Labour	1,980,936	(8,327)	1,972,609	1,966,997	(5,612)
TOTAL PAYMENTS by heads		29,164,603	767,458	29,932,060	30,180,129	266,008
TOTAL CASH MOVEMENT				3,454,351		
CASH MOVEMENT RECONCILED TO:						
	Note			Movement	31/12/2012	31/12/2011
Movement in Balance of Deposit Accounts	1			2,054,735	1,565,471	(489,263)
Movement in Special Fund Balances	2			74,579	1,098,226	1,023,647
Movement in Cash Investments	3			1,305,389	4,504,381	3,198,993
Interest on Tuvalu Development Fund IBD	3			4,421	179,506	175,085
CASH ACCOUNT MOVEMENT				3,439,123		
UNRECONCILED MOVEMENT				15,227		

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT REVENUE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iii)

For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Revenue / Government Function</u>	<u>2012 Actual</u>	<u>2012 Budget</u>	<u>Variance (Bud - Act)</u>
RECURRENT REVENUE			
Office of the Prime Minister			
B01 Corporate Services - Office of the Prime Minister	1,685	800	(884)
B04 Personnel and Training	124,901	127,000	2,099
B08 Tuvalu Media Department	23,033	69,050	46,017
B11 Immigration	74,006	68,000	(6,006)
Legal Services			
C01 Office of the Attorney General	101,775	77,500	(24,274)
C02 People's Lawyer	0	5,000	5,000
Office of the Auditor General			
E01 Office of the Auditor General	3,157	110,000	106,843
Finance and Economic Development			
F01 Corporate Services - Finance	11,717,537	5,210,156	(6,507,381)
F02 Planning and Budget	0	800	800
F03 Central Statistics Division	40	100	60
F04 Customs	2,387,107	2,428,500	41,393
F05 Postal	12,826	16,800	3,974
F06 Treasury	76,577	0	(76,577)
F07 Inland Revenue	3,244,826	3,767,480	522,654
F09 Industries	4,914	11,400	6,486
Public Utilities			
G01 Corporate Services - Public Utilities	19,467	0	(19,467)
G02 Energy	6,380	13,000	6,620
G03 Public Works Department	62,616	147,500	84,884
Health			
H03 Curative	5,044	26,000	20,956
H04 Preventative Primary and Preventative Health Services	1,841	5,000	3,159
Natural Resources			
I02 Agriculture	9,360	10,900	1,540
I03 Fisheries	8,716,736	6,168,000	(2,548,736)
I04 Lands and Surveys	17,840	57,950	40,110
Home Affairs			
J01 Corporate Services - Home Affairs	18,864	16,500	(2,364)
J06 Immigration	2,593	0	(2,593)
Police and Prison Services			
K01 Police and Prison Services	104,599	38,800	(65,800)
Transport and Communications			
L01 Corporate Services - Communications and Transport	3,712,031	3,600,000	(112,031)
L02 Marine	1,368,450	1,719,000	350,550
L03 Aviation	316,135	267,043	(49,092)
L04 Information, Communication and Technology	(114)	5,000	5,114
L07 Meteorological Office	156	0	(156)
Education, Youth and Sports			
M04 EFA Secondary School	47,226	80,000	32,775
M05 Library	1,328	0	(1,328)
M06 Sports	775	0	(775)
Judiciary			
N01 Judiciary	328,474	8,300	(320,174)
Foreign Affairs, Trade, Tourism, Environment & Labour			
O01 MFAETLT Headquarter	70	0	(70)
O02 Labour	54,156	53,000	(1,156)
O03 Suva Mission	18,357	13,473	(4,883)
O04 Permanent Mission of Tuvalu to the UN	0	100	100
O08 Trade Office	590	0	(590)
O10 Labour	125	0	(125)
TOTAL RECURRENT REVENUE	32,585,481	24,122,152	(8,463,329)

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT EXPENDITURE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iv)

For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Expenditure / Government Function</u>	<u>2012 Actual</u>	<u>2012 Original Budget</u>	<u>Variance (Bud - Act)</u>
RECURRENT EXPENDITURE			
Office of the Governor General			
A01 Office of the Governor General	206,573	166,036	(40,537)
Office of the Prime Minister			
B01 Corporate Services - Office of the Prime Minister	776,783	795,521	18,738
B04 Personnel and Training	893,068	923,674	30,605
B08 Tuvalu Media Department	358,478	344,890	(13,589)
B10 Department of Women	57,131	59,946	2,815
B11 Immigration	55,200	62,673	7,474
Legal Services			
C01 Office of the Attorney General	154,948	184,143	29,195
C02 People's Lawyer	57,080	58,588	1,508
Parliament			
D01 Office of the Parliament	533,564	441,089	(92,475)
Office of the Auditor General			
E01 Office of the Auditor General	175,479	269,240	93,761
Finance and Economic Development			
F01 Corporate Services - Finance	569,135	262,149	(306,986)
F02 Planning and Budget	189,662	182,544	(7,118)
F03 Central Statistics Division	230,359	226,547	(3,812)
F04 Customs	158,152	166,402	8,250
F05 Postal	77,628	91,390	13,763
F06 Treasury	468,938	362,866	(106,073)
F07 Inland Revenue	72,788	92,025	19,236
F09 Industries	67,318	101,393	34,075
Public Utilities			
G01 Corporate Services - Public Utilities	1,237,045	1,208,955	(28,090)
G02 Energy	55,714	82,097	26,383
G03 Public Works Department	1,022,893	1,021,160	(1,733)
Health			
H01 Corporate Service - Health	2,247,271	1,677,835	(569,437)
H02 Health Administration	351,477	369,344	17,867
H03 Curative	1,763,463	1,680,227	(83,236)
H04 Preventative Primary and Preventative Health Services	488,752	594,884	106,132
Natural Resources			
I01 MNRE Headquarters	79,717	108,061	28,344
I02 Agriculture	308,828	343,428	34,600
I03 Fisheries	525,173	627,429	102,256
I04 Lands and Surveys	891,916	903,255	11,339
Home Affairs			
J01 Corporate Services - Home Affairs	215,350	474,320	258,970
J02 Department of Rural Development	2,082,864	2,260,620	177,756
J03 Community Affairs	241,819	265,018	23,198
J04 Women Development	1,250	0	(1,250)
J05 Culture	21,012	19,534	(1,477)
J06 Immigration	(903)	0	903
J08 Solid Waste Agency of Tuvalu (SWAT)	115,652	272,492	156,840

Continued on next page

Continued from previous page

Head of Expenditure / Government Function

		<u>2012</u> <u>Actual</u>	<u>2012</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>between</u> <u>Actual and</u> <u>Budget</u>
Police and Prison Services				
K01	Police and Prison Services	1,024,738	1,030,345	5,608
Transport and Communications				
L01	Corporate Services - Communications and Transport	149,566	267,517	117,950
L02	Marine	3,070,609	2,991,091	(79,518)
L03	Aviation	160,184	178,648	18,464
L04	Information, Communication and Technology	209,257	259,243	49,986
L07	Meteorological Office	156,726	204,862	48,135
Education, Youth and Sports				
M01	Corporate Services - Educations, Youth and Sports	640,576	778,801	138,226
M02	Education Department	258,384	279,200	20,816
M03	Primary Education	1,438,116	1,364,361	(73,755)
M04	EFA Secondary School	1,435,866	1,748,577	312,711
M05	Library	81,975	77,584	(4,391)
M06	Sports	12,205	13,143	937
M07	Pre-service Scholarships	1,559,599	1,413,242	(146,357)
M08	Youth	7,191	19,763	12,572
M09	Early Childhood Care and Education	110,647	114,916	4,270
Judiciary				
N01	Judiciary	116,451	106,992	(9,459)
Foreign Affairs, Trade, Tourism, Environment & Labour				
O01	MFAETLT Headquarter	361,384	195,879	(165,505)
O02	Labour	272,931	245,778	(27,153)
O03	Suva Mission	360,046	300,400	(59,646)
O04	Permanent Mission of Tuvalu to the UN	423,398	386,908	(36,490)
O05	Brussels Mission	290,573	354,093	63,520
O06	Environment	64,716	107,233	42,517
O07	Tuvalu Consulate in Auckland	144,493	140,382	(4,111)
O08	Trade Office	24,455	28,903	4,448
O09	Tourism	38,911	42,698	3,787
O10	Labour	29	80,278	80,249
TOTAL RECURRENT EXPENDITURE		<u>29,164,603</u>	<u>29,430,611</u>	<u>266,008</u>

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

1 REPORTING ENTITY

1.0 GOVERNMENT OF TUVALU

The Financial Statements of the Government of Tuvalu represent the financial activities undertaken by Government Departments including entities which operate on the outer islands and in Foreign diplomatic posts.

Tuvalu Public Enterprises, including the Tuvalu Electricity Corporation, Vaiaku Lagi Hotel, National Bank of Tuvalu, Development Bank of Tuvalu, National Fisheries Corporation of Tuvalu (NAFICOT), Tuvalu Philatelic Bureau, Tuvalu Maritime Training Institute (TMTI) and Tuvalu Telecommunications Corporation are not consolidated into the Government of Tuvalu Accounts. The Government's investment in these enterprises is included on the Statement of Assets and Liabilities.

The joint ventures in commercial fishing operations entered into by NAFICOT on behalf of the Government of Tuvalu are not included in these accounts.

1.1 TUVALU TRUST FUND

In 1987 under the Tuvalu Trust Fund (Finance and Information) Act, the Government of Tuvalu established the Tuvalu Trust Fund (TTF) to contribute to the long term financial stability and viability of Tuvalu by enabling it to meet financial commitments from the proceeds of investments. The Trustees represent the Governments of Tuvalu, New Zealand and Australia, which are the main contributors to the Trust Fund.

Despite being the sole beneficiary of the TTF, the Government of Tuvalu does not control the TTF. The complete Financial Statements of the TTF are not consolidated in these Financial Statements of Government. The market value of the Government of Tuvalu's contribution to the TTF is included in these Financial Statements on the Statement of Assets and Liabilities, and the remaining balance of the TTF is contained in the notes to these Financial Statements as a contingent asset.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

2 BASIS OF PREPARATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

The Financial Statements are presented in Australian dollars, and all monetary values are rounded to whole dollars, unless mentioned otherwise.

2.1 STATEMENT OF COMPLIANCE

These Financial Statements are prepared pursuant to the Public Finance Act and are consistent with prior financial years. The Statements are in accordance with generally accepted accounting practice in Tuvalu (Tuvalu GAAP) as determined by the Government of Tuvalu. Where necessary Tuvalu GAAP looks to the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) to guide general accounting policy.

2.2 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Both the functional and presentation currencies of the Government of Tuvalu are the Australian dollar. Transactions in foreign currencies are initially recorded in the Australian dollar at the exchange rates provided by the National Bank of Tuvalu on the dates of the transactions. At balance date, monetary assets and liabilities held in Foreign Currency are translated at the exchange rates ruling at the balance date. Resulting exchange differences are recognised in the Income Statement.

2.3 BUDGET AMOUNTS

The Financial Statements show as comparatives the amounts appropriated by the original annual Appropriation Act. The Statement of unauthorized expenditure shows comparatives against the Final Appropriation amount which include supplementaries that relates to the current financial year. Appropriations are on a cash basis.

2.4 CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies are applied retrospectively, and comparatives are restated. The effect of these changes, if any, is disclosed in item 4.1, below.

There were no material changes in accounting policies requiring restatement of prior year balances identified in the preparation of these accounts.

New accounting policies may be adopted for types of transactions that have become material to the Financial Statements for the first time. These are not considered changes in accounting policies. Likewise, some accounting policies may be reworded to better reflect the treatment of transactions; such rewording is also not considered a change in accounting policies.

2.5 MATERIAL PRIOR YEAR ERRORS

If errors are detected that have a material impact on prior years, then these are applied retrospectively, and comparatives are restated.

There were no material prior year errors identified in the preparation of these accounts.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

3 ACCOUNTING POLICIES

3.0 BASIS OF PREPERATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

3.1 REVENUE

Revenue is recognized when earned or becomes receivable. Revenue is measured at the fair value of consideration received or receivable.

Accrued Revenue

Accrued revenue is recorded for items where revenue is earned or becomes receivable prior to the creation of an invoice.

Tuvalu Trust Fund (TTF) Disbursement Revenue

Disbursement revenue from the TTF is recognized at the time of receipt into the Government's Consolidated Investment Fund account. Transfers from the Consolidated Investment Fund Account to the Government General Account are recorded as a transfer of funds and are not treated as Government Revenue.

Taxation Revenue

Taxation Revenue is recognized at the earlier of receipt, invoice or filing of return, and includes: Income Tax – a tax on salaries and wages of workers in the economy as outlined in the Income Tax Act.

Company Tax – Taxes on the profits of large businesses. (Note: Small companies are subject to Presumptive Tax classified under “Other Taxes”).

Tuvalu Consumption Tax – A tax on goods and services set at a rate of 4% of the value of the good or service.

Import Duties – Taxes, normally at percentage of the cost of the imported good based on cost plus insurance plus freight, placed on imports to Tuvalu and levied at the port of entry.

Excise Duties – Special taxes on imported goods that the Government may wish to discourage consumption of such as alcohol, and cigarettes.

Other Taxes - Include Hotel Room Tax, Departure Tax, Presumptive Tax.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

Interest, Dividends, and Rent

Revenue related to interest on Government accounts, dividends received from profits of companies in which the Government holds a share, and rental revenue from Government houses and buildings is recorded in the period it relates to.

The Dividend received from the Tuvalu Tuna Company (Joint Venture) is recorded in the period in which the dividend is received as it is unclear of the actual period to which the dividend relates.

Fishing Licenses

Revenue related to the granting of Fishing Licenses to foreign fishing vessels fishing in Tuvalu's Exclusive Economic Zone is recorded in the period it relates to.

.TV Revenue

Revenue related to the license agreement with VeriSign for the marketing of Tuvalu's top level internet domain ".TV" is recorded in the period it relates to.

Other Income

Other revenue related to vessel registrations, operation of maritime services (Nivaga II & Manu Folau), stevedoring and wharfage, and other operational activities is recorded in the period it relates to.

3.2 AID ACCOUNTING

External Assistance and Grants

Direct budget support grant funding from donors is recognised at the time of receipt. Aid funding received from donor agencies for projects in the Tuvalu Development Fund is recognised as revenue within the Tuvalu Development Fund account, distinctly separate to the Government Consolidated Fund at time of receipt.

The total receipts and total payments of individual TDF projects are presented in note: 16 of the Financial Statements.

Grants in Kind

Tuvalu often receives grants in kind. These are often in the form of technical assistance, office equipment, investments in major infrastructure projects and property plant and equipment which are beyond the financial resources of the Government of Tuvalu.

These grants in kind are not recognised within these accounts, however where value is known, these amounts are recorded in the Government of Tuvalu's annual Budget documentation as external budgetary assistance.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

3.3 EXPENDITURE

Expenditure is recognised when incurred. This is generally upon receipt of goods or receipt of invoice.

Wages and Salaries

Wage and salary expenses are recognised in the period incurred.

Contributions to Tuvalu National Provident Fund

Contributions to the Tuvalu National Provident fund are recognised for the period to which they apply.

Loan repayments, bank and interest fees

Loan Interest repayments are recognised as expenditure in the period they relate to.

Grants and Subsidies

Grant Expenses in relation to grants provided to Tuvaluans and Non-Government Organizations (NGOs) are recognized at the point that Funds are paid to the grant recipient.

The Grants provided by Government include:

General Grants and Subsidies - provided to non-Government entities to assist them in providing goods or services, to civil servants for private housing rent subsidies, and to local councils and government.

Overseas Contributions – Payments to international organizations of which the Government is a member of (e.g. United Nations, University of the South Pacific (USP), Forum Secretariat).

Scholarships and support - Expenditure incurred supporting the Government's scholarship program.

Outer Island Projects grants - Special development spending on projects for the outer islands.

Japan Fuel Grant Counterpart Fund - Payments made to the Japan Fuel Grant Counterpart Fund as a contribution to recognise Japan's assistance for fuel purchasing.

Tuvalu Medical Treatment Scheme

Expenditure incurred in the operation of the Government's overseas medical referral scheme recognised in the period incurred.

Other Expenditure

Other expenditure related to advertising, purchasing of provisions, purchasing supplies, minor equipment, social welfare payments such as the Senior Citizen Scheme, payments for land rent to traditional landowners for Government leased land, and rent of properties by the Government is recorded in the period which it relates to.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

Special Development Expenditure (Capital Expenditure)

Special Development Expenditure records a range of normally non-recurrent expenditures that include Government contributions to donor-funded projects, equipment purchases, small projects, and arrears payments.

The current policy is to expense all infrastructure assets and property, plant and equipment in the period they are acquired. These capital expenditures are classified as Special Development Expenditures (SDE) in the annual budget documentation.

3.4 ASSETS

The Government of Tuvalu currently records only Financial Assets in these accounts. Special Development Expenditure for Property Plant and Equipment purchases, and major infrastructure investment are not reflected on the Balance Sheet, and depreciation of these assets is not reflected on the Statement of Income and Expenditure.

All assets purchases are fully expensed at time of purchase.

Current Assets

An asset is deemed to be current if it is liquid or expected to be made liquid within 12 months.

Cash & Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Debtors

Debtors are measured at their expected realisable value, which is generally the original amount less a provision for amounts uncollected after 365 days. Bad debts are written off when approved by Parliament.

Non-Current Assets

Non-Current Assets are presented at their fair value.

The Tuvalu Development Fund is recognised as a Non-Current Asset, reflecting the Government's agreement with donor partners to utilise development funds in line with approved donor agreements.

Other Investments

Other Investments include investments in subsidiaries, other associated parties and investments in shares in non controlled entities.

Investments are measured at the lower of cost and impaired value.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2012

3.5 LIABILITIES

Creditors

Creditors are recognised on receipt of an approved invoice.

Accrued Expenditure

Accrued expenditure is recorded for items where expenditure is incurred prior to the receipt of an approved invoice.

Employee Entitlements

The Government does not recognise employee entitlement liabilities such as annual leave in these accounts.

Public Debt

All Public Debt is presented at the statement balance for each loan amount and is converted to Australian dollars using the exchange rate of the Reserve Bank of Australia as at 31st December for loans held in foreign currency.

For the purpose of reporting in these statements, public debt is not differentiated between current and non current portion.

4.0 SUBSEQUENT EVENTS

No events have occurred since balance date which would materially affect the Government of Tuvalu's Financial Statements for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2012

	Page Number	
NOTE 1	Statement of Balances on Deposit Accounts	19
NOTE 2	Statement of Special Fund Balances	20
NOTE 3	Statement of Investments	21
NOTE 4	Statement of Contingent Assets - Tuvalu Trust Fund	22
NOTE 5	Government Investment in Corporations	23
NOTE 6	Debtors	24
NOTE 6(a)	Statement of balances on advances account from the Consolidated Fund	24
NOTE 6(b)	Statement of Arrears of revenue by sub-heads	25
NOTE 7	Statement of Public Debt	26
NOTE 8	Statement of Contingent Liabilities	27
NOTE 9	Taxation	28
NOTE 10	Interest, Dividends and Rent	28
NOTE 11	External Assistance and Grants	28
NOTE 12	Other Income	28
NOTE 13	Travel	29
NOTE 14	Grants and Subsidies (incl. Scholarship Support)	29
NOTE 15	Other Expenditure	29
NOTE 16	Statement of the balance on the Development Fund Accounts by annual & aggregate receipts & payments	30
NOTE 17	Requirements of the Public Finance Act without balances	34
NOTE 18	Events & Decisions with Significant Accounting Impacts	34
NOTE 19	Statement of Unauthorised Expenditure	35

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

STATEMENT OF BALANCES ON DEPOSIT ACCOUNTS

Prepared in accordance with Public Finance Act s31(1)(ix)

For the Year Ended 31/12/2012

	<u>Financial Year Ending</u>	
	<u>31/12/2012</u>	<u>31/12/2011</u>
Consolidated Fund Accounts		
General Current Account	225,983	(2,087,017)
Government Call Account - 01-420002-02	60,611	59,408
Miscellaneous Passbook a/c - 01-420002-34	1,588	1,542
Intellectual Property Account - 170955-30	181,346	114,190
IBD - Housing Repurchasing - 01-420002-46	249,877	243,713
IBD - Business/Passport Investment Scheme - 01-420002-31	188,145	90,472
IBD - Tuvalu Parliament Building - 01-420002-42	75,889	74,016
IBD - Investment in Education Office - 01-420061-44	147,063	143,441
<i>Total Consolidated Fund Cash account balances</i>	<u>1,130,502</u>	<u>(1,360,235)</u>
Foreign Mission Accounts		
Cash on Hand - UN Mission	104,542	98,893
Cash on Hand - Brussel Mission	57,519	104,720
Cash in transit - Brussel Mission	0	6,595
Cash on hand - Suva Embassy	57,771	54,491
Cash in transit - Suva Embassy	30,420	384,023
Cash on Hand - New Zealand Consulate Office	64,911	72,883
Cash in transit - New Zealand Consulate Office	0	23,039
<i>Total Foreign Mission Cash account balances</i>	<u>315,163</u>	<u>744,644</u>
Outer Island General Accounts		
Cash on Hand Nanumaga	29	1,133
Cash on Hand Nanumea	17,038	10,509
Cash on Hand Niutao	6,602	12,010
Cash on Hand Nui	18,782	6,696
Cash on Hand Nukufetau	63,711	65,697
Cash on Hand Nukulaelae	255	7,709
Cash on Hand Vaitupu	13,390	22,574
<i>Total Outer Island Cash account balances</i>	<u>119,806</u>	<u>126,327</u>
Total Cash Balances as at 31/12/2012	<u>1,565,471</u>	<u>(489,263)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2

STATEMENT OF SPECIAL FUND BALANCES

Prepared in accordance with Public Finance Act s31(1)(v)
For the Year Ended 31/12/2012

	Financial Year Ending	
	<u>31/12/2012</u>	<u>31/12/2011</u>
Special Funds		
IBD - Coinage Security - 01-420002-07		
<i>[Refer to s5(1) - Currency Act]</i>		
Opening Balance	39,709	178,162
Proceeds of sales of coins & royalties	49,707	178,547
Transfer - Government General Account		(317,000)
Closing Balance	<u>89,416</u>	<u>39,709</u>
IBD - Rehabilitation - 01-420002-45		
<i>[Refer to Order 2 of the Community Rehabilitation Fund (Special Fund) Order]</i>		
Opening Balance	17,160	16,737
Interest Earnings	434	423
Closing Balance	<u>17,594</u>	<u>17,160</u>
IBD - Insurance Fund - 01-420002-48		
<i>[Refer to s20(3)(c) of Public Finance Act]</i>		
Opening Balance	385,901	376,403
Interest Earnings	9,745	9,499
Closing Balance	<u>395,646</u>	<u>385,901</u>
IBD - NBT Insurance - 01-680824-40		
<i>[Refer to s4 - NBT (Insurance Fund) Act]</i>		
Opening Balance	580,877	566,550
Interest Earnings	14,693	14,327
Closing Balance	<u>595,570</u>	<u>580,877</u>
Total Special Funds balance as at 31/12/2012	<u><u>1,098,226</u></u>	<u><u>1,023,647</u></u>

Disclosure: In 2011 the following accounts were incorrectly presented as Special Funds despite not having enabling legislation. This has been corrected in this statement:

- IBD - Funds for Tuvalu Development - 01-751389-40
- IBD - Housing Repurchasing - 01-420002-46
- IBD - Business/Passport Investment Scheme - 01-420002-31
- IBD - Tuvalu Parliament Building - 01-420002-42
- IBD - Investment in Education Office - 01-420061-44

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3

STATEMENT OF INVESTMENTS

Prepared in accordance with Public Finance Act s31(1)(xi)

For the Year Ended 31/12/2012

	Notes	Financial Year Ending	
		31/12/2012	31/12/2011
Cash Investments			
Consolidated Investment Fund		4,459,230	3,154,955
Government Air Pacific Bank Guarantee - 01-420002-40		45,152	44,038
Total Cash Investments as at 31/12/2012		4,504,381	3,198,993
Non-Current Investments			
Tuvalu Trust Fund - GOT Contribution	4	50,408,827	46,947,827
Capital in Corporations (total)	5	11,048,265	11,474,370
Sub total		61,457,092	58,422,197
Tuvalu Development Fund	16	2,204,653	1,369,277
IBD - Tuvalu Development Fund - 01-751389-40	16	179,506	175,085
Sub total Tuvalu Development Fund		2,384,159	1,544,362
Total Non-current Investments as at 31/12/2012		63,841,251	59,966,559
Total Investments of Government as at 31/12/2012		68,345,632	63,165,551

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4

STATEMENT OF CONTINGENT ASSETS

Prepared in accordance with Public Finance Act s31(1)(x)

For the Year Ended 31/12/2012

TUVALU TRUST FUND (TTF)

Given the nature of the TTF and the fact that Tuvalu is the sole beneficiary of the TTF, it is anticipated that in the event of any 'wind up' of the TTF, the market value of all TTF balances would be available to the Government of Tuvalu.

The market value of Government of Tuvalu contribution balance of the TTF is disclosed on the Statement of Assets and Liabilities.

The market value of contribution balances from other parties to the TTF are classified as a contingent asset of the Government. There is no existing 'wind up' provision within the TTF legislation.

Tuvalu Trust Fund Balance

\$'000	Market Value (MV) (TTF) as at 31 December	Total TTF Contribution Balance	GOT Contribution Balance	GOT % of Contributions	Disclosed as GOT Asset (% cont. x MV)	GOT Contingent Asset
2008 Closing Balance	\$ 95,026	\$ 71,996	\$ 31,885	44%	\$ 42,084	\$ 52,942
2009 Closing Balance	\$ 97,561	\$ 73,279	\$ 31,885	44%	\$ 42,450	\$ 55,111
2010 Closing Balance	\$ 110,610	\$ 76,611	\$ 31,885	42%	\$ 46,035	\$ 64,575
2011 Closing Balance	\$ 118,692	\$ 80,611	\$ 31,885	40%	\$ 46,948	\$ 71,744
2012 Closing Balance	\$ 130,605	\$ 82,611	\$ 31,885	39%	\$ 50,409	\$ 80,196

Tuvalu Trust Fund Contribution Balances

\$'000	2008	2009	2010	2011	2012
GOT	31,885	31,885	31,885	31,885	31,885
UK	8,450	8,450	8,450	8,450	8,450
Australia	18,319	19,570	22,901	26,901	28,901
NZ	12,579	12,579	12,579	12,579	12,579
Japan	695	695	695	695	695
South Korea	69	101	101	101	101
Total Contributions	71,996	73,279	76,611	80,611	82,611

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5

GOVERNMENT INVESTMENT IN CORPORATIONS For the Year Ended 31/12/2012

Tuvalu Public Enterprises are not consolidated into the Government of Tuvalu Accounts. The net asset positions of Public Enterprises listed below are included on the Statement of Assets and Liabilities as an Investment in Corporations, in addition to Government investments in non-Government corporations.

	2010		2011		2012	
	<u>Net Assets of corporation</u>	<u>GOI share of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOI share of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOI share of Net Assets</u>
Tuvalu Maritime Training Institute ³	1,561,649	1,561,649	1,561,649	1,561,649	565,639	565,639
National Fisheries Corporation of Tuvalu ^{4&5}	0	0	0	0	0	0
Development Bank of Tuvalu ³	2,489,000	2,489,000	2,410,843	2,410,843	2,024,750	2,024,750
Vaiaku Lagi Hotel ³	90,311	90,311	29,283	29,283	-101,229	0
National Bank of Tuvalu ³	7,791,618	7,791,618	7,377,037	7,377,037	7,702,843	7,702,843
Philatelic Bureau ³	-188,000	0	-157,170	0	-201,240	0
Tuvalu Electricity Corporation ^{3&6}	-1,037,761	0	-937,572	0	755,032	755,032
Tuvalu Telecommunications Corporation ³	-694,560	0	-984,335	0	-1,283,449	0
Pacific Forum Lines ¹	4,465,000	104,293	4,091,000	95,558	-74,000	0
		12,036,871		11,474,370		11,048,265

¹ Until October 2012 the Tuvalu Government held a shareholding of 488,405 shares in PFL dating back to 1993.

This represented 2.3358% of the total issued capital of the shipping line.

¹ At the end of March 2012 PFL reported net Assets balance of 74,000 in Oct 2012 all PFL shares were sold to the Government of Samoa.

³ 2012 Net Asset Values for Tuvalu Public Enterprises have been sourced from 2012 unaudited Financial Statements.

⁴ The National Fisheries Corporation of Tuvalu has not prepared accounts since 1999, the debt of NAFICOT is recognised as a liability.

⁵ A sum of \$114,968.60 was paid by the Tuvalu Tuna Co. for NAFICOT loan principal.

⁶ Net Asset Value in 2010 & 2011 were restated figures.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6

DEBTORS

For the Year Ended 31/12/2012

Classification	Notes	<u>Financial Year Ending</u>	
		<u>2012</u>	<u>2011</u>
Claimed Debts Control Account	6b	490,599	490,144
Other Debtors Control Account	6b	335,453	1,486,413
Personal Loan Control Account	6b	33,986	18,169
Special Imprest Control Account	6b	5,112	7,184
Standing and Working Imprest Control Account	6b	6,827	0
	ARREARS OF REVENUE	<u>871,976</u>	<u>2,001,911</u>
Accrued Revenue		131,680	0
Other Debtors NBT		16,072	18,784
Accounts Receivable Clearing Account (Imprest Matching)		0	368,720.41
	DEBTORS	<u>1,019,727</u>	<u>2,389,415</u>
Less Allowance for Doubtful Debts			
Provision for Doubtful Debts		(228,318)	(1,099,401)
	TOTAL DEBTORS	<u>791,410</u>	<u>1,290,014</u>

NOTE 6(a)

STATEMENT OF BALANCES ON ADVANCES ACCOUNT FROM THE CONSOLIDATED FUND

Prepared in accordance with Public Finance Act s31(1)(vii)

For the Year Ended 31/12/2012

CATEGORIES OF s13 (1) PFA	Advance Description	<u>Financial Year Ending</u>	
		<u>2012</u>	<u>2011</u>
<i>(a) issued on behalf of, and recoverable from, any other Government.</i>	Tuvalu delegation to Mauritius	70,537	70,537
	GG delegation to Malta	60,075	60,075
	TMTI Upgrading Project	-	134,621
	Nui Ramp	467	467
	Tuvalu National Futsall Association	-	10,764
	Tolise New Primary School	-	3,835
	Delegation to Taiwan	-	5,837
	Sub-total	<u>130,612</u>	<u>286,136</u>
<i>(c) issued to public officers for such purposes and on such terms and conditions as may be prescribed from time to time</i>	MTCP	782	782
	Reimbursement of patients	70	70
	Min Finance and Economic Development	699	699
	RSE Workers	-	150,567
	Sub-total	<u>1,551</u>	<u>152,118</u>
<i>(e) issued in accordance with a specific agreement, to agents appointed by the Government to perform functions on its behalf</i>	NZ Medical Treatment Scheme	62,689	62,689
	Sub-total	<u>62,689</u>	<u>62,689</u>
	TOTAL ADVANCES	<u>194,852</u>	<u>500,943</u>

Disclosure: There are no advances under items (b), (d) and (f).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6(b)

STATEMENT OF ARREARS OF REVENUE BY SUBHEAD

Prepared in accordance with Public Finance Act s 31 (1)(xiv)
For the Year Ended 31/12/2012

The accompanying notes form part of these financial statements.

Head of Revenue / Government Function	2012	2011
RECURRENT REVENUE	Total Arrears	Total Arrears
Office of the Governor General	of Revenue	of Revenue
A01 Office of the Governor General	(332)	(6)
Office of the Prime Minister		
B01 Corporate Services - Office of the Prime Minister	3,670	(400)
B04 Personnel and Training	0	(447)
B08 Tuvalu Media Department	0	21,232
Legal Services		
C01 Office of the Attorney General	(27)	(818)
Parliament		
D01 Office of the Parliament	0	(7,995)
Office of the Auditor General		
E01 Office of the Auditor General	(338)	38,969
Finance and Economic Development		
F01 Corporate Services - Finance	474,760	100,449
F02 Planning and Budget	(47)	(482)
F03 Central Statistics Division	(0)	(183)
F04 Customs	(255)	31,406
F07 Inland Revenue	(50)	6,604
F09 Industries	(154)	(93)
Public Utilities		
G01 Corporate Services - Public Utilities	(627)	(3,855)
G03 Public Works Department	0	116,126
Health		
H01 Corporate Service - Health	(882)	(1,223)
H02 Health Administration	0	2,126
H03 Curative	0	268
Natural Resources		
I01 MNRE Headquarters	(400)	(1,316)
I02 Agriculture	0	(210)
I03 Fisheries	(1,770)	(1,467)
I04 Lands and Surveys	0	(3,257)
Home Affairs		
J01 Corporate Services - Home Affairs	(691)	(691)
J08 Solid Waste Agency of Tuvalu (SWAT)	(2,956)	(2,956)
Police and Prison Services		
K01 Police and Prison Services	135,007	202,198
Transport and Communications		
L01 Corporate Services - Communications and Transport	(253)	(253)
L02 Marine	8,238	274,707
L03 Aviation	(356)	(201)
L04 Information, Communication and Technology	0	1,934
L07 Meteorological Office	(300)	(486)
Education, Youth and Sports		
M01 Corporate Services - Educations, Youth and Sports	(21)	(1,047)
M02 Education Department	(195)	(359)
M03 Primary Education	(781)	(797)
M04 EFA Secondary School	(116)	0
Judiciary		
N01 Judiciary	0	(499)
Foreign Affairs, Trade, Tourism, Environment & Labour		
O01 MFAETLT Headquarter	(18)	(380)
O02 Labour	0	(634)
O03 Suva Mission	(200)	(200)
O05 Brussels Mission	0	(256)
O07 Tuvalu Consulate in Auckland	0	(10,631)
O08 Trade Office	0	(424)
O09 Tourism	0	(452)
Arrears raised to control account primarily advances	261,070	556,846
TOTAL ARREARS OF REVENUE	871,976	1,310,846

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8

STATEMENT OF CONTINGENT LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(k)
For the Year Ended 31/12/2012

	<u>Agency</u>	<u>Original Guarantee</u>	<u>2009 Debt Balance</u>	<u>2010 Debt Balance</u>	<u>2011 Debt Balance</u>	<u>2012 Debt Balance</u>	<u>Start</u>	<u>Term</u>	<u>Grace period</u>	<u>Interest Rate</u>	<u>Principle repayments</u>
TCS Guarantee	TCS Suppliers	AUD5000000	0	500,000	500,000	0					
Air Pacific Guarantee (NBT Guarantee on Travel Office operations)	NBT	AUD40000	40,000	40,000	40,000	40,000					
DBT Global Loan 1 - Guarantee	EIB	EUR0.5m	0	0	0	0	Jan-93	15 yrs	Upon DBT turning profit by payments from April 2000	0% of DBT profit from 08	50% of DBT profit from 08
DBT Global Loan 2 - Guarantee	EIB	EUR0.7m	1,118,794	809,844	667,441	667,441	Nov-03	5 yrs		6%	EUR70,000 annually
National Bank of Tuvalu - Guarantee	NBT				21,206,446	22,500,408	s21 (1) - National Bank of Tuvalu Act - Government Deposits held at the National Bank of Tuvalu				
			1,158,794	1,349,844	22,413,887	23,207,849					

Exchange Rates applied to Public Debt Balances at year end (Reserve Bank of Australia Website)

<u>CURRENCY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
AUD - EU	0.4896	0.6241	0.7647	0.7847	0.7868
AUD - USD	0.6903	0.8969	1.0163	1.0156	1.0384
AUD - SDR		0.5742	0.6599	0.6636	0.6757

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

TAXATION

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Income Tax	2,184,271	1,800,000	2,127,870
Company Tax	1,018,153	1,700,000	1,648,432
Sales Tax	34,863	5,000	18
Tuvalu Consumption Tax	20,662	200,000	52,202
Import Duty	1,749,722	1,800,000	1,865,205
Import Levy & Excise	596,041	600,000	619,137
Other Taxes	128,337	152,480	131,537
	5,732,050	6,257,480	6,444,401

NOTE 10

INTEREST, DIVIDENDS & RENT

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Interest and Dividends	1,092,623	1,192,000	1,299,349
Lease, rent and hire	211,473	336,473	221,081
	1,304,096	1,528,473	1,520,430

NOTE 11

EXTERNAL ASSISTANCE & GRANTS

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
European Union (EU)	8,059	0	0
EU - V-flex Grant	1,999,784	0	0
Republic of China (Taiwan)	4,766,540	4,500,000	6,252,292
AusAID (CIF)	3,900,000	0	0
New Zealand (CIF)	0	0	53,438
World Bank, IMF, ADB	0	0	1,772,778
Project Development Fund (PDF)	0	156,000	0
Other Donors	86,530	0	8,453
	10,760,913	4,656,000	8,086,961

NOTE 12

OTHER INCOME

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Vessel Registrations	794,878	700,000	777,782
Marine Services (Nivaga II & Manu Folau)	401,371	625,000	494,709
Stevedoring and Wharfage	136,643	308,500	237,271
Provision of Goods and Services	656,186	754,693	675,838
Other Charges	685,819	292,006	507,696
	2,674,898	2,680,199	2,693,297

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13

Travel

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Overseas Travel & Subsistence	616,373	417,718	633,984
Local Travel & Subsistence	460,995	265,009	323,744
Leave Travel Entitlements	91,839	165,692	62,902
Statutory Travel	521,620	214,413	358,534
	1,690,827	1,062,832	1,379,164

NOTE 14

GRANTS AND SUBSIDIES (incl. Scholarship Support)

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Grants and Subsidies	2,316,359	2,154,458	1,842,862
Outer Island Projects (SDE)	1,028,019	1,200,000	1,332,706
Scholarships and Support	1,878,982	1,749,605	2,142,697
Contribution to Japan Grant Counterpart Fund	886,372	886,060	95,724
Overseas Contributions	407,839	608,064	575,499
	6,517,570	6,598,187	5,989,489

NOTE 15

OTHER EXPENSES

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Advertising and Provisions	806,075	794,560	897,670
Supplies and Equipment	1,299,889	1,478,783	1,658,086
Senior Citizen Scheme / Pension	230,564	239,723	238,491
Land & Property Rent	847,172	872,765	860,250
	3,183,700	3,385,831	3,654,497

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16

STATEMENT ON BALANCE OF THE TUVALU DEVELOPMENT FUND ACCOUNT BY AGGREGATE RECEIPTS AND PAYMENTS

Prepared in Accordance with Public Finance Act s31(1)(xvi)

For the Year Ended 31/12/2012

The accompanying notes form parts of these financial statements.

<u>Project ID</u>	<u>Project Name</u>	<u>Payments</u>	<u>Receipts</u>	<u>Movements</u>
AUSAID				
2009020013	Water Catchment Project (AUSAID)	0	856	856
2011020016	Pre-School & Primary School materials-resources & supplies	29,655	0	(29,655)
2011020017	WATER TANKS FOR PRIMARY & SECONDARY	42,558	25	(42,533)
2011020018	TK II MTR Forum	4,931	0	(4,931)
2011020019	Tuvalu National Climate Change Summit	7,565	250	(7,315)
	Sub-total of funding from AUSAID	84,708	1,131	(83,577)
FFA				
2005060036	Vesel Monitoring System Operation (VMS Operation)	50	2,620	2,570
2005060040	VESSEL MONITORING SYSTEM OPERATION	7,264	0	(7,264)
2008060040	Fisheris Direct Dev Project	2,689	2,869	180
2009060044	FISHERIES OBSERVER FEE PROJECT	355,834	260,105	(95,729)
2011060052	Fisheries Programme Activities	31,727	2,281	(29,446)
2012060053	Western & Central pacific Fisheries	31,397	33,053	1,656
2013060054	Surveillance Fuel Contribution	0	100,145	100,145
	Sub-total of funding from FFA	428,961	401,073	(27,888)
Forum SEC				
2012090012	Pacific Plan Information Day	2,520	2,520	0
2012090013	FORUMSEC: PACC Project to assist with water reservoir	0	50,000	50,000
	Sub-total of funding from Forum SEC	2,520	52,520	50,000
IAEA				
2012120039	Support to Tuvalu Delegation to the UNFCCC	10,400	400	(10,000)
	Sub-total of funding from IAEA	10,400	400	(10,000)
Italy				
2009370002	Tuvalu Photovoltaic Electricity Network Integration Project	15,500	20,303	4,803
	Sub-total of funding from Italy	15,500	20,303	4,803
Japan				
2009070019	Nanumaga Health Centre	6,069	0	(6,069)
2010070018	Nanumea Health Centre	10	0	(10)
2010070019	Nanumaga Clinics	5,973	0	(5,973)
2011070021	NUKULAELAE CLINIC CENTRE	358	0	(358)
2011070022	NUKUFETAU CLINIC CENTRE	3,802	2,190	(1,612)
2012070023	Princess Margret Pediatric Ward	0	100,990	100,990
	Sub-total of funding from Japan	16,212	103,180	86,968
Korea				
2012430001	Korean Support for Foreign Affairs	13,251	3,600	(9,651)
	Sub-total of funding from Korea	13,251	3,600	(9,651)

NOTES TO THE FINANCIAL STATEMENTS

<u>Project ID</u>	<u>Project Name</u>	<u>Payments</u>	<u>Receipts</u>	<u>Movements</u>
NZAID				
2007010034	Catecean & Shark Training Project	300	0	(300)
2007010036	Support Domestic Awareness Raising (RSE)	3,785	4,115	330
2009010038	Ship to Shore	748	0	(748)
2011010046	Tuvalu Ship to Shore Transport (PWD Works Manager)	23,087	3,682	(19,405)
2011010047	TK II MID TERM REVIEW	1,281	0	(1,281)
2012010048	TEC GRANT	35,614	47,423	11,809
2012010049	Reimbursement of Travel Expenses	4,870	4,869	(1)
2012010050	Cost of 1 year for the Aid Adviser & Budget Adviser	982	42,096	41,114
2013010051	NZ GRANT FOR NIVAGA II	0	119,985	119,985
2013010052	Pension scheme planning for the future's study Programme	0	3,772	3,772
	Sub-total of funding from NZAID	70,666	225,942	155,276
OSSHMM				
2009380001	HIV TRAINNING IN TUVALU	2,603	0	(2,603)
	Sub-total of funding from OSSHMM	2,603	0	(2,603)
ROC				
2005110023	Support for ICT	12,164	0	(12,164)
2006110024	Backwages of Nauru Workers	500	0	(500)
2008110036	INTERNATIONAL PRIMARY SCH & SECONDARY SCH GAME	0	216	216
2012110040	MV Nivaga II Emergency Slipping	0	110,183	110,183
2012110041	Defects List and Manintenance	0	391,498	391,498
2012110042	Fuel for Charter Vessel and Nivaga II	171,662	200,000	28,338
2012110043	Victualling for MV Nivaga II & MV Manufolau	0	100,000	100,000
2012110045	Establishment Taipei Mission	1,544	5,799	4,256
2012110046	UNFCCC-COP18	0	10,000	10,000
2012110039	Support to Tuvalu Delegation to the UNFCCC	9,284	10,000	716
	Sub-total of funding from ROC	195,154	827,696	632,543
Singapore (Ship Registry)				
2007310002	Support Kaupule Seminar	150	0	(150)
2007310003	LELD in Tuvalu	408	0	(408)
2008310004	TOT Strategic Planning Workshop	6,660	0	(6,660)
2008310005	SUPPORT TO THE MHARD 7TH RURAL DEV.	10,859	0	(10,859)
2009310006	FINANCIAL MANAGEMNT SEMINAR	1,560	0	(1,560)
2011310001	Kaupule Election	4,200	0	(4,200)
2012310002	Contribution LEL Rollout	15,600	15,530	(70)
	Sub-total of funding from Singapore (Ship Registry)	39,437	15,530	(23,907)
SOPAC				
2009140009	IWRM	56,553	61,142	4,589
2010140010	Water & Sanitation with MOH	4,782	0	(4,782)
2012140011	Advance Payment for PU	0	4,300	4,300
2012140012	Disaster Awareness Commemoration Day	2,015	4,080	2,065
	Sub-total of funding from SOPAC	63,350	69,522	6,172
SPC				
2009100004	SPC DHS WORKING ADV	658	0	(658)
2011100012	Tuvalu National Strategic Plan for NCD 2011-2015	15,167	0	(15,167)
2011100013	Endangered Cultural Heritage Mapping in Tuvalu	1,187	4,600	3,413
2012100011	Tuvalu Grant PMH	195	10,000	9,805
	Sub-total of funding from SPC	17,207	14,600	(2,607)

NOTES TO THE FINANCIAL STATEMENTS

<u>Project ID</u>	<u>Project Name</u>	<u>Payments</u>	<u>Receipts</u>	<u>Movements</u>
SPREP				
2008040009	Fund to Legislative Assistance	200	0	(200)
2009040013	PACC PROJECT (LOIA)	250,499	202,731	(47,768)
Sub-total of funding from SPREP		250,699	202,731	(47,968)
Tuvalu				
2012440001	Disaster Relief Fund	65,775	40,000	(25,774)
Sub-total of funding from Tuvalu		65,775	40,000	(25,774)
UN Office at Geneva				
2012470001	LEG 22nd Workshop	2,058	4,245	2,187
Sub-total of funding from UN Office at Geneva		2,058	4,245	2,187
UNDP				
2002050009	Office Equipment & Training Attachment	3,937	0	(3,937)
2003050010	National Adaptation Programme of Action (NAPA)	243,917	277,880	33,963
2004050013	Environment Capacity Self Assessment Program	804	64	(741)
2004050014	Gender Support Facility	1,186	0	(1,186)
2005050015	National Biosafety Frame Work	4,443	0	(4,443)
2005050027	SUPPORT FOR LOCAL GOVERNMENT	0	980	980
2006050019	GEF Operational Focal Point Activities	3,824	0	(3,824)
2006050027	Support to Local Governance	210,441	283,018	72,578
2007050022	Capacity Building for Sustainable Land Management	61,656	1,382	(60,275)
2007050023	Tuvalu Second National Communication	22,342	21,120	(1,222)
2008050028	TU-8 IF BUILD Q3/08	859	0	(859)
2009050031	TUVALU MGD PROJECT	12,205	10,905	(1,300)
2009050032	Tuv Environment sector Round Table	2,737	0	(2,737)
2011050033	Parliament Support Project	5,957	5,300	(657)
Sub-total of funding from UNDP		574,310	600,649	26,339
UN Environment Program				
2010390001	Ozone Depleting Substances (ODS)	35,625	34,744	(880)
2010390002	HCFC Phase - Out Mgmt Plan (HPMP)	7,497	2,884	(4,612)
Sub-total of funding from UN Environment Program		43,121	37,629	(5,493)
UNESCO				
2007180020	Tuvalu Monolingual Dictionary	1,678	0	(1,678)
2011180035	UNESCO Activities	20,445	5,843	(14,602)
Sub-total of funding from UNESCO		22,122	5,843	(16,279)
UNFPA				
2012450001	Tuvalu National Population Policy	8,138	8,250	112
2012450002	Tuvalu National Census 2012	11,958	12,000	42
Sub-total of funding from UNFPA		20,096	20,250	154
UNICEF				
2011130007	MR Campaign (Risk Communication)	976	0	(976)
2011130008	Education Management Information System (EMIS)	13,059	1,686	(11,373)
2012130009	Funding Support for Vaccination	3,065	3,795	730
2013130010	UNICEF: Implement the MEYS-UNICEF 2012 Cooperation Agreeeme	0	120,125	120,125
Sub-total of funding from UNICEF		17,100	125,606	108,506
UNIFEM				
2012260003	Cedaw Report	4,112	4,245	133
Sub-total of funding from UNIFEM		4,112	4,245	133
UNON				
2005240002	3rd Installment- National Biosafety Framework	5,316	1,268	(4,048)
Sub-total of funding from UNON		5,316	1,268	(4,048)

NOTES TO THE FINANCIAL STATEMENTS

<u>Project ID</u>	<u>Project Name</u>	<u>Payments</u>	<u>Receipts</u>	<u>Movements</u>
UN Population Fund				
2010400001	TNPSO Strategic Planning Project	140	0	(140)
	Sub-total of funding from UN Population Fund	140	0	(140)
University of Auckland				
2012460001	Climate Change Education for Sustainable Development	5,000	11,500	6,500
	Sub-total of funding from University of Auckland	5,000	11,500	6,500
USP				
2007150002	Teachers In - Services Training Workshop	10,415	10,014	(401)
2008150006	Developing Tuvalu Education Plan	1,455	0	(1,455)
2011150009	Global Monitors POP	800	0	(800)
2012150010	Training Fiji School of Medicine (FSMED)	0	455	455
	Sub-total of funding from USP	12,670	10,469	(2,201)
WHO				
2005080034	DE- Worming Program in Tuvalu	3,744	0	(3,744)
2008080045	FOOD BASED DIRECTORY WKSHOP	115	0	(115)
2009080051	Nurse Educator	11,978	1	(11,977)
2010080056	nATIONAL TRAINNING W/SHOP FOR STRATEGIC HEALTH COMMUI	26	0	(26)
2010080057	Formulating,printing,Dissemination & piloting of National FB	1,198	0	(1,198)
2010080060	H1N1 Campaign	640	0	(640)
2010080061	Junior Nurses Refreshing W/shop	60	0	(60)
2010080062	Infection Control W/shop	1,855	0	(1,855)
2010080065	Lymphatic Filarisis	440	0	(440)
2011080072	In-country Training Workshop	550	0	(550)
2011080074	Supervisory Visit for Pharmacy Staffs to Cenrtal Is.	875	0	(875)
2011080076	EHE's Climate Change & Health Training for Health Workers	38	0	(38)
2011080077	Drugs & Therapeutical Committee Training	990	0	(990)
2011080078	Global School Base Health Survey	2,713	0	(2,713)
2012080079	Sustainable Solution NZ Ltd	2,481	0	(2,481)
2012080080	Sustainable Solution NZ Ltd	11,839	0	(11,839)
2012080081	Human Resources for Health Plan	3,235	0	(3,235)
2012080082	Conduct Workshop	0	580	580
2012080083	Revising of Standard Treatment Guideline in Tuvalu	3,065	3,708	643
2012080084	Training of Standard Treatment Guideline in Tuvalu	2,459	2,794	335
2012080085	Household Survey for Medicines Use and Access	1,446	3,920	2,474
2012080086	Support the Computerized Pharmaceutical Inventory Managemen	35	0	(35)
2012080087	Food REgulations Consultations	4,508	5,258	751
2012080088	Workshop/Seminar/Presentation of NCCHAP Plan	0	1,550	1,550
2012080089	TUV-PEN and Salt Reduction & TUV-Crisis Response	900	65,824	64,924
	Sub-total of funding from WHO	55,189	83,635	28,446
	Gross Income (Project Receipts - Payments)	2,037,675	2,883,565	845,890
	Bank Fees & Charges (Non-Project Related)			-662
	Recurrent Chq 988315 incorrectly allocated to TDF account reversed in 2013 (Non-Project Related)			-172
	Net Financial Performance of TDF for 2012			845,056
	<u>Reconciled to TDF Cash Movement</u> - Refer Note 3 to these Financial Statements			
	Tuvalu Development Fund Statement Balance as at 31/12/11			1,369,277
	less Unpresented Cheques as at 31/12/11		-9,680	
	Net Financial Performance of TDF for 2012		845,056	
	Gain (Loss) on Tuvalu Development Fund Operation			835,377
	Tuvalu Development Fund Statement Balance as at 31/12/12			2,204,653
	plus IBD - Tuvalu Development Fund Balance as at 31/12/2012			179,506
	Tuvalu Development Fund Balance			2,384,160

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17

REQUIREMENTS OF THE PUBLIC FINANCE ACT WITH ZERO BALANCE

Statement of Other Leger Balances (Nil Balances)
Statement of Outstanding Loans made from the Consolidated Revenue Fund
Tabulated summaries of unallocated stores and manufacturing accounts
Statement of balances on remittance account (Remittance Account no longer exists)

NOTE 18

EVENTS AND DECISIONS WITH SIGNIFICANT ACCOUNTING IMPACTS

CHANGES IN ACCOUNTING POLICIES

There have been changes in accounting policies for the Year Ended 31 December 2012.

Accounting for the Repayment of Loan Principle

Prior to the 2012 Financial year the recording of loan repayments consolidated interest and principal together as expense items on the Statement of Financial Performance. The adjustment to the Public Debt balances were adjusted directly to Retained Earnings.

- In these 2012 Annual Financial Statements, loan interest repayments are recognised as an Expense, and Principal repayments are treated as a movement on the Statement of Financial Position between Cash and Public Debt.

Inclusion of additional information and statements

Additional Statements have been included in these 2012 Annual Financial Statements, these

- Introduction of a Statement of receipts and payments, by Heads and other receipts and
- Introduction of a Statement on the Development Fund account by annual and aggregate receipts and payments
- Introduction of a Statement of arrears of revenue, by sub-head
- Introduction of a Statement of balances on advances account from the Consolidated Fund, analysed under the several categories set outline section 13 of the PFA

Inclusion of the operational Movement of the Tuvalu Development Fund

Prior to the 2012 accounts, the annual movement of the balance of the Tuvalu Development Fund Account was adjusted directly to retained earnings.

- In these 2012 Annual Financial Statements, the movement of the TDF account resulting from TDF operations has been reflected on the Income Statement, and detail presented in the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19

**STATEMENT OF UNAUTHORISED EXPENDITURE BY STATUTORY AND NON STATUTORY HEADS
For the Year Ended 31/12/2012**

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head</u>	<u>Head of Expenditure / Government Function</u>	<u>2012 Expense</u>	<u>2012 Accrual Movement</u>	<u>2012 Payments</u>	<u>2012 Final Budget Provision</u>	<u>Variance (Bud - Act)</u>
STATUTORY HEADS						
A	Office of the Governer General	114,164	1,853	116,017	82,126	(33,891)
B	Office of the Prime Minister	138,208	36	138,244	99,587	(38,657)
C	Legal Services	31,504	0	31,504	32,276	772
D	Parliament	374,200	3,944	378,145	315,230	(62,915)
E	Office of the Auditor General	26,198	0	26,198	29,791	3,593
F	Finance and Economic Development	86,818	991	87,809	65,224	(22,586)
G	Public Utilities	39,221	401	39,622	0	(39,622)
H	Health	102,100	3,293	105,392	65,671	(39,721)
I	Natural Resources	(1,497)	1,497	0	0	0
J	Home Affairs	83,736	2,113	85,848	65,670	(20,178)
K	Police and Prison Services	29,079	0	29,079	35,928	6,849
L	Transport and Communications	16,388	10,878	27,266	65,583	38,317
M	Education, Youth and Sports	96,070	(49)	96,021	65,325	(30,697)
N	Judiciary	50,662	0	50,662	20,000	(30,662)
O	Foreign Affairs, Trade, Tourism, Env. & Labour	122,645	(169)	122,477	65,909	(56,567)
TOTAL STATUTORY SPENDING by Heads		1,309,497	24,787	1,334,285	1,008,320	(301,179)
NON STATUTORY HEADS						
A	Office of the Governer General	92,409	1,745	94,154	83,911	(10,243)
B	Office of the Prime Minister	2,002,452	37,460	2,039,912	2,097,805	57,893
C	Legal Services	180,524	4,567	185,090	210,455	25,365
D	Parliament	159,363	5,730	165,094	179,988	14,894
E	Office of the Auditor General	149,281	7,203	156,484	239,449	82,965
F	Finance and Economic Development	1,747,162	(22,681)	1,724,481	1,475,691	(248,790)
G	Public Utilities	2,276,431	(173,359)	2,103,072	2,312,212	209,140
H	Health	4,748,863	(184,239)	4,564,624	4,521,680	(42,945)
I	Natural Resources	1,807,131	110,951	1,918,082	1,982,171	64,089
J	Home Affairs	2,593,308	682,119	3,275,426	3,228,313	(47,114)
K	Police and Prison Services	995,658	9,580	1,005,238	1,032,418	27,179
L	Transport and Communications	3,729,955	88,649	3,818,604	3,893,688	75,084
M	Education, Youth and Sports	5,448,488	180,679	5,629,166	5,925,950	296,784
N	Judiciary	65,789	2,425	68,215	86,992	18,778
O	Foreign Affairs, Trade, Tourism, Env. & Labour	1,858,291	(8,158)	1,850,132	1,901,088	50,955
TOTAL NON STATUTORY SPENDING by Heads		27,855,105	742,670	28,597,775	29,171,810	567,188
GRAND TOTAL		29,164,603	767,458	29,932,060	30,180,129	266,008

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

				2012 Expense	2012 Accrual Movement	2012 Payments	2012 Final Budget Provision	Variance (Bud - Act)
Office of the Governor General								
A01	Office of the Governor General	711110A01ST	Housemaids Salaries & Leave Travel	17,233	0	17,233	13,649	3,584
A01	Office of the Governor General	711290A01ST	Statutory Utilities	5,252	363	5,614	5,500	114
A01	Office of the Governor General	712130A01ST	TNPF (Housemaids)	1,723	0	1,723	1,365	358
A01	Office of the Governor General	721200A01ST	Statutory Travel	2,250	0	2,250	1,000	1,250
A01	Office of the Governor General	72120AA01ST	GG's Travel	47,132	0	47,132	15,000	32,132
Office of the Prime Minister								
B01	Office of the Governor General	711210B01ST	PM's Salary	36,140	0	36,140	35,946	194
B01	Office of the Governor General	711211B01ST	PM's Housemaids Salaries	16,089	0	16,089	13,404	2,685
B01	Office of the Governor General	711240B01ST	PM's TNPF	4,040	0	4,040	3,594	446
B01	Office of the Governor General	711280B01ST	Housemaids TNPF	1,886	0	1,886	1,340	546
B01	Office of the Governor General	711290B01ST	Housemaids Overtime Allowances	2,774	0	2,774	1,350	1,424
B01	Office of the Governor General	712110B01ST	PM's Local Entertainment	6,598	-108	6,490	6,000	490
B01	Office of the Governor General	721100B01ST	PM's Overseas Entertainment	9,754	0	9,754	5,000	4,754
B01	Office of the Governor General	72120AB01ST	PM's Travel	53,326	0	53,326	15,000	38,326
B01	Office of the Governor General	72120CB01ST	PM's Statutory Travel (Spouse)	115	0	115	0	115
B01	Office of the Governor General	721300B01ST	PM's Telecom & Internet	1,420	-125	1,295	1,000	295
B01	Office of the Governor General	723320B01ST	Petrol & Oil	1,975	0	1,975	1,000	975
Legal Services								
Parliament								
D01	Office of the Governor General	711120D01ST	Allowances	100	0	100	0	100
D01	Office of the Governor General	711210D01ST	Speaker's Salary	31,195	0	31,195	31,121	74
D01	Office of the Governor General	71121AD01ST	Parliamentarians Salaries	146,651	0	146,651	125,028	21,623
D01	Office of the Governor General	711240D01ST	Speaker's Clothing Allowance	1,290	0	1,290	500	790
D01	Office of the Governor General	711250D01ST	Parliamentarians Local Entertainment	10,263	1,747	12,010	3,500	8,510
D01	Office of the Governor General	711280D01ST	Parliamentarians Overseas Entertainment	8,384	0	8,384	2,500	5,884
D01	Office of the Governor General	712110D01ST	Speaker's Houseboy Salary & PF	6,371	0	6,371	4,338	2,033
D01	Office of the Governor General	719200D01ST	TNPF (Statutory)	3,139	0	3,139	3,112	27
D01	Office of the Governor General	71920AD01ST	MPs' TNPF	14,665	0	14,665	12,503	2,162
D01	Office of the Governor General	721200D01ST	Statutory Travel (Spouse)	50,614	0	50,614	1,000	49,614
D01	Office of the Governor General	72120AD01ST	Speaker's Travel	48,093	1,182	49,275	15,000	34,275
D01	Office of the Governor General	722500D01ST	Parliamentarians Motorcycles Maintenar	1,646	549	2,196	1,002	1,194
Office of the Auditor General								
Finance and Economic Development								
F01	Office of the Governor General	711210F01ST	Minister's Salary	30,358	0	30,358	30,196	162
F01	Office of the Governor General	711250F01ST	Local Entertainment	5,542	841	6,383	3,500	2,883
F01	Office of the Governor General	712110F01ST	Housemaid Salary, PF and Leave	6,287	0	6,287	4,468	1,819
F01	Office of the Governor General	719200F01ST	TNPF (Statutory)	3,036	0	3,036	3,020	16
F01	Office of the Governor General	721200F01ST	Statutory Travel	6,450	0	6,450	1,000	5,450
F01	Office of the Governor General	72120AF01ST	Minister's Travel	31,850	0	31,850	15,000	16,850
Public Utilities								
G01	Office of the Governor General	711210G01ST	Minister's Salary	29,058	0	29,058	0	29,058
G01	Office of the Governor General	712110G01ST	Housemaids Salary, PF & leave	6,227	0	6,227	0	6,227
G01	Office of the Governor General	719200G01ST	TNPF (Statutory)	3,036	0	3,036	0	3,036
G01	Office of the Governor General	72120AG01ST	Minister's Travel	1,300	0	1,300	0	1,300
Health								
H01	Office of the Governor General	711120H01ST	Housemaid's TNPF	522	0	522	447	75
H01	Office of the Governor General	711250H01ST	Local Entertainment	2,890	2,447	5,336	3,500	1,836
H01	Office of the Governor General	712110H01ST	Housemaid Salary & leave	5,222	0	5,222	4,468	754
H01	Office of the Governor General	719200H01ST	TNPF (Statutory)	3,036	0	3,036	3,020	16
H01	Office of the Governor General	721202H01ST	Statutory Travel (Spouse)	1,840	0	1,840	0	1,840
H01	Office of the Governor General	72120AH01ST	Minister's Travel	54,658	0	54,658	15,000	39,658
Natural Resources								
I01	Office of the Governor General	711210I01ST	Minister's Salary	0	0	0	0	0
I01	Office of the Governor General	711240I01ST	Minister's Clothing Allowances	0	0	0	0	0
Home Affairs								
J01	Office of the Governor General	711250J01ST	Local Entertainment	1,842	1,873	3,715	3,500	215
J01	Office of the Governor General	712110J01ST	Housemaid Salary	5,661	0	5,661	4,468	1,193
J01	Office of the Governor General	712130J01ST	Housemaid TNPF	566	0	566	447	119
J01	Office of the Governor General	719200J01ST	TNPF (Statutory)	3,036	0	3,036	3,020	16
J01	Office of the Governor General	72120AJ01ST	Minister's Travel	37,031	120	37,151	15,000	22,151
Police and Prison Services								
Transport and Communications								
L01	Office of the Governor General	721200L01ST	Statutory Travel (Spouse)	4,350	0	4,350	1,000	3,350
Education, Youth and Sports								
M01	Office of the Governor General	711250M01ST	Local Entertainment	3,628	64	3,692	3,500	192
M01	Office of the Governor General	712110M01ST	Housemaid Salary, PF and Leave	6,261	0	6,261	4,569	1,692
M01	Office of the Governor General	719200M01ST	TNPF (Statutory)	3,036	0	3,036	3,020	16
M01	Office of the Governor General	72120AM01ST	Minister's Travel	50,278	0	50,278	15,000	35,278
Judiciary								
N01	Office of the Governor General	723630N01ST	Chief Justice	50,662	0	50,662	20,000	30,662
Foreign Affairs, Trade, Tourism, Environment & Labour								
O01	Office of the Governor General	711120O01ST	Allowances	221	0	221	0	221
O01	Office of the Governor General	711210O01ST	Minister's Salary	30,358	0	30,358	30,196	162
O01	Office of the Governor General	711250O01ST	Local Entertainment	3,815	-169	3,647	3,500	147
O01	Office of the Governor General	712110O01ST	Housemaid salary and leave entitlement	5,803	0	5,803	4,713	1,090
O01	Office of the Governor General	719200O01ST	TNPF	3,638	0	3,638	3,020	619
O01	Office of the Governor General	721200O01ST	Statutory Travel (Spouse)	17,423	0	17,423	1,000	16,423
O01	Office of the Governor General	72120AO01ST	Minister's Travel	56,581	0	56,581	15,000	41,581
Office of the Governor General								
A01	Office of the Governor General	711110A0101	Salaries	10,741	0	10,741	9,531	1,210
A01	Office of the Governor General	721100A0101	Overseas Travel & Subsistence	26,899	-7	26,892	18,000	8,892

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

			2012	2012	2012	2012	Variance	
			Expense	Accrual	Payments	Final Budget	(Bud - Act)	
				Movement		Provision		
A01	Office of the Governor General	721100A01SD	GG's Tour to Outer Islands	35,911	0	35,911	30,000	5,911
A01	Office of the Governor General	723510A0101	Office Expenses	70	619	689	300	389
A01	Office of the Governor General	723750A0101	Household Official Residence	2,702	1,236	3,937	2,500	1,437
Office of the Prime Minister								
B01	Corp. Services - Office of the PM	711120B0101	Allowances	25,654	0	25,654	18,925	6,729
B01	Corp. Services - Office of the PM	722100B0101	Building & Office Maintenance	36,268	37	36,306	30,558	5,748
B01	Corp. Services - Office of the PM	722250B0101	Equipment Maintenance	1,607	0	1,607	300	1,307
B01	Corp. Services - Office of the PM	723530B0101	Computer Supply	32,409	133	32,543	32,076	467
B01	Corp. Services - Office of the PM	729071B01SD	Prince William Visit Preparations	9,945	0	9,945	0	9,945
B01	Corp. Services - Office of the PM	762100B01SD	NZ, Japan, Australia Disaster Donation	5,738	0	5,738	0	5,738
B01	Corp. Services - Office of the PM	762100B01TG	Overseas Contribution	22,588	0	22,588	10,690	11,898
B04	Personnel and Training	711110B0402	Salaries	14,016	0	14,016	13,455	561
B04	Personnel and Training	711110B0403	Salaries	16,097	0	16,097	16,010	88
B04	Personnel and Training	711120B0401	Allowances	16,718	60	16,778	6,661	10,117
B04	Personnel and Training	711120B0403	Allowances	766	0	766	489	277
B04	Personnel and Training	712900B0401	Staff Relieving Fund (centr'd)	25,607	0	25,607	20,000	5,607
B04	Personnel and Training	719100B0403	TNPF	1,686	0	1,686	1,650	37
B04	Personnel and Training	723320B0401	Petrol & Oil	213	9	222	200	22
B04	Personnel and Training	723510B0401	Office Expenses	1,124	1,134	2,258	1,000	1,258
B04	Personnel and Training	723530B0401	Computer Supply	1,395	96	1,491	1,000	491
B04	Personnel and Training	723540B0401	Office Stationery	5,495	180	5,675	5,000	675
B04	Personnel and Training	782510B0403	Scholarship Students (New Awards)	45	8,152	8,197	0	8,197
B08	Tuvalu Media Department	711110B0801	Salaries	188,513	0	188,513	187,075	1,437
B08	Tuvalu Media Department	719100B0801	TNPF	20,999	0	20,999	20,856	142
B08	Tuvalu Media Department	72110AB0801	Local Travel & Subsistence	657	0	657	500	157
B08	Tuvalu Media Department	721300B0801	Telecom & Internet	959	641	1,600	1,500	100
B08	Tuvalu Media Department	722500B0801	Vehicle Maintenance	570	310	880	500	380
B08	Tuvalu Media Department	723510B0801	Office Expenses	12,520	-2,859	9,661	9,500	161
B08	Tuvalu Media Department	723530B0801	Computer Supply	2,248	67	2,315	2,000	315
B08	Tuvalu Media Department	723910B0801	Electricity	99,024	0	99,024	69,107	29,917
B08	Tuvalu Media Department	762100B08TG	Overseas Contributions (PINA)	702	0	702	675	27
B08	Tuvalu Media Department	781220B08SD	AM Project	7,187	0	7,187	0	7,187
B10	Department of Women	711110B1001	Salaries	47,883	0	47,883	46,555	1,328
B10	Department of Women	719100B1001	TNPF	4,768	0	4,768	4,706	62
B10	Department of Women	721300B1001	Telecom & Internet	264	0	264	250	14
B11	Immigration	711110B1101	Salaries	35,214	0	35,214	33,736	1,478
B11	Immigration	711120B1101	Allowances	3,053	0	3,053	2,000	1,053
B11	Immigration	719100B1101	TNPF	3,848	0	3,848	3,574	274
B11	Immigration	723541B1101	Arrival Forms	602	0	602	0	602
B11	Immigration	762100B1101	Overseas contributions	1,500	0	1,500	0	1,500
Legal Services								
C01	Office of the Attorney General	711110C0101	Salaries	88,136	0	88,136	84,372	3,763
C01	Office of the Attorney General	711110C0102	Salaries	13,601	0	13,601	12,828	773
C01	Office of the Attorney General	711110C0103	Salaries	9,266	0	9,266	8,935	331
C01	Office of the Attorney General	711120C0101	Allowances	1,067	0	1,067	0	1,067
C01	Office of the Attorney General	719100C0103	TNPF	937	0	937	929	8
C01	Office of the Attorney General	721300C0101	Telecom & Internet	1,041	0	1,041	600	441
C01	Office of the Attorney General	723030C0101	Advocacy	2,289	0	2,289	0	2,289
C01	Office of the Attorney General	723510C0101	Office Expenses	-887	4,782	3,895	2,396	1,499
C02	People's Lawyer	711120C0201	Allowances	494	0	494	0	494
C02	People's Lawyer	719100C0201	TNPF	4,264	0	4,264	4,217	47
C02	People's Lawyer	722250C0201	Equipment Maintenance	0	0	0	-400	400
C02	People's Lawyer	723540C0201	Office Stationery	1,047	-26	1,021	970	51
Parliament								
D01	Office of the Parliament	711120D0101	Allowances	4,207	0	4,207	3,000	1,207
D01	Office of the Parliament	719100D0101	TNPF	6,278	0	6,278	6,232	46
D01	Office of the Parliament	722250D0101	Equipment Maintenance	1,022	0	1,022	1,000	22
D01	Office of the Parliament	722500D0101	Vehicle Maintenance	94	297	391	389	2
D01	Office of the Parliament	723320D0101	Petrol & Oil	1,142	0	1,142	695	447
D01	Office of the Parliament	723540D0101	Office Stationery	3,532	118	3,650	1,752	1,898
D01	Office of the Parliament	723910D0101	Electricity	14,000	0	14,000	14,000	0
D01	Office of the Parliament	762100D01TG	Overseas Contributions	14,279	0	14,279	13,104	1,175
Office of the Auditor General								
E01	Office of the Auditor General	711110E0101	Salaries	92,120	0	92,120	88,703	3,417
E01	Office of the Auditor General	711120E0101	Allowances	8,123	0	8,123	2,600	5,523
E01	Office of the Auditor General	719100E0101	TNPF	9,977	0	9,977	9,130	847
E01	Office of the Auditor General	72110AE0101	Local Travel & Subsistence	-3,780	5,160	1,380	360	1,020
E01	Office of the Auditor General	723320E0101	Petrol & Oil	241	102	343	281	62
E01	Office of the Auditor General	723510E0101	Office Expenses	8,573	1,111	9,685	8,572	1,113
E01	Office of the Auditor General	723620E01TG	Audit Fees to KPMG	14,483	0	14,483	0	14,483
Finance and Economic Development								
F01	Corp. Services - Finance	711120F0101	Allowances	9,140	0	9,140	7,473	1,667
F01	Corp. Services - Finance	762100F01TG	Overseas Contributions	17,089	0	17,089	13,000	4,089
F01	Corp. Services - Finance	782400F01SD	Government Support to TCS	300,024	0	300,024	0	300,024
F02	Planning and Budget	711110F0201	Salaries	32,844	0	32,844	28,888	3,957
F02	Planning and Budget	711110F0204	Salaries	36,776	0	36,776	27,914	8,862
F02	Planning and Budget	711120F0201	Allowances	1,315	0	1,315	218	1,097
F02	Planning and Budget	711120F0202	Allowances	2,130	0	2,130	264	1,866
F02	Planning and Budget	711120F0203	Allowances	1,170	0	1,170	306	864
F02	Planning and Budget	711120F0204	Allowances	239	0	239	0	239
F02	Planning and Budget	719100F0201	TNPF	3,078	0	3,078	2,911	167
F02	Planning and Budget	719100F0202	TNPF	4,328	0	4,328	3,986	342
F02	Planning and Budget	719100F0204	TNPF	3,704	0	3,704	2,791	913
F02	Planning and Budget	721300F0201	Telecom & Internet	760	0	760	750	10
F02	Planning and Budget	723010F02TG	Implementation 'Kakeega II Matrix'	4,171	0	4,171	3,000	1,171
F02	Planning and Budget	723540F0201	Office Stationery	10	0	10	0	10

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

			2012	2012	2012	2012	Variance	
			Expense	Accrual	Payments	Final Budget	(Bud - Act)	
				Movement		Provision		
F03	Central Statistics Division	711120F0301	Allowances	2,376	0	2,376	2,219	157
F03	Central Statistics Division	782260F03SD	2012 Census (Gov't Contribution) - DO N	9,264	124	9,387	0	9,387
F04	Customs	711120F0401	Allowances	2,255	0	2,255	1,900	355
F04	Customs	721110F0401	Leave Travel Entitlements	1,675	0	1,675	1,000	675
F04	Customs	721300F0401	Telecom & Internet	496	63	559	500	59
F04	Customs	72210AF0402	Office Maintenance DSW	2,624	0	2,624	2,200	424
F04	Customs	722500F0401	Vehicle Hire	964	301	1,265	300	965
F04	Customs	723460F0402	Workshop Expenses	659	0	659	500	159
F04	Customs	723510F0401	Office Expenses	681	670	1,352	1,000	352
F04	Customs	726040F0401	Uniform	712	1,217	1,929	1,676	253
F05	Postal	721100F0501	Overseas Travel & Subsistence	2,901	0	2,901	2,800	101
F05	Postal	762100F05TG	Overseas Contribution	31,229	0	31,229	21,500	9,729
F06	Treasury	711120F0601	Allowances	7,281	0	7,281	7,200	81
F06	Treasury	721100F0601	Overseas Travel & Subsistence	7,826	0	7,826	5,300	2,526
F06	Treasury	721110F0601	Leave Travel Entitlements	636	624	1,260	1,000	260
F06	Treasury	722250F0601	Equipment Maintenance	250	98	348	250	98
F06	Treasury	742110F0601	Foreign Exchange Cost	69,829	0	69,829	447	69,382
F07	Inland Revenue	711110F0701	Salaries	54,089	0	54,089	31,919	22,170
F07	Inland Revenue	719100F0701	TNPF	5,503	0	5,503	3,222	2,281
F07	Inland Revenue	721100F0701	Overseas Travel & Subsistence	808	0	808	312	496
F07	Inland Revenue	72110AF0701	Local Travel & Subsistence	1,662	0	1,662	0	1,662
F07	Inland Revenue	721300F0701	Telecom & Internet	335	150	485	450	35
F07	Inland Revenue	723320F0701	Petrol & Oil	225	0	225	200	25
F07	Inland Revenue	723510F0701	Office Expenses	8,633	5,384	14,017	8,653	5,364
F07	Inland Revenue	723540F0701	Office Stationery	372	114	486	372	114
F09	Industries	711120F0901	Allowances	1,206	0	1,206	500	706
F09	Industries	711120F0902	Allowances	736	0	736	500	236
F09	Industries	711310F0902	Price Control Board	1,728	0	1,728	1,681	47
F09	Industries	719100F0901	TNPF	1,963	0	1,963	1,927	37
F09	Industries	719100F0902	TNPF	1,978	0	1,978	1,962	15
F09	Industries	721110F0901	Leave Travel Entitlements	0	0	0	-16	16
F09	Industries	723010F0903	Advertising & Publication Cost	110	0	110	0	110
F09	Industries	723510F0901	Office Expenses	659	0	659	300	359
F09	Industries	723530F0903	Computer Supply	0	204	204	0	204
F09	Industries	723540F0902	Office Stationery	699	0	699	0	699
Public Utilities								
G01	Corp. Services - Public Utilities	711110G0101	Salaries	73,450	0	73,450	51,686	21,764
G01	Corp. Services - Public Utilities	711120G0101	Allowances	7,011	0	7,011	4,514	2,497
G01	Corp. Services - Public Utilities	719100G0101	TNPF	7,800	0	7,800	5,620	2,180
G01	Corp. Services - Public Utilities	723510G0101	Office Expenses	6,879	319	7,198	2,200	4,998
G02	Energy	711110G0202	Salaries	30,086	0	30,086	22,033	8,054
G02	Energy	711120G0202	Allowances	261	0	261	0	261
G02	Energy	719100G0202	TNPF	3,057	0	3,057	2,203	854
G02	Energy	721100G0201	Overseas Travel & Subsistence	3,586	0	3,586	3,300	286
G03	Public Works Department	711110G0305	Salaries	73,943	0	73,943	70,540	3,404
G03	Public Works Department	711110G0306	Salaries	109,572	0	109,572	106,841	2,731
G03	Public Works Department	711110G0307	Salaries	21,634	0	21,634	20,030	1,604
G03	Public Works Department	711120G0301	Allowances	11,125	0	11,125	1,000	10,125
G03	Public Works Department	711120G0303	Allowances	2,024	0	2,024	1,000	1,024
G03	Public Works Department	711120G0305	Allowances	4,942	0	4,942	300	4,642
G03	Public Works Department	719100G0301	TNPF	8,913	0	8,913	8,661	251
G03	Public Works Department	719100G0303	TNPF	8,703	0	8,703	8,492	211
G03	Public Works Department	719100G0305	TNPF	7,738	0	7,738	7,084	654
G03	Public Works Department	719100G0306	TNPF	10,934	0	10,934	10,714	220
G03	Public Works Department	719100G0307	TNPF	2,337	0	2,337	2,203	134
G03	Public Works Department	722100G03SD	PWD Complex Maintenance	2,321	343	2,663	0	2,663
G03	Public Works Department	722250G0308	Equipment Maintenance	2,881	170	3,051	2,700	351
G03	Public Works Department	722660G0309	Electrical Maintenance / Rewiring	230	2,476	2,706	2,306	400
G03	Public Works Department	723460G0308	Emergency Water Monitoring & Assessm	3,471	0	3,471	3,000	471
G03	Public Works Department	723510G0301	Office Expenses	943	337	1,279	1,000	279
G03	Public Works Department	723750G0306	Workshop Supplies	637	90	727	700	27
G03	Public Works Department	72375AG0304	Materials	4,019	0	4,019	4,000	19
Health								
H01	Corporate Service - Health	711110H0101	Salaries	84,042	0	84,042	79,019	5,023
H01	Corporate Service - Health	711120H0101	Allowances	9,208	0	9,208	8,189	1,019
H01	Corporate Service - Health	719100H0101	TNPF	10,799	0	10,799	8,721	2,079
H01	Corporate Service - Health	721300H0101	Telecom & Internet	3,195	415	3,610	3,600	10
H01	Corporate Service - Health	722500H0101	Vehicle Maintenance	455	385	840	814	26
H01	Corporate Service - Health	723510H0101	Office Expenses	919	518	1,437	1,176	261
H01	Corporate Service - Health	725040H01TG	Medical Treatment Scheme	1,924,002	-173,595	1,750,407	1,527,150	223,257
H01	Corporate Service - Health	782310H01TG	Grants to TuFHA	5,000	0	5,000	0	5,000
H01	Corporate Service - Health	791250H01SD	PMH Equipments	18,489	1,302	19,791	0	19,791
H02	Health Administration	711120H0201	Allowances	12,108	0	12,108	8,420	3,688
H02	Health Administration	712510H0201	Cuban Doctors Travel Allowance	17,270	0	17,270	16,900	370
H02	Health Administration	71259AH0201	Cuban Doctors Housing	2,148	0	2,148	0	2,148
H02	Health Administration	722250H0201	Equipment Maintenance	6,072	-595	5,477	5,000	477
H02	Health Administration	722500H0201	Vehicle Maintenance	1,434	34	1,468	1,360	108
H02	Health Administration	722700H0201	Maintenance of PMH (new)	13,421	0	13,421	10,000	3,421
H02	Health Administration	723320H0201	Petrol & Oil	2,044	97	2,141	200	1,941
H02	Health Administration	723510H0201	Office Expenses	8,783	-1,683	7,101	7,056	45
H02	Health Administration	791220H0201	Office Equipment	4,308	0	4,308	1,000	3,308
H03	Curative	711110H0302	Salaries	29,989	0	29,989	26,753	3,236
H03	Curative	711110H0306	Salaries	14,314	0	14,314	11,917	2,397
H03	Curative	712900H0301	Relieving Fund	64,143	0	64,143	7,000	57,143
H03	Curative	72110AH0301	Patients' Travel & Subsistence	421,211	0	421,211	406,411	14,800
H03	Curative	723130H0301	Emergency Charters	16,916	10,928	27,844	16,916	10,928
H03	Curative	723210H0301	Ration	97,524	8,334	105,858	105,000	858
H03	Curative	723710H0301	Cleaning Supplies	2,358	1,914	4,272	4,200	72

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

				2012	2012	2012	2012	Variance	
				Expense	Accrual	Payments	Final Budget	(Bud - Act)	
					Movement		Provision		
H03	Curative	723750H0302	Laboratory Supplies	46,523	-301	46,222	40,400	5,822	
H03	Curative	723750H0303	Radiographic Supplies	7,023	0	7,023	4,200	2,823	
H03	Curative	725020H0304	Consumable Medical Supplies	119,640	201	119,842	80,000	39,842	
H03	Curative	725030H0301	Medical Centre Linen	94	507	600	400	200	
H03	Curative	726040H0301	Uniform	5,434	0	5,434	5,000	434	
H03	Curative	791290H0306	Kitchenware	2,098	339	2,438	1,810	628	
H04	Preventative Primary and Health Services	711110H0403	Salaries	72,716	0	72,716	72,253	463	
H04	Preventative Primary and Health Services	711110H0404	Salaries	83,060	0	83,060	80,871	2,189	
H04	Preventative Primary and Health Services	719100H0401	TNPF	5,850	0	5,850	5,687	163	
H04	Preventative Primary and Health Services	719100H0404	TNPF	8,306	0	8,306	8,293	13	
H04	Preventative Primary and Health Services	723460H0401	Healthy Islands Program	-4,386	8,571	4,185	1,900	2,285	
H04	Preventative Primary and Health Services	723750H0401	Public Health Supplies	961	20	981	401	580	
H04	Preventative Primary and Health Services	723750H0404	Dental Supplies	19,830	0	19,830	19,000	830	
H04	Preventative Primary and Health Services	725021H0404	Dental Community Outreach	8,880	0	8,880	0	8,880	
Natural Resources									
I01	MINRE Headquarters	721110I0101	Leave Travel Entitlements	2,639	0	2,639	1,000	1,639	
I02	Agriculture	711110I0204	Salaries	32,778	0	32,778	25,042	7,736	
I02	Agriculture	711110I0205	Salaries	64,331	0	64,331	59,797	4,533	
I02	Agriculture	711120I0202	Allowances	2,374	0	2,374	1,000	1,374	
I02	Agriculture	711120I0205	Allowances	1,914	0	1,914	643	1,271	
I02	Agriculture	712110I0205	ROC Commitment for Labours	34,589	0	34,589	29,029	5,560	
I02	Agriculture	719100I0204	TNPF	3,296	0	3,296	2,624	672	
I02	Agriculture	719100I0205	TNPF	6,630	0	6,630	6,044	586	
I02	Agriculture	721100I0204	Overseas Travel & Subsistence	269	0	269	100	169	
I02	Agriculture	72110AI0201	Local Travel & Subsistence	683	0	683	0	683	
I02	Agriculture	721110I0201	Leave Travel Entitlements	637	0	637	500	137	
I02	Agriculture	721300I0201	Telecom & Internet	-2,982	4,000	1,018	1,000	18	
I02	Agriculture	722220I0203	Plant Maintenance	978	0	978	300	678	
I02	Agriculture	723320I0202	Petrol & Oil	300	0	300	0	300	
I02	Agriculture	723510I0201	Office Expenses	3,130	0	3,130	3,031	99	
I02	Agriculture	724020I0202	Livestock feeds	6,916	-200	6,716	6,229	487	
I03	Fisheries	711110I0304	Salaries	52,435	0	52,435	38,034	14,401	
I03	Fisheries	711120I0304	Allowances	2,386	0	2,386	1,000	1,386	
I03	Fisheries	719100I0304	TNPF	5,559	0	5,559	3,903	1,656	
I03	Fisheries	721110I0301	Leave Travel Entitlements	1,331	0	1,331	1,224	107	
I03	Fisheries	721300I0301	Telecom & Internet	1,326	194	1,520	1,500	20	
I03	Fisheries	722250I0301	Equipment Maintenance	550	0	550	300	250	
I03	Fisheries	722250I0302	Equipment Maintenance	181	-86	95	0	95	
I03	Fisheries	722250I0303	Equipment Maintenance	-294	855	561	555	6	
I03	Fisheries	723320I0302	Petrol & Oil	8	0	8	0	8	
I03	Fisheries	723540I0301	Office Stationery	1,169	-79	1,090	900	190	
I03	Fisheries	723910I0301	Electricity	14,291	0	14,291	13,000	1,291	
I03	Fisheries	782230I03SD	CFC Operation & Working Programme	169,434	101,388	270,822	210,000	60,822	
I04	Lands and Surveys	711110I0402	Salaries	34,729	0	34,729	24,927	9,802	
I04	Lands and Surveys	711110I0403	Salaries	10,813	0	10,813	10,779	34	
I04	Lands and Surveys	711120I0401	Allowances	1,800	0	1,800	500	1,300	
I04	Lands and Surveys	711220I04TG	Lands Court Sitting Allowances	32,300	0	32,300	29,952	2,348	
I04	Lands and Surveys	711310I04TG	Lands Court Appeal Panel	10,499	153	10,652	10,302	350	
I04	Lands and Surveys	719100I0402	TNPF	3,469	0	3,469	2,643	826	
I04	Lands and Surveys	721300I0401	Telecom & Internet	958	0	958	900	58	
I04	Lands and Surveys	723510I0401	Office Expenses	3,008	0	3,008	1,301	1,707	
I04	Lands and Surveys	723540I0401	Office Stationery	500	0	500	490	10	
I04	Lands and Surveys	782110I04TG	Lands Court Ex-Gratia Award	10,000	0	10,000	9,698	302	
Home Affairs									
J01	Corporate Services - Home Affairs	711120J0101	Allowances	4,492	0	4,492	4,000	492	
J01	Corporate Services - Home Affairs	721110J0101	Leave Travel Entitlements	6,918	0	6,918	1,633	5,285	
J01	Corporate Services - Home Affairs	722500J0101	Vehicle Maintenance	475	84	559	500	59	
J01	Corporate Services - Home Affairs	723510J0101	Office Expenses	213	281	494	300	194	
J02	Department of Rural Development	782210J02TG	Block Grant	380,980	0	380,980	379,280	1,700	
J02	Department of Rural Development	782250J02TG	Falekaupule Act Grant	444,417	0	444,417	434,409	10,008	
J02	Department of Rural Development	782390J02TG	Tied Grant	135,233	0	135,233	135,233	0	
J02	Department of Rural Development	782410J02SD	Outer Islands Projects	1,028,019	412,249	1,440,268	1,200,000	240,268	
J03	Community Affairs	722250J0301	Equipment Maintenance	13	0	13	0	13	
J03	Community Affairs	723510J0301	Office Expenses	135	17	152	150	2	
J03	Community Affairs	723540J0301	Office Stationery	1,362	-32	1,330	900	430	
J04	Women Development (Inactive)	782300J04TG	Grant to TNCW	1,250	0	1,250	0	1,250	
J05	Culture	711120J0501	Allowances	530	0	530	100	430	
J05	Culture	719100J0501	TNPF	1,678	0	1,678	1,639	39	
J05	Culture	721300J0501	Telecom & Internet	453	0	453	403	50	
J05	Culture	723420J0501	Pacific Voyagers Visit Activities (Vaka Sar	2,000	0	2,000	0	2,000	
J06	Immigration (Inactive)	723540J06SD	New Travel Documents (Passport)	0	1,190	1,190	0	1,190	
J06	Immigration (Inactive)	791220J0601	Office Equipment	-650	2,150	1,500	0	1,500	
J08	Solid Waste Agency of Tuvalu (SWAT)	711120J0801	Allowances	19,474	0	19,474	12,480	6,994	
J08	Solid Waste Agency of Tuvalu (SWAT)	722500J0801	Vehicle Maintenance	747	0	747	500	247	
Police and Prison Services									
K01	Police and Prison Services	711110K0102	Salaries	343,125	0	343,125	332,412	10,713	
K01	Police and Prison Services	711110K0103	Salaries	190,870	0	190,870	181,410	9,460	
K01	Police and Prison Services	711120K0102	Allowances	43,791	0	43,791	41,500	2,291	
K01	Police and Prison Services	711120K0103	Allowances	42,501	0	42,501	30,000	12,501	
K01	Police and Prison Services	712310K0102	Police Special Allowances	45,929	0	45,929	24,000	21,929	
K01	Police and Prison Services	719100K0102	TNPF	38,583	0	38,583	35,891	2,691	
K01	Police and Prison Services	719100K0103	TNPF	23,443	0	23,443	20,141	3,302	
K01	Police and Prison Services	721100K0101	Overseas Travel & Subsistence	1,954	0	1,954	1,500	454	
K01	Police and Prison Services	72110AK0101	Local Travel & Subsistence	2,519	0	2,519	0	2,519	
K01	Police and Prison Services	721110K0101	Leave Travel Entitlements	2,879	0	2,879	1,900	979	
K01	Police and Prison Services	722250K0103	Equipment Maintenance	155	0	155	100	55	
K01	Police and Prison Services	722650K0104	Prison Maintenance	167	0	167	166	1	
K01	Police and Prison Services	723150K0101	Search & Rescue	104	0	104	103	1	

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

			2012	2012	2012	2012	Variance	
			Expense	Accrual	Payments	Final Budget	(Bud - Act)	
				Movement		Provision		
K01	Police and Prison Services	723510K0101	Office Expenses	533	917	1,450	1,306	144
K01	Police and Prison Services	723540K0101	Office Stationery	1,830	122	1,952	1,500	452
K01	Police and Prison Services	723770K0104	Prison Utensil	33	0	33	33	0
Transport and Communications								
L01	Corp. Services - Comm. and Trans	711120L0101	Allowances	5,592	0	5,592	4,514	1,078
L01	Corp. Services - Comm. and Trans	711120L0102	Allowances	10,732	0	10,732	4,146	6,586
L01	Corp. Services - Comm. and Trans	719100L0101	TNPF	6,952	0	6,952	4,997	1,956
L02	Marine	711110L0201	Salaries	39,582	0	39,582	38,106	1,476
L02	Marine	711110L0202	Salaries	272,204	0	272,204	240,152	32,052
L02	Marine	711120L0201	Allowances	21,231	0	21,231	9,029	12,202
L02	Marine	711120L0202	Allowances	152,633	0	152,633	152,600	33
L02	Marine	711120L0203	Allowances	95,612	0	95,612	91,277	4,335
L02	Marine	711120L0204	Allowances	33,707	0	33,707	22,500	11,207
L02	Marine	712410L0204	Stevedoring	201,855	0	201,855	200,000	1,855
L02	Marine	719100L0201	TNPF	8,604	0	8,604	4,714	3,891
L02	Marine	719100L0202	TNPF	42,099	0	42,099	37,966	4,133
L02	Marine	719100L0203	TNPF	27,740	0	27,740	27,489	252
L02	Marine	721300L0201	Telecom & Internet	900	0	900	500	400
L02	Marine	72250L0204	Equipment Maintenance	1,392	277	1,668	1,000	668
L02	Marine	722550L0202	Vessel Maintenance	452,661	38,231	490,891	400,000	90,891
L02	Marine	723210L0203	Victualling	129,107	-500	128,607	117,910	10,697
L02	Marine	723320L0204	Petrol & Oil	7,733	-380	7,353	6,000	1,353
L02	Marine	723330L0202	Vessel Fuel	401,845	54,431	456,276	450,000	6,276
L02	Marine	723510L0204	Office Expenses	125	49	174	100	74
L02	Marine	723540L0204	Office Stationery	1,240	0	1,240	1,000	240
L02	Marine	723710L0203	Cleaning Supplies	3,433	331	3,765	3,000	765
L02	Marine	723920L0202	Water	0	0	0	-1,000	1,000
L02	Marine	726020L0202	Laundry	3,253	321	3,574	3,511	63
L02	Marine	726020L0203	Laundry	4,443	440	4,883	4,741	142
L03	Aviation	711110L0302	Salaries	40,023	0	40,023	38,172	1,851
L03	Aviation	711110L0303	Salaries	28,892	0	28,892	28,097	795
L03	Aviation	711120L0301	Allowances	508	0	508	500	8
L03	Aviation	711120L0302	Allowances	8,778	0	8,778	4,000	4,778
L03	Aviation	719100L0302	TNPF	4,846	0	4,846	4,217	629
L03	Aviation	723510L0301	Office Expenses	3,450	2,285	5,735	1,500	4,235
L03	Aviation	723530L0301	Computer Supply	1,032	1,907	2,938	1,800	1,138
L03	Aviation	723540L0301	Office Stationery	661	1,576	2,237	1,100	1,137
L03	Aviation	791240L0303	Fire Truck Maintenance and Spare Parts	1,985	0	1,985	0	1,985
L04	Information, Comm. and Technology	711110L0401	Salaries	22,747	0	22,747	22,253	495
L04	Information, Comm. and Technology	722150L0402	Computer Maintenance	1,803	0	1,803	1,200	603
L04	Information, Comm. and Technology	791220L0403	Satellite Link	132,798	4,434	137,232	132,850	4,382
L07	Meteorological Office	711110L0702	Salaries	14,209	0	14,209	13,649	560
L07	Meteorological Office	719100L0702	TNPF	1,568	0	1,568	1,515	53
L07	Meteorological Office	721300L0702	Telecom & Internet	408	0	408	300	108
L07	Meteorological Office	721300L0703	Telecom & Internet	516	100	616	600	16
L07	Meteorological Office	722100L0701	Building & Office Maintenance	2,115	1,940	4,055	2,500	1,555
L07	Meteorological Office	722250L0702	Equipment Maintenance	1,021	363	1,385	1,300	85
L07	Meteorological Office	722500L0701	Vehicle Maintenance	199	51	250	200	50
L07	Meteorological Office	722500L0703	Vehicle Maintenance	56	163	219	100	119
L07	Meteorological Office	723320L0702	Petrol & Oil	1,214	0	1,214	100	1,114
L07	Meteorological Office	723510L0701	Office Expenses	428	110	538	500	38
L07	Meteorological Office	723540L0702	Office Stationery	160	0	160	100	60
L07	Meteorological Office	723750L0702	Store Supplies	108	85	193	150	43
L07	Meteorological Office	791220L0701	Office Equipment	29	1,079	1,108	600	508
Education, Youth and Sports								
M01	Corp. Services - Edu., Youth and Sports	711110M0101	Salaries	69,356	0	69,356	63,212	6,145
M01	Corp. Services - Edu., Youth and Sports	711110M01TG	AFP Salaries	72,621	0	72,621	0	72,621
M01	Corp. Services - Edu., Youth and Sports	711120M0101	Allowances	7,590	0	7,590	2,448	5,142
M01	Corp. Services - Edu., Youth and Sports	719100M0101	TNPF	12,736	0	12,736	6,566	6,170
M01	Corp. Services - Edu., Youth and Sports	72110AM0101	Local Travel & Subsistence	550	0	550	500	50
M01	Corp. Services - Edu., Youth and Sports	721300M0101	Telecom & Internet	702	0	702	700	2
M01	Corp. Services - Edu., Youth and Sports	722250M0101	Equipment Maintenance	0	0	0	-250	250
M01	Corp. Services - Edu., Youth and Sports	722500M0101	Vehicle Maintenance	2,375	0	2,375	1,700	675
M01	Corp. Services - Edu., Youth and Sports	723010M0101	Advertising & Publication Cost	3,354	0	3,354	300	3,054
M01	Corp. Services - Edu., Youth and Sports	723320M0101	Petrol & Oil	1,167	551	1,718	1,708	10
M01	Corp. Services - Edu., Youth and Sports	723510M0101	Office Expenses	293	66	359	300	59
M01	Corp. Services - Edu., Youth and Sports	723540M0101	Office Stationery	1,115	3,186	4,301	1,000	3,301
M02	Education Department	711110M0201	Salaries	22,217	0	22,217	22,098	119
M02	Education Department	711120M0202	Allowances	481	0	481	0	481
M02	Education Department	711120M0203	Allowances	1,351	0	1,351	0	1,351
M02	Education Department	712120M0201	Allowances (Pre-Sch salaries)	2,205	0	2,205	0	2,205
M02	Education Department	72110AM0201	Local Travel & Subsistence	5,173	0	5,173	2,500	2,673
M02	Education Department	721110M0201	Leave Travel Entitlements	3,158	0	3,158	1,069	2,089
M02	Education Department	723540M0201	Office Stationery	3,896	230	4,126	1,000	3,126
M02	Education Department	782370M0203	Supervisory Unit	11,370	10	11,380	10,000	1,380
M02	Education Department	782380M0201	Pre School Support	-886	2,055	1,169	0	1,169
M03	Primary Education	711120M0303	Allowances	7,415	0	7,415	0	7,415
M03	Primary Education	712210M0303	Contract Teachers	239,597	0	239,597	113,640	125,957
M03	Primary Education	719100M0303	TNPF	72,439	0	72,439	72,105	334
M03	Primary Education	723750M0302	School Supplies (EU)	46,555	157	46,712	46,200	512
M04	EFA Secondary School	711110M0402	Salaries	482,197	0	482,197	457,081	25,117
M04	EFA Secondary School	711120M0401	Allowances	4,724	0	4,724	375	4,349
M04	EFA Secondary School	711120M0402	Allowances	12,820	0	12,820	3,753	9,067
M04	EFA Secondary School	719100M0402	TNPF	49,328	0	49,328	46,083	3,244
M04	EFA Secondary School	721100M0401	Overseas Travel & Subsistence	548	230	778	600	178
M04	EFA Secondary School	721400M0404	Vehicle Hire	180	0	180	0	180
M04	EFA Secondary School	722200M0403	Desalination Maintenance	538	0	538	500	38
M04	EFA Secondary School	722250M0404	Equipment Maintenance	1,003	0	1,003	1,000	3

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)
Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

			2012	2012	2012	2012	Variance	
			Expense	Accrual	Payments	Final Budget	(Bud - Act)	
				Movement		Provision		
M04	EFA Secondary School	723210M0403	Ration	376,770	23,639	400,409	400,000	409
M04	EFA Secondary School	723420M0401	Visitor's Entertainment	752	0	752	200	552
M04	EFA Secondary School	723520M0401	Library Journals and Books	1,001	0	1,001	1,000	1
M04	EFA Secondary School	723540M0401	Office Stationery	361	40	401	200	201
M04	EFA Secondary School	723540M0404	Office Stationery	5,903	-275	5,627	5,542	86
M04	EFA Secondary School	723710M0401	Cleaning Supplies	1,910	0	1,910	200	1,710
M04	EFA Secondary School	723750M0401	Library Supplies	2,910	190	3,100	700	2,400
M04	EFA Secondary School	791120M0402	Sport Equipment	7,900	-130	7,771	4,000	3,771
M05	Library	711110M0501	Salaries	62,364	0	62,364	54,870	7,494
M05	Library	719100M0501	TNPF	6,275	0	6,275	5,607	668
M05	Library	722250M0501	Equipment Maintenance	430	0	430	160	270
M05	Library	723510M0501	Office Expenses	223	-25	198	150	48
M06	Sports	723510M0601	Office Expenses	1,037	0	1,037	450	587
M07	Pre-service Scholarships	719100M0701	TNPF	2,205	0	2,205	1,805	400
M07	Pre-service Scholarships	723540M0701	Office Stationery	1,184	0	1,184	1,000	184
M07	Pre-service Scholarships	782530M0701	Scholarship Students - Ongoing	911,766	1,329	913,095	835,608	77,487
M07	Pre-service Scholarships	782551M0701	Scholarship Students - Form Seven	77,756	0	77,756	0	77,756
M08	Youth	723540M0801	Office Stationery	250	2,500	2,750	250	2,500
M09	Early Childhood Care and Education	711120M0901	Allowances	415	0	415	0	415
M09	Early Childhood Care and Education	712120M0901	Allowances (Pre-Sch salaries)	68,420	0	68,420	0	68,420
Judiciary								
N01	Judiciary	711120N0101	Allowances	420	0	420	400	20
N01	Judiciary	711310N01SD	Court of Appeal	193	35	228	0	228
N01	Judiciary	721100N0101	Overseas Travel & Subsistence	541	0	541	0	541
N01	Judiciary	726040N0101	Uniform	899	0	899	500	399
N01	Judiciary	762100N0101	Overseas Contribution	489	0	489	400	89
Foreign Affairs, Trade, Tourism, Environment & Labour								
O01	MFAETLT Headquarter	711120O0101	Allowances	8,781	0	8,781	8,441	340
O01	MFAETLT Headquarter	721100O0101	Overseas Travel & Subsistence	19,736	0	19,736	14,973	4,763
O01	MFAETLT Headquarter	721110O0101	Leave Travel Entitlements	2,540	0	2,540	1,706	834
O01	MFAETLT Headquarter	722250O0101	Equipment Maintenance	203	0	203	200	3
O01	MFAETLT Headquarter	723510O0101	Office Expenses	807	0	807	300	507
O02	Labour	711110O0202	Salaries	22,129	0	22,129	0	22,129
O02	Labour	711120O0202	Allowances	1,859	0	1,859	0	1,859
O02	Labour	719100O0201	TNPF	6,388	0	6,388	6,048	340
O02	Labour	719100O0202	TNPF	2,395	0	2,395	0	2,395
O02	Labour	721110O0201	Leave Travel Entitlements	0	0	0	-1,500	1,500
O02	Labour	722250O0201	Equipment Maintenance	174	0	174	100	74
O02	Labour	723320O0201	Petrol & Oil	375	132	508	500	8
O02	Labour	723460O0202	Labour Committee	1,115	0	1,115	0	1,115
O02	Labour	723510O0201	Office Expenses	381	209	590	500	90
O02	Labour	723510O0202	Office Expenses	271	0	271	0	271
O02	Labour	723540O0201	Office Stationery	318	124	442	400	42
O02	Labour	782440O02TG	TOSU Grant	5,000	0	5,000	0	5,000
O03	Suva Mission	711110O0301	Salaries	71,689	0	71,689	67,215	4,474
O03	Suva Mission	711110O0302	Salaries	33,497	0	33,497	21,151	12,346
O03	Suva Mission	711120O0301	Allowances	6,141	0	6,141	5,179	962
O03	Suva Mission	711120O0302	Allowances	10,152	0	10,152	7,015	3,137
O03	Suva Mission	711160O0301	Overseas allowances	82,811	0	82,811	58,964	23,847
O03	Suva Mission	719100O0301	TNPF	7,633	0	7,633	7,239	394
O03	Suva Mission	719100O0302	TNPF	3,557	0	3,557	2,817	740
O03	Suva Mission	721100O0301	Overseas Travel & Subsistence	41,730	0	41,730	14,000	27,730
O03	Suva Mission	722500O0301	Vehicle Maintenance	22,809	0	22,809	14,000	8,809
O03	Suva Mission	723510O0301	Office Expenses	12,544	0	12,544	10,223	2,321
O03	Suva Mission	723740O0301	Household Items	3,090	0	3,090	2,883	207
O03	Suva Mission	723910O0301	Electricity	7,677	0	7,677	6,495	1,182
O04	Permanent Mission of Tuvalu to the UN	711110O0401	Salaries	73,634	0	73,634	46,647	26,987
O04	Permanent Mission of Tuvalu to the UN	711120O0401	Allowances	7,760	0	7,760	4,635	3,125
O04	Permanent Mission of Tuvalu to the UN	711160O0401	Foreign Service Allowances	120,484	0	120,484	106,670	13,814
O04	Permanent Mission of Tuvalu to the UN	721100O0401	Overseas Travel & Subsistence	20,095	0	20,095	19,452	643
O04	Permanent Mission of Tuvalu to the UN	721110O0401	Leave Travel Entitlements	39,785	0	39,785	30,000	9,785
O04	Permanent Mission of Tuvalu to the UN	721300O0401	Telecom & Internet	6,432	0	6,432	6,125	307
O04	Permanent Mission of Tuvalu to the UN	723620O0401	Professional Services	1,412	0	1,412	1,313	99
O05	Brussels Mission	711230O0501	Household Furniture Allowance	1,563	0	1,563	530	1,033
O05	Brussels Mission	722150O0501	Vehicle Insurance	2,677	0	2,677	2,647	30
O05	Brussels Mission	722500O0501	Vehicle Maintenance	1,461	0	1,461	1,324	138
O05	Brussels Mission	723440O0501	Representations	66,202	0	66,202	13,237	52,965
O05	Brussels Mission	723740O0501	Household Items	1,618	0	1,618	662	956
O05	Brussels Mission	725050O0501	Health Insurance	11,082	0	11,082	9,365	1,717
O06	Environment	711120O0602	Allowances	4,556	0	4,556	320	4,236
O06	Environment	719100O0602	TNPF	1,473	0	1,473	1,069	405
O06	Environment	723510O0601	Office Expenses	419	0	419	400	19
O06	Environment	723540O0601	Office Stationery	-176	620	444	400	44
O07	Tuvalu Consulate in Auckland	711110O0701	Salaries	28,512	0	28,512	28,349	163
O07	Tuvalu Consulate in Auckland	711120O0701	Allowances	6,390	0	6,390	6,190	200
O07	Tuvalu Consulate in Auckland	711121O0701	Children Allowance	806	0	806	0	806
O07	Tuvalu Consulate in Auckland	711140O0701	Clothing Allowance	1,028	0	1,028	1,005	23
O07	Tuvalu Consulate in Auckland	719100O0701	TNPF	3,407	0	3,407	3,286	120
O07	Tuvalu Consulate in Auckland	722500O0701	Vehicle Maintenance	1,140	0	1,140	0	1,140
O07	Tuvalu Consulate in Auckland	723320O0701	Petrol & Oil	3,808	0	3,808	2,734	1,074
O07	Tuvalu Consulate in Auckland	723340O0701	Gas/Kerosene Supplies	62	0	62	0	62
O07	Tuvalu Consulate in Auckland	723510O0701	Office Expenses	3,848	19	3,867	2,024	1,843
O07	Tuvalu Consulate in Auckland	723740O0701	Household Items	1,077	0	1,077	1,000	77
O07	Tuvalu Consulate in Auckland	723910O0701	Electricity	2,290	0	2,290	2,011	279
O07	Tuvalu Consulate in Auckland	723920O0701	Water	621	0	621	610	11
O07	Tuvalu Consulate in Auckland	725050O0701	Health Insurance	15,009	0	15,009	4,190	10,819
O08	Trade Office	711310O0801	Trade Committee	340	0	340	0	340
O08	Trade Office	723540O0801	Office Stationery	759	0	759	588	171

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2012

Budget Approved on the Cash Basis

Head of Expenditure / Government Function

			<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>Variance</u>	
			<u>Expense</u>	<u>Accrual</u>	<u>Payments</u>	<u>Final Budget</u>	<u>(Bud - Act)</u>	
				<u>Movement</u>		<u>Provision</u>		
O09	Tourism	71112000901	Allowances	673	0	673	500	173
O09	Tourism	723081009SD	Support for Shanghai World Expo 2010	5,817	0	5,817	5,734	83
O09	Tourism	72354000901	Office Stationery	497	375	871	500	371
O10	Labour	72322001001	VIP Lounge Supplies	73	0	73	0	73