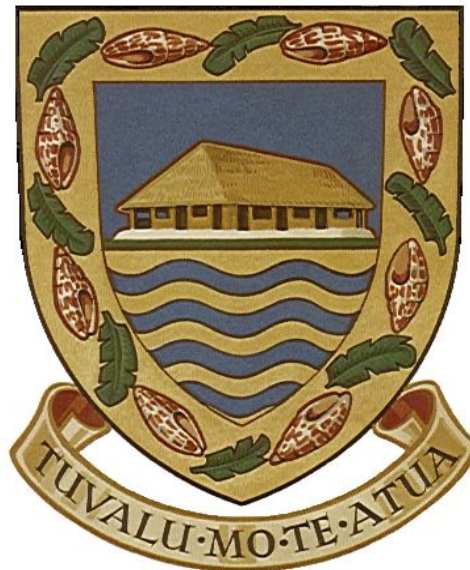


## **REPORT OF THE AUDITOR-GENERAL**



## **ON THE FINANCIAL STATEMENTS OF THE TUVALU WHOLE OF GOVERNMENT for the year ended 31 December 2014**

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Parliamentary Paper  
Number:.....2015

**The Office of the Auditor-General 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 2014

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 year ended 31 December 2014, 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 Tuvalu Whole of Government's financial report. **I have enclosed the Independent Audit Report for the year ended 31 December 2014, together with the Tuvalu Whole of Government's financial reports in Appendix 3.**

Audit Result 2014

I expressed a qualified (disclaimer) opinion on the Tuvalu Whole of Government's financial report for the year ended 31 December 2014. The limitations of scope are considered significant.

Basis for Disclaimer of Audit Opinion

### **Uncertainty surrounding valuation, completeness and existence of Property Plant and Equipment in the Financial Statements**

The Tuvalu Whole of Government's accounting policy changed in 2013 to recognise Property Plant and Equipment in the Financial Statements. The Property Plant and Equipment were written on via an equity adjustment in 2013 using estimates of their value. I was unable to satisfy myself that the valuation estimates made by the Tuvalu Whole of Government were robust and accurate.

A stock count was performed at the end of 2014, however due to lack of robust supervision and guidance surrounding the stock count processes I was unable to satisfy myself that the Property Plant and Equipment balance is complete and that all assets in the balance exist.

Property Plant and Equipment asset purchases in 2014 were accounted for through expense accounts and then are written on as assets using an adjustment to retained earnings. Depreciation of Property Plant and Equipment has not been recognised as an expense. Accordingly, the expense accounts used to purchase these assets are overstated and the depreciation expense accounts are understated.

I have not been able to obtain sufficient appropriate audit evidence to support the Property Plant and Equipment portion of the Statement of Assets and Liabilities, the Introduction of Property Plant and Equipment portion of the Statement of Changes in Equity, the non-inclusion of Depreciation expense in the Statement of Income and Expenditure and all Expenses in the Statement of Income and Expenditure.

The lack of robust valuation, the lack of a robust stock count of Property Plant and Equipment and the improper accounting for Property Plant and Equipment constitute a limitation of scope of the audit which is significant and pervasive.

### **Lack of evidence to support prior year comparatives**

My audit report on the Financial Statements for the period ended 31 December 2013 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2013 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 which is significant and pervasive.

### **Non-consolidation of NAFICOT and TMTI**

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT) and the Tuvalu Maritime Training Institute (TMTI) public enterprises.

NAFICOT has not produced Financial Statements since 1999 however has become financially active in the past years, including entering into multiple joint venture agreements which are also financially active. TMTI has not produced Financial Statements since 2013. Without the consolidation of NAFICOT (Financial Statements which include the joint venture operations) and TMTI Financial Statements, the Tuvalu Whole of Government Financial Statements are incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of TMTI and NAFICOT and through it the Joint Ventures. This affects the completeness of the Investments in Corporations Balance on the Statement of Assets and Liabilities, and the completeness of the Unrealised Gain (Loss) on Investment in Corporations on the Statement of Income and Expenditure. This constitutes a limitation of scope which is significant.

### **The non-inclusion of Inventory in the Financial Statements**

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 of Inventory.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of Inventory in the Statement of Assets and Liabilities and the non-inclusion of the Statement of Summaries of Unallocated Stores and Manufacturing Accounts. This constitutes a limitation of scope of the audit which is significant.

### **Lack of evidence to support completeness of Account Receivable and Revenues Financial Statements**

The Account Receivable balance is understated in the Financial Statements. This is due to outstanding Taxation, Customs and Wharfage revenues not being recognised as Receivables in the Financial Statements. The Accounts Receivable balances relating to Taxation, Customs and Wharfage in their individual systems was not reflected on the Tuvalu Whole of Government's accounting system. I was unable to satisfy myself surrounding the completeness of the Account Receivable balance and corresponding Revenue balances in the Financial Statements.

The lack of evidence to support the completeness of the Account Receivable balance and the completeness of the corresponding Revenue transactions in the Financial Statements constitutes a limitation of scope of the audit which is significant.

### **Limitation of scope surrounding Cabinet minutes and decisions**

All Cabinet minutes and key decisions made in Cabinet for 2014 were unable to be presented to me for review. This constitutes a limitation of scope as without a record of key decisions

made (some of which can affect the financial position of the Tuvalu Whole of Government), I am unable to be certain that the Financial Statements reflect these decisions.

The inability for Audit to review all Cabinet minutes and Decisions constitutes a limitation of scope which is significant. It is uncertain which areas if any of the Financial Statements will be affected.

**Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account**

The Tuvalu Whole of Government was unable to reconcile the cash movement in the Tuvalu Development Fund in the Financial Statements to the movement in the Tuvalu Development Fund bank account. There are unexplained movements within the Tuvalu Development Fund. There are either incomplete receipts balances or incorrect accounting for expenditure.

I have not been able to obtain sufficient appropriate audit evidence to support the entire Statement on Balance of the Tuvalu Development Fund Account by Aggregate Receipts and Payments, and the Gain/Loss from Tuvalu Development Fund Operation in the Statement of Income and Expenditure. The non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account constitutes a limitation of scope which is significant.

Report on Other Legal and Regulatory Requirements

In auditing the Financial Statements of the Tuvalu Whole of Government for the year ended 31 December 2014, 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 Tuvalu Whole of Government has complied with key legislation that may materially impact on the financial report. The results of the audit are reported in this context.

Acknowledgment

I thank the Treasury and other departments' staff for their courtesy and assistance during the audit process. I again acknowledge that in 2014 improvement in the annual reporting process has been made and hope that these improvements continue into the future.

Yours sincerely



Eli Lopati

**Auditor-General for Tuvalu**

30 September 2015

Funafuti Tuvalu

## Executive Summary

### Audit Opinion

I expressed a qualified (disclaimer of opinion) opinion on the Tuvalu Whole of Government's (TWOG) financial report for the years ended 31 December 2014. The limitations of scope are significant.

The limitations of scope arise from uncertainty surrounding:

- valuation, completeness and existence of Property Plant and Equipment in the Financial Statements;
- lack of evidence to support prior year comparatives;
- non-consolidation of NAFICOT and its joint ventures and TMTI into the Financial Statements;
- non-inclusion of Inventory in the Financial Statements;
- lack of evidence to support Accounts Receivable and Revenue;
- limitation of scope surrounding Cabinet minutes and decisions;
- non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account;

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 3 of this report.

### Introduction

I 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 no unresolved disagreements at year end. The matters raised in previous management reports have not been adequately addressed. There have been no significant changes to the TWOG's accounting policies. Unusual accounting policies were noted surrounding asset accounting through equity, prior year error accounting performed prospectively, consolidation of controlled entities and the expensing of Inventories at time of purchase rather than when consumed.

### Areas of Audit Emphasis

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

- the 2013 Qualification issues which remain unresolved are:
  - valuation, completeness and existence of Property Plant and Equipment in the Financial Statements;
  - lack of evidence to support prior year comparatives;
  - non-consolidation of NAFICOT and its joint ventures and TMTI into the Financial Statements;
  - non-inclusion of Inventory in the Financial Statements;
  - lack of evidence to support Accounts Receivable and Revenue;

- limitation of scope surrounding Cabinet minutes and decisions; and
- non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account.
- there has been an effort to resolve issues raised in prior years with 13 issues marked as closed during the 2013 audit;
- the Financial Statements were largely in compliance with the Public Finance Act in terms of presentation. This is a significant improvement from the previous years' Financial Statements in terms of compliance with GAAP. Some departures were noted. The usability and understandability of the accounts has improved;
- financial statement supporting documentation was presented, however, further improvements are recommended;
- no approved fraud policy is in place;
- the management control environment in the Government was assessed as ineffective, however, there were some improvements;
- performance waste and probity issues were noted, particularly surrounding the finance and planning function of TWOG;
- the Procurement Act and Regulations are in place, with issues surrounding compliance when purchasing assets and the non-submission of Procurement plans;
- the Property Plant and Equipment accounting process was reviewed, with issues noted in the Qualification and as audit issue 2.2014; and
- the revised Financial Instructions are being implemented, with some recommendations for improvement.

### **Legislative Compliance**

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

- the over expenditure of Budget Heads which is in breach of the Constitution;
- non-compliance with the Procurement Act in purchasing assets; and
- 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 attention is the qualification of the Financial Statements and the issues causing the qualification. There has been an improvement in the quality of the Financial Statements, 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 2014 audit:

- Over expenditure of budget heads;
- Incorrect accounting for Assets;
- Expenditure not in compliance with the Procurement system;
- Strategic planning for the TWOG is not linked to the TKII;
- Loans to SELF and RSE participants not being accounted for correctly;
- Promotion and education of users on the updated Financial Instructions and the finalisation of the Finance Circulars;

### **The significant matters outstanding from the previous audits are:**

- Incomplete Disclosures surrounding Property Plant and Equipment;
- Valuation of Property Plant and Equipment not robust

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:  
Year ended 31 December 2014

- non consolidation of NAFICOT and TMTI into the Financial Statements;
- Non-inclusion of Inventory in the Financial Statements.
- Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account.
- 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.
- weaknesses in management of Customs revenues surrounding documentation and reconciliations;
- no financial link between Inland Revenue Department and Treasury; and
- lack of debt management policy to manage the TWOG's receivables.



## Contents

The Office of the Auditor-General of Tuvalu has completed the financial audit of the Tuvalu Whole of Government for the year ended 31 December 2014. 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.....	9
List of Abbreviations.....	11
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 .....	12
Statement of Auditor Independence.....	13
Independence.....	13
Unresolved Disagreements.....	13
Status of Areas of Audit Emphasis .....	13
Issues Surrounding the Prior Year (31 December 2013) Qualification .....	13
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
Performance, waste and probity issues .....	16
Travel expenses .....	17
Implementation of Procurement Act and Regulations .....	17
Property Plant and Equipment.....	17
Implementation of the revised Financial Instructions.....	17
Compliance with Legislative Requirements.....	17
Legislative Compliance (LC) Systems .....	17
Breaches of Significant Legislation.....	18
Significant Matters Arising From the Audit.....	19
1.2014 Over Expenditure of Budget Heads .....	19
2.2014 Incorrect accounting for acquisitions, disposals and depreciation during 2014....	20
3.2014 Records Management System (RMS) not updated in 2014.....	21
4.2014 Expenditure not in Compliance with Requirements of the Procurement System .	22
5.2014 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure	22
6.2014 Virements and Warrants not being Performed Correctly .....	23
7.2014 Strategic planning for the TWOG.....	24

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:  
Year ended 31 December 2014

8.2014 Loan to SELF (Student Educational Loan Fund) awardees and RSE workers being treated as expense and repayments treated as revenue.....	25
9.2014 Terminated scholarship students approved to continue studying under the Student Education Loan Fund (SELF) scheme .....	26
10.2014 No recording of annual leave and sick leave balances by TWOG .....	27
11.2014 Observer’s fund accountability. ....	27
12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent. ....	28
13.2014 Information and Communications Technology Weaknesses .....	29
14.2014 Publication and approval of the Finance Circulars.....	31
15.2014 Promotion and education of stakeholders of the revised financial instructions ..	32
16.2014 Fraud policy implementation .....	32
17.2014 Creation of special fund and rules for maintenance and replacement of assets funding .....	33
18.2014 Bank accounts not controlled by the Chief Accountant .....	34
19.2014 Reconciliation of Aged Purchase Order listing to the General Ledger .....	35
20.2014 Monitoring of upper air space revenue.....	35
21.2014 Lack of Procurement Planning.....	36
22.2014 Goods receipting process not being followed .....	37
23.2014 Timely submission of Brussel mission monthly accounts .....	38
24.2014 Timely reconciliation of Imprest.....	39
25.2014 Strengthening of the Ombudsman Commission.....	39
26.2014 Grants and Subsidy Weaknesses .....	40
27.2014 No delegations register in place for 2014 or 2015 as required by s.206 of the 2014 Financial Instructions (FIs) for signing of PVs and chapter 2 of the 2015 FIs..	41
28.2014 Lack of Internal audit function.....	42
29.2014 Monthly analysis between bank reconciliation module and General ledger is performed. ....	42
30.2014 Bank reconciliations are printed at the end of each month. ....	43
31.2014 Elements of Financial Statements not provided to audit within Public Finance Act deadline .....	44
32.2014 Payroll committee record of minutes .....	44
Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2014 ..	46
Appendix 2: Audit Issues Closed during the 2014 Audit.....	67
Appendix 3: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2014.....	68

## List of Abbreviations

ACCPAC:	the Tuvaluan Government's Accounting Software
GAAP:	Generally Accepted Accounting Principles
IBD:	Interest Bearing Deposit
IFRS:	International Financial Reporting Standards
IPSAS:	International Public Sector Accounting Standards
IRD:	Internal Revenue Department
ISSAI:	International Standards of Supreme Audit Institutions
k:	Thousands
MCE:	Management Control Environment
NAFICOT:	National Fishing Corporation of Tuvalu
NBT:	National Bank of Tuvalu
OAG:	Office of the Auditor-General Tuvalu
PE Act:	The Public Enterprises (Performance and Accountability) Act.
PE:	Public Enterprise
RSE:	Recognised Seasonal Employer
SELF:	Student Education Loan Fund
TWOG:	Tuvalu Whole of Government
TDF:	Tuvalu Development Fund
TMTI:	Tuvalu Maritime Training Institute
TMTS:	Tuvalu Medical Treatment Scheme
UCL:	Undelivered Cargo List

## Types of Audit Opinions

The following are the types of audit opinions issued by the Office of the Auditor-General Tuvalu:

- 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 Financial Statements of the Tuvalu Whole of Government for the year ended 31 December 2014 including:

- auditing standards used;
- compliance with ISSAI auditing standards;
- 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 systems;
- legislative compliance;
- breaches of significant legislation;
- significant matters arising from the audit;
- status of prior year audit issues; and
- audit issues closed in 2014.

### **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 the significant matters arising from the audit, where appropriate.

### **Subsequent Events**

No subsequent events were noted during the 2014 audit.

### **Changes in Accounting Policy**

There have been no changes to the accounting policies of the Tuvalu Whole of Government in 2014.

### **Unusual Accounting Policies**

The following accounting policy was considered unusual by the Auditor-General:

- accounting for movements in Property Plant and Equipment through retained earnings;
- not accounting for errors made in prior years and changes in accounting policies retrospectively, rather they are accounted for in the current year; and
- accounting for controlled entities by taking their net asset balance, rather than performing a proper consolidation; and
- expensing all Inventories at time of purchase rather than when consumed.

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 2014 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 2014. In addition, we confirm that we have no relationships with, or interests in, the Tuvalu Whole of Government.

### Unresolved Disagreements

We have no unresolved disagreements with management. 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 Prior Year (31 December 2013) Qualification

A disclaimer of audit opinion was issued for the year ended 31 December 2013 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 2014 audit opinion was also a disclaimer of audit opinion. We acknowledge there has been considerable improvement in the presentation of the Financial Statements and the resolving of issues within the qualification. The further evolution to a set of Financial Statements which is approaching compliance with general accepted accounting practice (GAAP) was the major improvement in the financial statement reporting process as well as being able to reconcile the Statement of Receipts and Payments to the movements in the cash balances.

The 2013 issues which are considered to be resolved are:

- movement of Statement of Receipts and Payments by Head unable to be reconciled to Cash balances; and
- non-disclosure of Tuvalu Development Fund opening and closing balances.

Issues remaining unresolved are:

- valuation, completeness and existence of Property Plant and Equipment in the Financial Statements;
- lack of evidence to support prior year comparatives;
- non-consolidation of NAFICOT and its joint ventures and TMTI into the Financial Statements;
- non-inclusion of Inventory in the Financial Statements;
- lack of evidence to support Accounts Receivable and Revenue;
- limitation of scope surrounding Cabinet minutes and decisions; and
- non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account.

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

#### **Issues Raised in Previous Management Reports**

The progress that the TWOG has made in addressing the issues raised in the 2013 management report issues has been commented on at Appendix 1 and Appendix 2.

#### **Financial Statement Compilation and Compliance with GAAP**

The TWOG's 2014 Financial Statements were not prepared in compliance with international Generally Accepted Accounting Policies (GAAP) as required by Section 3(3)(e) of the Public Finance Act. The major departure was the non-inclusion of Inventory in the Financial Statements and the accounting for Property Plant and Equipment (including in-kind assets) in the Financial Statements.

There has been considerable improvement in the presentation of the accounts, namely the production of the Financial Statements largely in accordance with the Public Finance Act requirements. This is a significant improvement, namely in that the movement of Statement of Receipts and Payments by Head is able to be reconciled to Cash balance. The usability and understandability of the Financial Statements has improved.

The following are instances where there has been a departure from Tuvalu GAAP in the Financial Statements:

- The Property Plant and Equipment accounting policy was changed in 2013, to begin recognising Property Plant and Equipment as assets rather than expensing them in the year of acquisition. This was accounted for in 2013 by writing on the value of Property Plant and Equipment and increasing equity. This accounting method continued in 2014 by accounting for movements in assets through equity and is contrary to GAAP. Accounting for Property Plant and Equipment should not be performed through equity.
- GAAP requires that changes in accounting policy and errors are applied retrospectively (i.e. by updating comparative figures and the opening balances) rather than accounting for these changes in the current year.
- Public Enterprises are considered to be controlled by the TWOG. GAAP accounting for these entities would be to consolidate all their operations into the TWOG's Financial Statements and eliminate any related party transactions. The TWOG does

not perform this consolidation; rather, the net assets balance of each of the Public Enterprises is taken and included as an asset.

- Inventories in the TWOG are expensed at time of purchase, rather than recognised as an asset until consumed. Accounting for Inventories is required under GAAP.

The TWOG Financial Statements are 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.

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 Financial Statements 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 2014, there has been progress in relation to the development of a fraud policy. A fraud policy has been included in the updated Financial Instructions as a Finance Circular. At time of drafting this report, the Finance Circular covering the Fraud Policy remains in draft form.

Progress of the finalisation of the fraud policy Finance Circular and awareness will continue to be an area of audit emphasis in future audits.

#### **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;

- management decisions are not recorded or disseminated to the appropriate members of staff;
- decisions are reached without proper risk assessment and due diligence;
- payments have been made which exceeded budget allocations on a Head basis;
- lack of corporate planning co-ordination; and
- significant capacity and capability gaps exist in all ministries.

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

- the commencement of the usage of Purchase Orders to decrease the likelihood of overspent budgets;
- the addressing of issues raised in audit reports; and
- production of ongoing monthly management accounts by Treasury.

We will continue to review the MCE in the 2014 audit to assess if further improvement has been made.

### **Legislative Compliance**

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

### **Performance, waste and probity issues**

The following issues raised in 2014 and in the past have recommendations which related to performance waste and probity. See the issues for more detail.

- 7.2014 Strategic Planning for the TWOG
- 9.2014 Terminated scholarship students approved to continue studying under the SELF scheme.
- 10.2014 No recording of annual leave and sick leave balances by TWOG
- 11.2014 Observer's fund accountability
- 13.2014 Information and Communication Technology weaknesses
- 18.2014 Creation of Special Fund and rules for maintenance and replacement of assets funding
- 20.2014 Monitoring of upper airspace revenue
- 25.2014 Strengthening of the Ombudsman Commission
- 26.2014 Grants and Subsidies weaknesses
- 5.2013 Lack of Assets Management Plan
- 4.2012 Tuvalu Development Fund accountability
- 17.2011 Fisheries to keep minutes of negotiations on file
- 1.2008 Guarantees and Commitments Issued by Government
- 5.2008 Debt Management Policy
- 9.2008 Employee Entitlements
- 18.2007 Government Policy Register
- 19.2007 Government Contracts Register



### **Travel expenses**

The process surrounding the incurring of travel expenses was reviewed. A performance audit into this topic is planned for the end of 2015 and will explore this issue in further detail.

### **Implementation of Procurement Act and Regulations**

We evaluated the procurement plan compilation and execution process and found that there were breaches of the Procurement Act and regulations. No procurement plans have been submitted for the 2014 and 2015 year. This has been raised as audit issue 21.2014.

We have gained an understanding of the procurement process and have performed sample testing to ensure that the TWOG is in compliance with the procurement legislation. Enquiries with the Central Procurement Unit were also held. Audit's investigation and testing found that there were 6 instances of non-compliance with the procurement legislation totalling \$803k. This has been raised in audit issue 4.2014

### **Property Plant and Equipment**

Audit conducted documentation and walkthroughs of the Property Plant and Equipment process including reconciliation to the General Ledger, stocktake processes, asset management process, maintenance plans.

The accounting treatment and management of Property Plant and Equipment was found to be inappropriate, this has formed part of the qualification of the 2014 Financial Statements and raised as audit issue 2.2014.

### **Implementation of the revised Financial Instructions**

The revised Financial Instructions came into effect on 1 January 2015. We understood the changes to the Financial Instructions and enquired regarding compliance with the Financial Instructions.

Some breaches of the revised Financial Instructions were noted, these have been raised in the following audit issues:

- 12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.
- 18.2014 Bank accounts not controlled by the Chief Accountant
- 22.2014 Goods receipting process not being followed
- 27.2014 No delegations register in place for 2014 or 2015 as required by s.206 of the 2014 Financial Instructions (FIs) for signing of PVs and chapter 2 of the 2015 FIs
- 31.2014 Elements of Financial Statements not provided to audit within 6 months.
- 17.2012 Follow up of Special Imprests

The Finance Circulars which provide additional guidance to the Financial Instructions continue to remain in draft form, are yet to be reviewed and are not yet being implemented. See 14.2014 Publication and approval of the Finance Circulars.

## **Compliance with Legislative Requirements**

### **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.

### **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 which are detailed in our audit issues:

- Constitution of Tuvalu, Public Finance Act:
  - 1.2014 Over Expenditure of Budget Heads
  - 5.2014 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure
  - 6.2014 Virements and Warrants not being Performed Correctly
- Procurement Act and Procurement Regulations
  - 4.2014 Expenditure not in Compliance with Requirements of the Procurement System
  - 21.2014 Lack of Procurement Planning
- Currency Act Section 7, reporting of the Commissioner of Currency.
  - LC 2013.3 Section 7 of the Currency Act
- Public Finance Act Section 31
  - 31.2014 Elements of Financial Statements not provided to audit within 6 months.
- Public Finance Act Schedule rule 1 and Financial Instructions Section 249
  - 12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.
- Public Finance Act Schedule– Estimates of Expenditure for the Tuvalu Development Fund not produced.
  - LC 2013.1 Schedule to the Public Finance Act – Estimates of Expenditure
- Financial Instructions Section 235
  - 18.2014 Bank accounts not controlled by the Chief Accountant
- Financial Instructions Section 135
  - 22.2014 Goods receipting process not being followed.
- Financial Instructions Section 206
  - 27.2014 No delegations register in place for 2014 or 2015 as required by for signing of PVs and chapter 2 of the 2015 FIs.
- Financial Instructions Section 178(2), overspend of budget allocations
  - LC 2013.2 Section 178(2) of the Financial Instructions
- Financial Instructions Section 315(1) and 318(2)
  - 17.2012 Follow up of Special Imprests
- Student Education Loan Fund Policy and Student Education Loan Fund Manual
  - 8.2014 Loan to SELF (Student Educational Loan Fund) awardees and RSE workers being treated as expense and repayments treated as revenue

- 9.2014 Terminated scholarship students approved to continue studying under the Student Education Loan Fund (SELF) scheme

## Significant Matters Arising From the Audit

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

### 1.2014 Over Expenditure of Budget Heads

#### Findings and Analysis

During the audit, analysis was performed between the total amount of payments approved by the Appropriation Acts and the total cash payments made for 2014. The table below shows the total amount appropriated for each head, including Supplementary Appropriations and excluding Statutory Expenditure; the amount of non-statutory payments made; and the difference between the two.

Head	Description	Appropriated	Payments	Variance
<b>A</b>	Office of the Governor General	114,607.00	97,858.65	16,748.35
<b>B</b>	Office of the Prime Minister	3,819,699.77	3,562,615.09	257,084.68
<b>C</b>	Legal Service	332,988.00	213,601.26	119,386.74
<b>D</b>	Parliament	382,028.54	347,628.85	34,399.69
<b>E</b>	Office of the Auditor General	329,521.00	213,885.55	115,635.45
<b>F</b>	Finance and Economic Development	5,934,106.72	6,388,824.12	-454,717.40
<b>G</b>	Public Utilities	3,182,882.50	1,925,114.49	1,257,768.01
<b>H</b>	Health	6,091,005.58	6,343,533.96	-252,528.38
<b>I</b>	Natural Resources	2,632,915.00	2,388,853.54	244,061.46
<b>J</b>	Home Affairs	4,054,608.06	3,892,682.78	161,925.28
<b>K</b>	Police & Prison Services	1,765,028.00	1,669,208.85	95,819.15
<b>L</b>	Transport & Communication	4,621,264.82	4,510,624.45	110,640.37
<b>M</b>	Education, Youth and Sports	7,513,821.00	7,219,860.34	293,960.66
<b>N</b>	Judiciary	145,736.50	142,696.99	3,039.51
<b>O</b>	Foreign Affairs	2,639,009.73	2,866,421.94	-227,412.21
<b>Total</b>		<b>43,559,222.22</b>	<b>41,783,410.86</b>	<b>1,775,811.36</b>

It was noted that the payments made for the Ministry of Finance and Economic Development, the Ministry of Health and the Ministry of Foreign Affairs was greater than the amount appropriated.

#### Implication

- The payments made out of the three heads which payments exceeded the appropriation are in breach of the Constitution, the Public Finance Act and the Financial Instructions. Section 9 (C) of the Constitution of Tuvalu states that:

*No money shall be issued from the Consolidated Fund except upon the authority of a warrant under the hand of the Minister responsible for Finance.*

*No warrant shall be issued by the Minister responsible for Finance for the purpose of meeting any expenditure unless — (a) the expenditure has been authorised for the relevant financial year by an Appropriation Act;...*

- Payments are being made without due consideration of the budget framework.
- The controls in place to prevent these overpayments are not effective.

#### Recommendation

- The reason for the occurrence of these overpayments is investigated.
- Further strengthening of the payments process is performed to make the controls in preventing these over payments from occurring is performed.

#### 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.

### **2.2014 Incorrect accounting for acquisitions, disposals and depreciation during 2014**

#### Findings and Analysis

Property Plant and Equipment assets have been included in the TWOG's Financial Statements for the first time in the 2013 Financial Statements and have since been included in 2014. The movement in Property Plant and Equipment from 2013 to 2014, (depreciation, additions and disposals) have been performed via an Equity journal entry. There is no accounting for these asset movements in the Statement of Income and Expenditure or Statement of Assets and Liabilities.

The method of accounting for these Property Plant and Equipment is not consistent with the requirements of Tuvalu GAAP which looks to IFRS and IPSAS. These accounting standards require that any asset movements are accounted for through the Statement of Income and Expenditure and Statement of Assets and Liabilities, rather than through equity.

The write on of assets in 2013 should have been used only to initially account for assets, with asset accounting as described in the Accounting policies being implemented in 2014 onwards.

#### Implication

- Expense for 2014 is over stated as assets purchased in year have been expensed rather than capitalised (put on the Statement of Assets and Liabilities).
- The equity movement of the net of additions, disposals and depreciation is incorrectly accounted for. These movements should be through the Statement of Assets and Liabilities and the Statement of Revenue and Expenditure.
- Assets provided by Development partners in 2014 are incorrectly accounted for as they should be recognised as deferred income over the period in which the asset is used, rather than in equity.

#### Recommendation

- In future, all movements in the assets balance should be through the Statement of Assets and Liabilities and the Statement of Revenue and Expenditure rather than equity.

- In future, assets purchases should not be recognised as an expense and subsequently recognised as an asset through equity. Rather asset purchases should be recognised as an asset.

Management Comment

This will be considered in the future.

Finance will continue to be cautious about what which part of the recommendation is implemented. There have been at least 2 full Asset projects over the last 15 years with the help of donors. Both of these projects failed and in the end nothing sustainable was achieved. In 2007 Assets were completely updated and Finance was updating it, but due to staff movement, and Treasury not picking it up and continuing it, it also failed.

Treasury is now slowly introducing and improving asset reporting. It is important that they develop this at a sustainable rate. They potentially are at a stage they could meet this recommendation; however it is not advisable to try to meet this recommendation at the expense of actually tracking the assets.

### **3.2014 Records Management System (RMS) not updated in 2014**

Findings and Analysis

During our review of the Internal Revenue Department's accounting system for tax returns, the Records Management Database, it was found that the database had not been updated for all transactions occurring in 2014.

It is acknowledged that the balances at the end of 2014 were entered and that the RMS is up to date for 2015.

Implication

- The database was unable to be reconciled to ACCPAC at the end of 2014.
- There is limited comfort that the tax receivable and revenue figures in 2014 are materially stated.
- Taxpayers who have not lodged a return for 2014 or who have lodged a return for 2014 may not be followed up, given the data is incomplete.

Recommendation

- Continue updating RMS for 2015. Ensure that the 2014 receivable balances are correct.
- Reconcile the tax revenues and receivables from RMS to ACCPAC on a monthly basis, updating ACCPAC if need be.
- Produce listings of tax receivable/outstanding from RMS and follow up taxpayers to ensure that they make payment.

Management Comment

The recommendations are noted.

The IR department will work on the recommendations.

Treasury will rectify in 2015 accounts in 2016.

Treasury did not meet the deadline for these statements. The primary reason for this was due to staffing constraints and movements.

#### 4.2014 Expenditure not in Compliance with Requirements of the Procurement System

##### Finding and Analysis

The procurement process was implemented to ensure that a complete process is undertaken in order for the TWOG to receive the best value for money for goods and services.

During our audit testing it was noted that the following payments were not in compliance with the Procurement process required by the Procurement Act and the Procurement Regulations:

ACCTID	FISCALYR	FISCALPER	JNLDTLDESC	JNLDTLREF	TRANSAMT
723330G01SD	2014	07	Orion 2000 Limited - invoice/facture 3680 of 19/06/14	00000001464-PY062561	345,176.73
722551L0202	2014	07	PV 56 THC - Estimate cost for MV Manufolau maintenance Jul	000000123890-PY062135	132,935.28
725040H01TG	2014	02	TRN 0353 Fortis Healthcare Ltd Pmt of Medical Bill to India	00000000353-PY058916	123,446.03
725040H01TG	2014	01	D119218 PV 137 Suva Private - outstanding bill Dec 2013	000000116238-PY057869	103,550.94
782410J02SD	2014	06	PV 194 Nukufetau Is. Com. - approve for multipurpose court	000000148893-PY061684	50,000.00
798100M06SD	2014	02	PV 359- TASNOC Pmt of Transfer Fund material from Fiji	000000119819-PY058859	50,000.00

##### Implication

Economy, efficiency and transparency in procurement proceedings were not achieved, and the fairness and equal treatment of all suppliers was not provided for as per the Section 7 of the Procurement Regulations 2013.

##### Recommendation

- All purchases carried out by the TWOG in the future are in compliance with the Procurement process.

##### Management Comment

The Central Procurement Unit has an interest in procurement compliance in order to sustain the financial efficiency savings made from budgets and to put procuring entities in the best position to obtain volume pricing discounts for all government purchases (goods, works & services).

Plans set during the year to do activities such as conducting regular checks in every line ministries to make sure there is compliance in all the procurement proceedings, assist in procurement planning, and consultations with ministries on procurement issues were unable to follow due to pressure of work with short staffs.

The procurement team will be working very close with line departments/ministries in carrying out procurement activities and aim to work in accordance with the procurement legislation.

#### 5.2014 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure

##### Findings and Analysis

It was noted that the Final budget expenditure figures used in the Statement of Receipts and Payments and in the Statement of Unauthorised expenditures were unable to be agreed in total to the corresponding Appropriation Acts (Both original and Supplementary) and Estimates of Statutory Expenditure. The total budget expenditure figure reported in the Financial Statements was \$44,247,076, compared with a total budget expenditure figure in Appropriation Acts and Statutory Estimates of \$44,227,244. This variance of \$19,831 was unable to be reconciled by Audit.

Implication

An amount of \$19,831 had been provided for as available funds to be spent, without any Statutory Approval or Appropriation Act. It is unclear whether this amount has been expended.

If payments were made under the available funds, the payment will not be in compliance with requirements of the constitution of Tuvalu, the Public Finance Act and the Financial Instructions.

Recommendation

- Analysis is performed by the Planning and Budget team to find out the cause of this variance.
- Investigation is performed into whether the Appropriation Acts and Statutory Estimates agree to the budget figures within the Accounting system in the future. If the figures do not agree, take measures to reconcile the figures.

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.

## 6.2014 Virements and Warrants not being Performed Correctly

Findings and Analysis

Audit performed analysis over the Virement and Accounting Warrants which were processed in 2014. Virements are the approval to move budgeted funds within a Head of expenditure. A warrant is authority from the Minister of Finance to spend funds from the Consolidated Revenue Fund within that budget line item (within a head).

The Final budget figure as per the Appropriation Acts for budget line item was compared with the amount warranted against each line item. Statutory expenditures were excluded.

The difference between the Final Budget figure and the amount Warranted for each line item were then totalled by Head. If the corresponding sum was a positive amount or zero, the virements and warrants had been processed correctly. It was found that for 6 heads, there was a negative amount, which implies that the amounts Warranted exceeded the Appropriated expenditure for that head. The total amount of Warrants which were greater than the appropriations for the 6 heads came to \$115k.

In the following heads, the amount warranted is greater than the appropriation for that head:

Head	Total over Warranted
B	\$ (201.32)
C	\$ (500.26)
F	\$ (20,006.34)
I	\$ (54,603.62)
M	\$ (3,056.81)
O	\$ (37,298.99)
<b>Total</b>	<b>\$ (115,667.34)</b>

Implication

- There is an increased risk of not detecting over expenditure of funds and breaching of the appropriation acts.
- This is contrary to the requirements of the Public Finance Act and the Financial Instructions.

Recommendation

- In future, the reasons for the over warranting which has occurred are investigated and the practices which cause this are ceased.
- During the year, this analysis is performed on a regular basis to ensure that over warranting is not occurring.

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.

## **7.2014 Strategic planning for the TWOG**

Findings and Analysis

The TKII (National Strategy for Development) has been prepared and is the document which states the TWOG's development priorities. A Roadmap has been developed which details the planned steps in achieving the TKII. Underneath these documents should be Corporate Plans for each of the TWOG's Ministries and Departments which detail how they plan to implement the TKII strategies.

Currently there are Corporate Plans for most Ministries and Departments; however, they are not well linked to the TKII. There is limited monitoring of the process of being accountable for each Ministry and Department's Corporate Plan.

The TWOG used program based budgeting in both 2014 and in 2015. There has been limited reporting on the effectiveness of the programs administered each year. The Finance Ministry has responsibility for the monitoring of progress against the program budget, the TKII or the Corporate Plans. This is performed on a quarterly basis with limited annual reporting.

Implication

- There is limited accountability of the Ministries and Departments surrounding their progress against the TKII and Roadmap.
- Without effective monitoring of the progress against these plans, the TWOG will not be able to identify when a Ministry or Department is either not performing their planned tasks or is performing tasks which are not identified as a priority.

Recommendation

- The function of monitoring and reporting on the TKII and Roadmap progress is performed by the Headquarters of each Ministry.



- Emphasis is placed on performance of the functions required to achieve the goals in the TKII and Roadmap and any goals identified in Corporate Plans which are not aligned to the TKII and Roadmap, are not considered a high priority.
- Performance of a review of the Corporate Plans of each Ministry and Department to ensure that the strategies contained within the plans are aiming to achieve the goals of the TKII. If they are not, the monitoring department works with the Ministry to update their Corporate Plan.
- If there is a priority goal not identified in the TKII and Roadmap, than the monitoring department recommends that the TKII and Roadmap be updated with that goal.
- Identifying during the Strategic Planning process the risks of not completing the tasks in order to achieve the goals. Approaches to minimise these risks should also be considered.
- The TWOG formalises the Ministry and Department responsible for the reporting, and adequate resourcing is provided to the Ministry for this function.

Management Comment

The recommendations are noted.

The new National Development Plan is currently being developed, and is due for release at the end of 2015. A monitoring and evaluation framework for the new plan will be developed, which will include the formalisation of the functional responsibilities.

**8.2014 Loan to SELF (Student Educational Loan Fund) awardees and RSE workers being treated as expense and repayments treated as revenue**

Findings and Analysis:

The student educational loan fund (SELF) was an initiative to open up further education to all Tuvaluans who wishes to pursue further studies up to the top of their abilities. Successful applicants are awarded the loans and will have to repay to TWOG after completion of studies or returning home on failure. No interest is charged on these loans.

The student educational loan fund policy Section 4.7 states that *“loans will not be repaid to Government until after the applicants have completed their studies, or returned home on failure, or whatever the case may be”*.

There has not been any repayment made by students who have completed their studies or by students who have been terminated. Some of these students are now employed full time. The Education Department has not made any actions to recover these loans.

The Recognised Seasonal Employer (RSE) scheme allows workers from the number of Pacific countries including Tuvalu to take seasonal jobs in New Zealand. These jobs are in horticulture and viticulture industries. Successful applicants who do not have sufficient funds to travel to and from New Zealand can apply for a loan under the department of labour and the loan will be paid under the RSE worker allocation.

The Labour Department were not able to provide the updated list of outstanding loans in the RSE scheme and their balances when requested.

The SELF and RSE loans are not being recognised as loans in the TWOG’s Financial Statements, rather they are recognised as expenses when paid out and revenues when they are re-paid. There is limited monitoring of the balances of amounts owed by each SELF awardee and RSE participant, nor is there any follow up on amounts which are now due.

Implication

- If the Education Department and Labour Department does not make any effort to collect these loans, there is an increased risk that these loans will never be recovered.
- As there is limited monitoring and recording of the amounts loaned and to whom, the recovery of loans will become more complicated and less likely to occur in the future.
- Expenses in the year that the loans are paid out are overstated and the Loan balance (Asset) is understated.
- Revenues in the year which loans are repaid are overstated.

Recommendation

- We recommend that the department concern should make an effort to send out reminder letters to SELF and RSE awardees who have loans due to be re-paid.
- SELF and RSE payments should be recognised as a Loan (Asset) when they are paid out, rather than an expense.
- SELF and RSE repayments should be recognised as reduction in the loan amount i.e. reduction to receivables but not charged as revenue.
- The Treasury Department should assist the Education Department and Labour Department in setting up a monitoring system of Loans paid out in ACCPAC (similar to the imprest or advances currently performed), to ensure ease of reporting, all amounts (and repaid) to the TWOG are recorded.

Management Comment

The recommendations are noted.

Finance will work closely with the concerned Ministries to improve the monitoring and reporting of both the SELF and RSE loans.

**9.2014 Terminated scholarship students approved to continue studying under the Student Education Loan Fund (SELF) scheme**

Findings and Analysis

Students have been approved to continue studies under the SELF scheme after their studies have been terminated by other sponsors. One student who was terminated in 2013 and one student who was terminated in 2014 were both approved by the SELF scheme in the same year they were terminated. This is a breach of Section 4.1.4 of the SELF manual which states:

*“Any applicant suspended, expelled or terminated from any institution on fault based reasons such as poor performance, disciplinary matters, and serious offence etc. will not be eligible for any award under this scheme within the next three years.”*

Implication

- Funding is allocated to students who are ineligible to receive funding under SELF.

Recommendation

- The SELF Management Board should ensure that terminated scholarship students are not permitted to apply for the SELF.
- The SELF Management Board must adhere to the policy and manual in place, to ensure objectivity and fairness is achieved for all applicants under the SELF scheme.

Management Comment

No comment received from TWOG.

**10.2014 No recording of annual leave and sick leave balances by TWOG**

Findings and analysis

No annual leave and sick leave balances are being recorded by the TWOG, instead annual and sick leave is reconciled to the staff member's file with the records of their annual leave on it. This process is time consuming and prone to errors, if a miscalculation or misfiling of an annual leave form or sick leave certificate occurs.

Implication

Given that the annual and sick leave files are not being updated in a timely manner, there is an increased risk of excessive annual or sick leave being taken, annual or sick leave taken and not recorded, annual leave payouts at end of the staff's service may be over paid and unidentified or unrecorded annual leave is taken.

Recommendation

- A system is developed where staff enter their annual leave requests in before they go on leave and this is approved by their superior and personnel and training before they go on leave. This could be incorporated into the current database system which has been developed to approve staff's overseas travel.
- Further effort is placed in obtaining staff's annual leave forms, approving and updating the annual leave balance, before the staff member actually goes on annual leave.
- Annual leave and sick leave balances are calculated for each staff member and are updated with each leave form submitted.
- Instructions for Personnel are developed in order to consistently and effectively manage annual leave balances.

Management Comment

MOF to consider in 2016, however, is considered to be challenging in implementation.

There is potential to introduce a payroll system into ACCPAC, and this should definitely be looked at over the next year or so. But this data will only be as good as the information that goes into it.

**11.2014 Observer's fund accountability.**

Findings and Analysis

The observer fund within the Tuvalu Development Fund is used for payments to observers in the form of advances, imprests and salary.

It was unclear who is monitoring the receipts and the subsequent either collection or retirement of the imprests and advances made out of the Observer's fund. It was unclear if any monitoring of the Fishing companies who are obliged to make these payments is being performed, to ensure that all payments owed to the TWOG are collected.

Payments from the Observer's fund have been made without any description of the payment, making verification and administration challenging. Additionally an amount of \$40k was transferred out of the Observer's fund and into Fisheries program activities.

Implication

There is limited accountability of the Observers fund, surrounding completeness of receipts in and acquittal of advances and imprests which are paid out.

Recommendation

- Payments and administration of the amounts owing out of the Observers Fund should be managed by Treasury.
- A set of rules surrounding the governing of the fund should be established and reviewed before each payment is made.
- Imprests and advances should be monitored by the Treasury department in ACCPAC with the Fisheries department performing the follow up of overdue imprests.
- The \$40k transferred to a different program is re-paid.

Management Comment

This will be addressed in 2016.

Finance will work closely with the Ministry of Natural Resources to develop a policy that clearly defines the purpose of the Observers Fund and the types of expenditure that can be made from the Fund. This policy will be used by Treasury as a reference point for confirming that proposed expenditure is within the policy parameters of the project.

Internally, Finance will develop a policy to manage expenditure approvals for TDF projects in instances where donors have not clearly defined the rules for the use of the funds.

**12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.**

Findings and Analysis:

The Tropic Cyclone (TC) Pam Development Fund Account was created for Development Funds to be deposited for cyclone relief. Funds have been expended out of the TDF without a Development Fund Warrant and before receipt of the funds into the Development Fund Bank account.

The TC Pam Development Account has been overspent by \$1.3m in 2015. The overspend occurred when senior management made a direction to process payments under this item, as the overspend was planned to be reimbursed once funds from donors who have pledged to provide financial assistance are received into the TDF bank account.

This is not in compliance with the Public Finance Act and Schedule to the Public Finance Act rule 1: *“No moneys shall be issued from the Development Fund for the purpose of meeting any expenditure except in accordance with a Development Warrant under the hand of the Minister. The FI 2015 Section 240 states “No funds shall be advanced from the Consolidated Fund to the TDF or vice versa for any purpose.”*

The Financial Instructions 2015 Section 249 state that

*“Upon the receipt of ODA (Overseas Development Assistance) funds, the Minister shall, in accordance with the powers conferred by the rules contained in the Schedule to the Act, issue a development fund warrant, authorising payment from the development fund the sum set out in the warrant against the requisite development project.”*

Audit noted in 2015 that a Development Fund Warrant can only be issued once funds have been received. No funds were received into the TDF bank account before this Development Fund Warrant was issued as required by the Financial Instructions.

There was correspondence between the TWOG and Development Partners confirming the financial support that they will be provided, however, these funds were not received before the Development Fund Warrant was issued.

It is understood that there is a need to act urgently after a natural disaster including the release of funds, however, there are provisions in the Public Finance Act and Financial Instructions to perform this, without breaching the rules.

#### Implication

- There is a risk that remaining funds in the TDF bank account will not be sufficient to fund other project activities.
- There is an increased risk that all funds pledged by Development Partners may not be received and another project in which the funds have been diverted from suffers.
- The Public Finance Act and Financial Instructions have been breached, given the expenditure and warranting of funds for expenditure occurred before the funds were received into the TDF account.

#### Recommendation

- A development fund warrant should only be issued when there are funds deposited into the TDF bank account for that particular item.
- No expenditure should occur until the funds are received into the TDF Bank account.
- Payments should not be approved to be processed if there are insufficient funds for a TDF project.

#### Management Comment

The recommendation is noted.

Finance will undertake a review of the warranting process to ensure that future breaches of the Act do not occur.

### **13.2014 Information and Communications Technology Weaknesses**

#### Findings and Analysis

During our discussions with the Information, Communications and Technology (ICT) Department in the Ministry of Communications and Transport, the following issues were noted:

1. There is no ICT strategic committee giving overall strategic guidance and direction to the ICT Department.
2. A National ICT policy has been drafted, however, has remained in draft form after more than a year.
3. No ICT security policy is in place, ensuring that ICT security is appropriate.
4. Lack of documented processes surrounding the implementation of the above policies. This also includes a lack of desktop instructions for the performance of routine or repetitive tasks.
5. Lack of consistent antivirus software usage and antivirus management
6. Lack of testing of new upgrades to computer software and servers.

7. No physical access policies in place restricting access to key IT areas. This includes the server room.
8. Lack of appropriate environmental controls in the server room, ensuring correct humidity, temperature and consistent power supply.
9. Lack of backup processes and lack of backups performed.
10. No disaster recovery plan and procedures are in place.
11. Lack of user access control policies and processes
12. Lack of consistent framework of IT platforms.

#### Implication

1. Without an ICT strategic committee, there is limited guidance given to the ICT department on what their overall goals are and what they should be striving towards. This is particularly important when requested to take on new roles or when requested to perform something which is not considered a priority.
2. This could result in IT goals not contributing to the TWOG's overall strategic objectives and increase related costs and risks. While in draft form, it is not distributed or implanted.
3. There is no clear direction to maintain information security across the organisation and to properly safeguard the TWOG's assets. Without an IT security policy attempts to maintain information security will be performed inconstantly and without direction.
4. With a lack of processes, the risk of these tasks being performed inconsistently is greatly increased. If there is a turnover of staff, without processes in place, it is unlikely that these processes will be followed consistently.
5. Without consistent antivirus software regularly updated, the risk of services being interrupted and data corruption is increased. This could potentially cost the TWOG in terms of lost data, reputation, and theft of data and in computers which are rendered useless.
6. Without testing new upgrades in a systematic and thorough way, there is an increased risk of changes made which do not address user requirements, downtime to computer users if the change is unsuccessful or causes issues and unknown effects on the ICT service being delivered.
7. Without control physical access to IT hardware, there is an increased risk of unauthorised access which could lead to theft, damage to hardware and misuse of TWOG assets.
8. Without proper environmental controls, there is an increased risk of loss of data due to failure of the current environmental controls, loss of performance of assets, premature failure of assets and aging of expensive IT equipment.
9. Without a formal documented backup process of key information, in the event of a failure of an information system, there will be significant cost and risk to the loss of key information of the TWOG.
10. Without a Disaster Recovery Plan, in the event of a disaster, the response will not be co-ordinated with limited guidance on what to prioritise. There will be an increased risk of downtime, loss of data and assets, disruption of key services, and the priority systems will not be restored.
11. Without a user control and access policy, there is an increased risk that excessive access is given to some users. This increases the risk of loss of data, accidental deletion of data, inappropriate user rights being granted to certain staff members and

incorrect modifications made to systems by staff members who are not qualified to do so.

12. Without a consistent IT platform (for example all staff using a single version of Windows and single version of Office), there are inefficiencies in managing these systems by the ICT department. This includes not being able to roll out updates to one platform, having to ensure that different user platforms work with the infrastructure in place, and an increased risk of virus infection

#### Recommendations

1. An ICT strategic committee is formed and meets on a regular basis.
2. The National ICT policy is approved and implemented.
3. An ICT security policy is drafted and approved.
4. Detailed process and procedures are documented for the requirements of the above policies.
5. A decision on which Antivirus software to be implemented across the TWOG is made, and the Antivirus software is rolled out.
6. New upgrades are formally and rigorously tested in an isolated environment.
7. Physical access policies are defined and adhered to.
8. Appropriate environmental controls are put in place in the server room and wherever else key IT infrastructure is located.
9. A backup process is formalised and followed.
10. A DRP and subsequent procedures are put into place and are tested on a regular basis.
11. User access controls are defined and reviewed to ensure that they are appropriate.
12. A consistent framework of IT platforms is approved and rolled out to all TWOG IT users.

These findings and analysis are further developed in a Technical Audit Report which was sponsored by the Commonwealth Secretariat for the ICT department. The Technical Audit Report, documents the current practices and what the minimum service levels and requirements should be. We recommend that this report is used as a base for the implementation these recommendations.

#### Management Comment

No comment received from TWOG.

### **14.2014 Publication and approval of the Finance Circulars**

#### Findings and analysis

The financial instructions have been revised and re-issued with the effective date of 1 January 2015. Much of the guidance in the previous Financial Instructions has been removed from the Financial Instructions and has been placed into Finance Circulars which remain in draft form.

These draft Finance Circulars are yet to be reviewed, approved and published.

#### Implication

Without these Finance Circulars being approved, circulated and implemented there are significant processes which required to be performed with limited guidance.

#### Recommendation

- The Finance Circulars are finalised, approved and are distributed for use. This will enable consistency of the application of finance functions and will give guidance in the application of the financial instructions.
- Education of key stakeholders is performed on the requirements of the revised Finance Circulars.

Management Comment

The recommendations are noted.

The Financial Circulars will be finalised and issued as a matter of priority.

**15.2014 Promotion and education of stakeholders of the revised financial instructions**

Findings and analysis

The financial instructions have been revised and re-issued with the effective date of 1 January 2015. To date there has been limited promotion and education of the requirements of the revised Financial Instructions.

Implication

- Without performing education on the requirements of the new financial instructions, there will be limited change in the practices of the TWOG staff.
- The requirements of the revised financial instructions will not be adhered to.

Recommendation

- Appropriate education and promotion of the requirements of the updated financial instructions is performed by Finance. This could be in the form of workshops, presentations, meeting with individual staff in key positions and through email communications.
- Feedback on the implementation of the revised Financial Instructions is obtained and considered for the next revision of the Financial Instructions.

Management Comment

The recommendations are noted.

Training has been provided to TWOG staff on the revised 2015 Financial Instructions by both Treasury and PBD as part of the annual financial training program for vote keepers.

In instances where processes have changed, such as virement rules and the introduction of purchase orders, specific training workshops were held in early 2015 by PBD for TWOG staff.

**16.2014 Fraud policy implementation**

Findings and Analysis

A fraud policy was drafted as part of the revised financial instructions. It has been included as a Finance Circular. To date it remains in draft form and has not been widely circulated, reviewed, adopted or put to use.

Implication

A significant part of any fraud policy is to act as a deterrent to fraud. By promoting awareness of the fraud policy and the consequences of committing fraud, the policy is designed to prevent fraud as well providing guidance on what to do in the event a potential fraud is identified.



Without promoting the fraud policy, the deterrent effect of the policy is diminished. This means that the policy is less effective and the risk of fraud being committed is increased.

Recommendation

- That the Finance Circular which contains the fraud policy is reviewed, finalised, and put to use.
- Education of staff is performed on their obligations surrounding fraud and the requirements of the fraud policy.

Management Comment

The recommendations are noted.

Finance will review and formally issue the Finance Circular and provide training to Ministries on their obligations and responsibilities under the Fraud Policy.

**17.2014 Creation of special fund and rules for maintenance and replacement of assets funding**

Findings and Analysis

Assets have been recognised for the first time in 2013 and work is continuing to be performed on accounting for these assets.

There has been funding allocated for the maintenance of the critical assets to the TWOG. It is anticipated that once an assets management plan has been implemented, these funds will be used to perform routine maintenance on the key assets identified in the maintenance plan. The budget funding is currently allocated on an annual basis to maintenance.

Implication

If budget funding on maintenance is not expended annually, then these funds will not be able to be used in the future and limited funding for the maintenance of assets will occur.

Recommendation

- That a special fund is created for the maintenance and replacement of identified key assets, to ensure that contributions made are only used for the purpose of maintenance.
- Rules surrounding the usage of this special fund are developed to ensure that the funds are appropriately expended.
- Budget allocations to maintenance and provision for replacements occur in the future, in order to ensure that Tuvalu's assets are in good working order and are able to serve the purpose which they were acquired for.

Management Comment

The 2015 Budget, Government provided recurrent budget funding for the establishment of a Deferred Maintenance Fund. Recurrent budget funding will be transferred annually to the Tuvalu Development Fund and held in a project account entitled "deferred maintenance fund". Additional funding may be sought from development partners to increase the availability of funds, in which case these funds will be deposited directly into the project account. The project funds will be managed jointly by the Secretary of Public Works and Secretary for Finance.

A Deferred Maintenance Policy has been developed, which governs the use of the Funds. Assets, excluding those owned by Public Enterprises, with an original purchase cost of \$20,000 or greater are covered by the policy. All assets will be reviewed and 10 year

management plans developed and funding allocated to maintenance in accordance with the plans.

### **18.2014 Bank accounts not controlled by the Chief Accountant**

#### Findings and Analysis

Several departments within the TWOG manage and maintain accounts outside the control of the Treasury Department. These accounts were set up to assist activities within the departments or projects which are not funded under the Annual budget, however, are part of the Consolidated Revenue Fund. These accounts include:

- The Miss Tuvalu Fund which was set up to meet the Miss Tuvalu Pageant Activities. The passbooks for this account are missing however the accounts still exist with the National Bank of Tuvalu.
- New Solar Energy account which was set up to meet activities related to the solar energy project.
- Disaster account which was set up to meet disaster relief activities and the maintenance of household water gutters and;
- The TB and HIV account which was set up to meet activities relates to TB and HIV project.

The holding of these accounts management of these accounts breaches the new Financial Instructions Section 235 which states that, “The Chief Accountant, on behalf of the Ministry, must manage and maintain all bank accounts held by Government, and there shall be, for no reason, accounts held outside of the control of the Treasury Department”.

#### Implication

- Without the involvement of the Chief Accountant in administering these accounts, the risk of funds being misused will be increased.
- Given these bank accounts are considered to be part of the Consolidated Revenue Fund, it is prohibited to expend money from these accounts without a valid appropriation (i.e. budget allocation in the current year).

#### Recommendation

- All departments and projects (including the above) hand over to the Chief Accountant all the accounts that are separately administered by them.
- These accounts are then closed and consolidated in the Consolidated Revenue Fund and are appropriated in the normal budget process.

#### Management Comment

The recommendation is noted.

Finance will review all bank accounts held by Ministries and ensure that they are transferred to the Ministry of Finance in accordance with the Financial Instructions.

### **19.2014 Reconciliation of Aged Purchase Order listing to the General Ledger**

#### Findings and Analysis:

The TWOG is currently implementing the use of purchase orders prior to preparation of a payment vouchers. This new system was introduced in early 2014 and is proving to be an effective tool in preventing over spending within the TWOG.

A purchase order ensures that there are adequate funds in the TWOG's budget to expend funds before they are committed. Additionally a purchase order ensures that it is clear to the supplier what the TWOG wishes to order.

Audit noted when performing testing of payables that the General Ledger balance of the purchase order clearing account which is recognised as a payable, was not able to be reconciled to the aged purchase order listing. The variance was \$56,880.40

#### Implication

- Audit was unable to receive a listing of outstanding purchase orders which reconciled to the General Ledger account at 31 December 2014.
- Due to the account not reconciling, audit was unable to gain assurance surrounding the accounts payable figure for 2014.
- There is an increased risk that purchase order amount is misstated in the financial statement.

#### Recommendation

- Reconciliation between the Aged Purchase Order listing and the General Ledger is performed on a regular basis.
- The reason for the variance is determined and amended in the General Ledger.
- Once the practice which causes the variance between the General Ledger and the Purchase Order Module is identified, this practice is discontinued.

#### Management Comment

The recommendations are noted.

The issue will be investigated by Finance's Administration and Operating team and the process rectified to ensure that the variance does not occur in future years.

### **20.2014 Monitoring of upper air space revenue**

#### Findings and Analysis:

TWOG has entered into an agreement for the management and collection of revenue from aeroplanes utilising Tuvalu's air space, with the Nadi Flight Information Region (NFIR). There has been limited monitoring by the TWOG of the shares of the revenue which is received from the NFIR agreement, nor is the TWOG fully aware of the conditions contained in the agreement with NFIR. The agreement was unable to be located when requested by audit.

We acknowledge that the Aviation Department is aware of this issue .

#### Implication

- Given the split of revenue shares was unable to be reconciled with the agreement as the agreement was unable to be located, there is an increased risk that TWOG receives less revenue from the NFIR agreement than it is entitled to.

- The Aviation Department is unaware if it is receiving all of the benefits from the NFIR agreement.

Recommendation

- A copy of the agreement is obtained, reviewed for the revenue share calculation and filed properly for ease of access in the future.
- The revenue share in the agreement should be agreed with the payments received by the TWOG to ensure that all revenues that the TWOG is entitled to are being collected.
- The agreement with NFIR should be reviewed to ensure that there is adequate transparency of reporting of information relating to the distribution of revenue shares and other entitlements of the TWOG.

Management Comment

The recommendations are noted.

In the context of the 2016 Budget, Finance will ensure that revenues from this source are correctly understood and reflected.

### **21.2014 Lack of Procurement Planning**

Findings and analysis

An annual procurement plan is required to be compiled for every ministry as per the Public Procurement Regulations Section 14. The purpose of the annual procurement plan maximise efficiency and economy. The annual procurement plans enable timely actions on individual procurement transactions and to allow the Central Procurement Unit to consolidate the procurement of common user items into bigger packages in order to ensure economies of scale are gained.

No procurement plans were submitted in 2014 and in 2015 to the Central Procurement Unit.

Implication

- Without procurement plans being submitted, limited planning and grouping of common procurements are able to be performed, leading to inefficiencies and multiple bid documentation requests for similar items being issued. This is likely to increase costs of the TWOG to procure the same items, frustrating major suppliers having to fill out multiple bid documents for similar items and may cause compatibility issues if different items are purchased (for example computers and software).
- The Central Procurement Unit is unable to plan major procurements nor is the budgeting process in allocating funds effective.
- The Ministries and Departments who have not submitted procurement plans are in breach of the Section 14 of Procurement Regulations.

Recommendation

- Annual Procurement plan should be prepared in advance of each fiscal year and aligned with the annual budget application to the ministry responsible for finance.
- The Central Procurement Unit should follow up with Ministries and Departments who are yet to submit their Annual Procurement Plan.

Management Comment

Procurement Planning is part of the Public Procurement Regulation that everyone should adhered. Last year was known to be a trial year for everyone in learning the newly established procurement system and so as how to prepare a procurement plan.

This year we have been very strict in submission of procurement plans for 216, and we have set the final due date to the 30<sup>th</sup> of October, 2015. An improvement was seen this year on plan submissions.

CPU will consolidate the procurement plan submissions and formulate an Annual Consolidate Procurement Plan for the Tuvalu Whole of Government. Common user items will then be identified and similar items would be grouped into packages ready to be tendered. This process would eventually achieved economies of scale and provide work efficiency and effectively.

## **22.2014 Goods receipting process not being followed**

### Findings and Analysis

The Tuvalu Whole of Government has in 2014 implemented the use of Purchase Orders. A Purchase Order is raised in order to ensure that:

- funds are available within the budget for the purchase of the goods and services,
- the TWOG does not commit to purchase goods in which is does not have funds allocated,
- it is clear what goods are to be purchased, and
- approval of purchases is made prior to committing to purchase or receive goods.

This is an improvement from the past.

As part of the purchasing process, goods receipting should also occur. The updated financial instructions paragraph 135, require a goods receipt to be written on the invoice before being presented to Treasury for payment. Goods receipting is when the goods/services are received they are matched to the invoice and the purchase order, to ensure that the goods/services which have been received are consistent with the goods/services required in the purchase order and charged to the TWOG on the invoice.

It was noted in 2014 that:

- Some Purchase Orders (POs) were raised after the commitment of funds and goods were received.
- There was limited goods receipting occurring.

### Implication

- When a PO is raised after the commitment of funds and goods received (i.e. when the invoice is presented for payment), there is increased risk of overspending of budgets, incorrect goods are received or an unfavourable pricing change occurs.
- Without goods receipting, there is increased risk of goods/services being provided which are not consistent with the goods/services committed to in the purchase order and billed on the invoice.

Recommendation

- Goods receipting is performed as per the financial instructions. Invoices presented to Treasury which do not have a Goods Receipt on them are returned to the accounting officer for them to verify that the goods/services have been received.
- Education of accounting officers is performed surrounding the requirements of raising POs before a commitment is made and goods receipting on the invoice.

Management Comment

This shall be addressed in 2015

The vote keeper or Permanent Secretaries should write on the invoices that they have received the goods they want treasury to pay for before Treasury processes payment.

Treasury should do this, and it is outlined in the FIs.

The introduction of Purchase Orders has been undertaken in a staged process. During 2014, Health and Education were moved to the new process, with all remaining Ministries commencing in 2015.

Extensive consultation and staff training has been undertaken across all Ministries and it is considered that finance officers are fully aware of the requirements.

**23.2014 Timely submission of Brussel mission monthly accounts**

Findings and Analysis

Overseas mission monthly accounts are required to be submitted in the first week of the following month. An e copy of the cashbook is required to be submitted through email to the Treasury at the end of each month.

Audit noted that Brussel mission accounts were not submitted on a timely manner as required by Treasury. The accounts for the month of January to March 2015 year were submitted in July and the accounts for April 2015 have not been submitted. It was noted that all the payment vouchers in the accounts that were submitted have not been approved by the Accounting officer at the mission.

Implication

- There is an increased risk of fraud and unauthorised payment being made.
- Without the timely submission of monthly accounts by the missions, the TWOG monthly accounts will be incomplete/misstated.

Recommendation

- Brussel mission should ensure that hard copies of monthly accounts are submitted in the first week of the following month and that E copies of cash books are submitted by the end of the month to the Treasury Department.
- Payment vouchers should be signed by the Accounting officer for approval before being paid.
- Payment should not be allowed to be processed if the Accounting officer has not approved the payment voucher.

Management Comment

The recommendations are noted.

Finance will work closely with the Brussels Mission during 2015 to ensure that all reporting and accounting requirements are understood and met.

#### **24.2014 Timely reconciliation of Imprest**

##### Findings and Analysis

An Imprest is initially recognised as receivable in the TWOG accounts, when paid out to staff members as a travel advance. Once the amount is retired (either re-paid or acquitted against an expense) in full it will be transferred out of receivables.

Audit noted that there were quite a few receivables in the TWOG accounts which have negative amounts which imply they are payables rather than receivables.

It was noted that this could be either due to an over repayment of imprest amount by the staff member or a misposting made in the system. These negative amounts have not been reconciled to the imprest documentation and will only be reconciled once a staff member raises a refund claim for the overpaid imprest.

##### Implication

- Without timely reconciliation of imprests, the receivable may be understated as the negative amounts offset or reduces positive amounts.
- Mispostings may remain in the system, causing misstatement of the receivables balance.

##### Recommendation

- Imprests should be reconciled on a timely basis to ensure over payment and under payment is identified and addressed on a timely manner.
- Review of all negative amounts in Accounts Receivable should be performed and the amounts either removed from the system if they are mispostings or re-paid to staff members if they are over payment of imprests.

##### Management Comment

The recommendations are noted.

The mispostings for 2014 have been corrected. The reconciliation process for 2015 will be undertaken more regularly to ensure that issues are identified in a timely basis.

#### **25.2014 Strengthening of the Ombudsman Commission**

##### Findings and Analysis:

During our discussions with the Ombudsman Commission, it was noted that the office was under resourced to perform its tasks. During our discussions, it was confirmed in the 2014 and 2015 budgets that there is limited funding for resources and additional staff, however a budget proposal is being submitted for the 2016 budget.

##### Implication

Without adequate resources the Ombudsman Commission is unable to effectively perform the tasks required of the Commission. The independence and effectiveness of the Ombudsman Commission to enforce the leadership code can be influenced by the Government not allocating appropriate funds to the Ombudsman Commission.

Without an effective Ombudsman there is an increased risk that the leaders of Tuvalu will not be held to account, there is an increased risk of breaches of the leadership code as there is little deterrent in the form of investigation by the Ombudsman Commission.

Recommendation

The resourcing allocated to the Ombudsman Commission should be increased to an adequate amount to ensure that the Ombudsman has the resources to be able to perform what is required of the Leadership Code Act.

The resourcing allocated should be independent of the Government and consistent in nature, to enable the Ombudsman Commission to perform its role without fear of resource cuts.

Management Comment

The recommendations are noted. Resourcing for the Ombudsman Commission will be reviewing in the context of the 2016 Budget.

**26.2014 Grants and Subsidy Weaknesses**

Findings and Analysis

During our discussions with the Office of the Prime Minister, Ministry of Finance, Ministry of Public Utilities, Ministry of Health, Ministry of Home Affairs, Ministry of Education, Ministry of Foreign Affairs, Trade, Tourism, Environment & Labour, the following issues were noted.

1. There is no formal agreement in place with the recipients of the grants for each of the Ministries above.
2. There is no standard acquittal report template format in use for recipients of grants to use to report to the Ministry administering the grant.
3. There is no formal policy in place for the administration of the Distant Flexible Learning (DFL) courses through the Tuvalu USP Campus. Reimbursements are being processed without guidance on subjects which are not considered to be relevant to the staff members role in the TWOG.
4. The selection criteria defined under the In-service training policy is not being followed. Staff members are required to serve for a minimum of three years before being eligible for an In-service scholarship. It was noted that two staff members who were approved for the scholarship had not met this requirement of minimum service time.
5. It was noted that there are civil servants accommodated under the Government housing scheme who are not entitled to the grade of rental house in which they are housed.
6. Lack of guidance and proper documentation in the justification and approval of decisions on which civil servant to allocate accommodation to under the Kaupule Housing Scheme
7. There was a decision approved by Cabinet in order to allow all civil servants to apply for housing allowances. This change in policy was not updated in the GAO.

Implication

1. Without the agreement policy for grants and subsidies, there is limited guidance given to each Ministry on what the overall purpose and criteria are in relation to distribution and reporting of grants and subsidies.
2. Without a standardised report the Ministry creates an acquittal report, which may be not contain all the information required by the Treasury and implementing Ministry.
3. Without a formal policy in place, there is a risk that the refunding of courses will be paid for in appropriate courses studied by staff, making the policy more costly and less efficient.



4. The policy is not being adhered to and there is an increased risk of selecting a less eligible applicant. This is unfair to applicants who are adhering to the requirements.
5. Civil servants are receiving benefits which they are not entitled to and are causing civil servants who are entitled to miss out on their entitled house.
6. Not documenting the justification for decision of the TWOG on the allocation of housing, decreases the transparency of the application process and increases risk of inappropriate allocations occurring in the future.
7. There is confusion as to whether the new policy has legal effect or not given that the GAO has not been updated.

#### Recommendations

1. That the TWOG produces a grant agreement and requests all recipients to review and sign the agreement. This agreement should be developed in conjunction with the Attorney General. This will ensure that grants are paid consistently and there is formal agreement on the obligations of both parties and the purpose the grant.
2. A consistent standard acquittal report template is created (in conjunction with the Ministry of Finance), approved and put to use. Training is provided to grant recipients on how to fill out the acquittal form.
3. A USP Reimbursement policy is drafted and approved, which details which courses will be reimbursed as well as ensuring that only relevant courses are reimbursed.
4. The In-service scholarship policy is followed and ineligible applicants are not considered.
5. The Housing Committee should compile a list of all civil servants who are accommodated in housing which they are not entitled to as well as a listing of all civil servants who are currently in Government Housing. In future the housing policy should be followed.
6. The department should document and justify the decision of allocating houses under the Kaupule Housing Scheme.
7. Either the GAO is updated or the policy is amended in order for the policy and GAO to be consistent.

#### Management Comment

The recommendations are noted.

Finance will work closely with the Attorney General to develop standard funding agreements, with consistent acquittal reporting processes, for all government grants.

#### **27.2014 No delegations register in place for 2014 or 2015 as required by s.206 of the 2014 Financial Instructions (FIs) for signing of PVs and chapter 2 of the 2015 FIs**

##### Findings and Analysis

Section 206 of the Financial Instructions which applied in 2014 requires that formal delegations are created to allow for certain staff to sign Payment Vouchers.

A delegation is a document which allows the Minister to share some of his powers to certain staff or positions, to enable a more efficient finance function to be run. When requested from the Ministry of Finance, the formal delegation documentation was unable to be produced.

Chapter 2 of the updated Financial Instructions also require written delegations.

Implication

Staff signing off Payment Vouchers to be paid may not have the formal delegation to do so. This means that they are not permitted to perform the function.

Recommendation

A review of the current delegations and the required delegations is completed. Any differences noted are amended by formal delegation. These delegations are kept on record and are presented to Audit when requested

Management Comment

The recommendations are noted.

A review will be undertaken by Finance to ensure that all delegations are appropriately documented and recorded in a delegations register.

The 2015 Financial Instructions (Section 46 – 51) clearly defines the role of the Accounting Officer as including the authorisation of payment vouchers. In accordance with Section 4(b)(iii) of the *Public Finance Act*, the civil servant position that is appointed as the Accounting Officer for each Head is published annually in the Budget Papers. It is considered that this is sufficient evidence of delegated authority for the purposes of Section 16 of the *Public Finance Act*.

#### **28.2014 Lack of Internal audit function**

Findings and Analysis

The TWOG does not have an internal audit function, which opposed to an external audit function focusses on assessing and minimising financial risk of the TWOG.

Implication

Limited internal risk assessment and recommendations for minimising of risk are performed given the lack of an Internal Audit function.

The PEFA analysis performed by PFTAC recommends an internal audit unit be established. Without an Internal Audit Unit the requirements of some grant funding and projects is not met and the TWOG is ineligible for the funding.

Recommendation

An internal audit function is established in order to report to finance on the risks and control deficiencies in the TWOG, which should be further addressed. By providing assurance on the effectiveness of the TWOG's internal control environment and identifying opportunities for performance improvement, internal audit can make a valuable contribution to achieving the TWOG's objectives and to managing the TWOG's risks.

Management Comment

The recommendation is noted.

UNEP is providing technical assistance to develop a terms of reference for the establishment of an internal audit function within the Ministry of Finance. Work is expected to commence in early 2016.

#### **29.2014 Monthly analysis between bank reconciliation module and General ledger is performed.**

Findings and analysis

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:  
Year ended 31 December 2014

At 31 December 2014, there was a variance between the cash balance in ACCPAC in the General Ledger module to the Cash balance in the banking module. This variance was \$36k.

The cash module is able to be reconciled to the bank statement.

Implication

The Cash balance presented in the Financial Statements is misstated by \$36k.

Recommendation

Reconciliation of the Bank module to the General Ledger should be performed monthly, with any variance investigated promptly. It is understood that there will be a legacy variance of \$36k from 2014, however the variance should not differ from this amount. If there are unexplained movements in the variance (as in the variance is not \$36k) occur, than investigation of the reason for the movement should occur.

Management Comment

This will be addressed in 2016.

It depends on capacity of Treasury. It can be done, but takes work. If we go back just a few years, this was out by millions.

**30.2014 Bank reconciliations are printed at the end of each month.**

Findings and Analysis

Bank reconciliations are where Treasury reconcile the bank statement to the cash on hand balance of ACCPAC. This reconciliation is performed every couple of days, and posted into the system. Sometimes the reconciliation will span 2 months (for example reconciliation will occur for 29 September, 30 September, 1 October and 2 October) and these will be posted into the October accounts.

Implication

This practice makes it challenging for the finance team to perform reconciliation between the bank module and the General ledger, as the General ledger is set up to report on a month end basis. In best practice the amounts should equal, however, this is not always the case with the TWOG.

Recommendation

That the bank reconciliations are printed and posted at the end of every month, separate to the new month's bank postings.

Management Comment

The recommendation will be considered, however, this is not recommended to be implemented. The problem is that if there is an outstanding item at say the 29th of the month, and it is holding up posting, then at the moment, the team proceeds with reconciling the next month while they try to identify the item. In the past this holdup was solved by just posting the transaction as an 'ERROR' and this lead to all sorts of issues.

Agreed in principle, however, might not be the best thing to just do straight away as it could have flow on issues.

### **31.2014 Elements of Financial Statements not provided to audit within Public Finance Act deadline**

#### Findings and Analysis

Section 31 of the public finance act requires that Financial Statements be presented to audit no later than 6 months after the end of the financial year. For the TWOG, this falls to 30 June.

We were presented with the Financial Statements at 30 June, however key components of the Financial Statements were not present, including:

- Statement of Receipts and Payments.
- Statement of Unauthorised Expenditures
- Statement of Balances on the Tuvalu Development fund.

These statements were presented to us for audit in mid-August, 6 weeks after the 30 June deadline. We were informed about and consented to this delay.

#### Implication

The timing requirements of the Public Finance Act are not adhered to.

#### Recommendation

In future, a complete set of Financial Statements is presented to audit no later than 30 June.

Consideration is given to attempting to present a set of Financial Statements earlier than 30 June, to enable timely audit and tabling into Parliament, to ensure that the financial information contained is relevant.

#### Management Comment

### **32.2014 Payroll committee record of minutes**

#### Findings and Analysis

From our review of the payroll system we noted that there is no evidence of check by payroll committee after payroll is processed.

We suggest that a fortnightly workpaper be prepared by the payroll officer to indicate differences occurring between pay weeks for the payroll committee. This will allow the payroll committee to easily identify the causes of any changes in payroll costs from week to week.

#### Implication

Without a record of review by the Payroll Committee, audit was unable to gain assurance whether this task had been completed and how effective the review process was in finding and correcting errors within the payroll process.

Without movement from pay to pay analysis performed, the payroll committee's review will take longer and will be less targeted.

#### Recommendation

Prepare a fortnightly workpaper to show the movement of the current fortnightly payroll costs from previous period.

The reconciliation can also be signed off by the Payroll committee to indicate review of approval prior to payroll payment.

#### Management Comment

The recommendations are noted.

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:  
Year ended 31 December 2014

This had been fixed already, but if the Payroll team has stopped doing it, then they should be advised that they are failing their duty, and that they need to do it. The Payroll team has a fortnightly signoff form that is supposed to be signed by the payroll committee on review of the payroll. They also should be showing the payroll team the comparison to prior payrolls for review.

Finance will ensure that the process is correctly followed for 2015.

### Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2014

Recommendation	Risk	Management response
<p><b>LC 2013.1 Schedule to the Public Finance Act – Estimates of Expenditure</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>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.</p> <p>No resolution of Parliament has been performed in order to approve expenditure out of the TDF for 2014.</p> <ul style="list-style-type: none"> <li>The expenditure made out of the TDF is considered to be unlawful because there has been non-compliance with the Public Finance Act requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No response received from Management.</li> </ul>
<p><b>LC 2013.2 Section 178(2) of the Financial Instructions</b></p> <ul style="list-style-type: none"> <li>Further investigation into the reason for the overspending is performed.</li> <li>Further emphasis is placed on the implementation of the purchasing controls designed to prevent the overspending.</li> </ul>	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>➤ No response received from Management.</li> </ul>
<p><b>LC 2013.3 Section 7 of the Currency Act</b></p> <ul style="list-style-type: none"> <li>The Currency Act should be amended to make clear the purpose of the Fund.</li> <li>The Commissioner of Currency should begin reporting</li> </ul>	<p>Section 7 of the Currency Act requires the Commissioner of Currency (Minister for Finance) to:</p> <p><i>(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</i></p>	<ul style="list-style-type: none"> <li>➤ No response received from Management.</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>on annual basis the financial position of the Fund. This could be incorporated into the TWOG Report for ease of reporting.</p>	<p><i>expenditure incurred and revenue therefrom;</i>  <i>(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;</i>  <i>(f) perform all such other duties as are or may be imposed on him by or under this Act.</i></p> <p>No report under Section (d) and (e) was produced by the Commissioner of Currency for the year ended 31 March 2014. 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.</p> <p>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.</p>	
<p><b>3.2013 Incomplete disclosures for Property Plant and Equipment as per Tuvalu GAAP</b></p> <ul style="list-style-type: none"> <li>A comprehensive disclosure of Property Plant and Equipment in compliance with the accounting policies is performed in the Financial Statements.</li> </ul>	<p>The TWOG 2013 Financial Statements do not include disclosures of Property Plant and Equipment as required by the Tuvalu GAAP (which looks to IPSAS and IFRS). Asset disclosures not included which are required include:</p> <ul style="list-style-type: none"> <li>Disclosure of Property Plant and Equipment in the Financial Statements by defined classes (e.g. Property, motor vehicles, boats, office equipment etc.)</li> <li>Disclosure of accumulated depreciation</li> <li>Disclosure of the comparative period asset values and accumulated depreciation</li> </ul> <p>The implications are that:</p> <ul style="list-style-type: none"> <li>Assets are not appropriately disclosed as per Tuvalu GAAP.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Recommendation well noted and Treasury will look at the proper way of disclose Property Plant and Equipment in compliance with the Accounting Policies.</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
	<ul style="list-style-type: none"> <li>The users of the Financial Statements have less of an understanding of the TWOG's asset base and values and what type of asset is held by the TWOG.</li> </ul>	
<p><b>4.2013 No depreciation charge for Property Plant and Equipment</b></p> <ul style="list-style-type: none"> <li>In future, depreciation charges are calculated and included in the Statement of Income and Expenditure.</li> <li>Assets purchased in the future are identified and included as assets, rather than being initially expensed and then written on through an equity adjustment.</li> </ul>	<p>In the TWOG Financial Statements, there is no depreciation expense recognised for Property Plant and Equipment . Given that this is the first year that Property Plant and Equipment have been included, Property Plant and Equipment have been written on at the end of the year at their Net Book Value (Cost less a depreciation estimate). Assets purchased during 2014 have not been depreciated during the 2014 year.</p> <ul style="list-style-type: none"> <li>The depreciation expense for 2014 is understated.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial Reporting Team will address this issue as recommend by the Office of the Auditor-General.</li> <li>➤ The way forward will be to include Depreciation in the Statement of Income and Expenditure</li> </ul>
<p><b>5.2013 Lack of Assets management plan</b></p> <p>An assets management plan is developed which details for major assets:</p> <ul style="list-style-type: none"> <li>o planned replacement dates;</li> <li>o planned maintenance and repair schedules, including resources and skills required to perform maintenance;</li> <li>o estimated costs of replacement and repairs, along with timelines for the replacement/repair work so it can be budgeted for;</li> <li>o if asset is planned to be replaced or not;</li> <li>o contingency plan if asset becomes unusable; and</li> <li>o if a spare/ replacement asset needs to be held.</li> </ul>	<p>The TWOG does not have any plan in place for the replacement/ maintenance of key assets of the TWOG. The TWOG holds many strategically important assets which serve the people of Tuvalu</p> <ul style="list-style-type: none"> <li>In the event that these assets become unusable, there would be quite a disruption to the performance of the TWOG's activities.</li> </ul> <p>There may be a considerable delay/ disruption to the services the TWOG provides while a replacement is sought/ repair is made. This may include critical functions like transport and medical care</p>	<ul style="list-style-type: none"> <li>➤ Treasury agree with the recommendation.</li> </ul>



Recommendation	Risk	Management response
<p><b>6.2013 Management of Property Plant and Equipment and Inventory</b></p> <ul style="list-style-type: none"> <li>• An assets management policy is developed, including defining depreciation rates, asset recognition process, disposal process, stocktake process, asset recognition threshold, how to write an asset on and how to estimate the value of assets provided by development partners.</li> <li>• Assets are added to the asset register as soon as they are purchased, rather than being added at the year-end stock count.</li> <li>• Instructions are documented on how to perform the stock count for both Assets and Inventory.</li> <li>• The name and date of the staff member who performed the count is documented.</li> <li>• Sign-off on the accuracy of the count by two staff members is performed.</li> <li>• A stock take report is compiled which contains: the results of the count; requests approval for write off of items which are unable to be located; requests approval to write on for items located which are not on the asset listing; and details the investigations performed during the count. This report is presented to the Secretary for Finance for approval.</li> <li>• A stock take of both assets and Inventory in the middle of the year is performed, to ensure that staffs are familiar with and understand the process.</li> <li>• The stock take is performed with representatives of the OAG being observers.</li> <li>• The Property Plant and Equipment register is updated with the results of the stock count.</li> </ul>	<p>TWOG has begun accounting for Property Plant and Equipment in 2013. There is no asset management policy and the process in accounting for assets and Inventory was considered to be weak. We acknowledge that the TWOG has recruited an asset manager in 2014, however, more needs to be done to ensure that Property Plant and Equipment and Inventory are managed appropriately.</p> <ul style="list-style-type: none"> <li>• Without a strong process in managing assets, the risk of assets being stolen, used for personal gain and used inappropriately is increased.</li> <li>• Without a Fixed Asset management policy, there is an increased risk of assets being managed inconsistently.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Agree with the recommendation. There is an Asset Management Policy in place but still in a draft.</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<ul style="list-style-type: none"> <li>Labels are used on assets to ensure ease of identification.</li> <li>Assets located during the stock count which were not on the register are written onto the register and their value is estimated.</li> </ul>		
<p><b>7.2013 Review of in year purchases for Property Plant and Equipment</b></p> <ul style="list-style-type: none"> <li>Every quarter the TWOG should review all expenditure transactions over the asset recognition threshold to ensure that all assets have been capitalised rather than expensed.</li> <li>Repairs and Maintenance expenditure should be reviewed for improvements which have been incorrectly booked as repairs and maintenance which should be capitalised.</li> <li>Future budgets should split out planned capital purchases from recurrent expenditure to ensure increased value to the budget documentation, ease of reporting of planned asset purchases and identification of Property Plant and Equipment.</li> </ul>	<p>The TWOG did not perform a review of all expenses during the 2014 year to ensure that all assets which were purchased in 2014 have been capitalised (put on the asset register). Instead the assets purchased in 2014 were expensed and written on via an equity journal at the end of the year.</p> <ul style="list-style-type: none"> <li>This method of capitalising assets is not in line with Tuvalu GAAP and the TWOG's accounting policies.</li> <li>Expenses in 2014 are overstated by the amount of assets which should have been capitalised, as is the movement in equity.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial Reporting Team will take into consideration this recommendation for future preparation of the TWOG accounts</li> </ul>
<p><b>8.2013 Portable and Attractive Assets register to be kept</b></p> <ul style="list-style-type: none"> <li>A portable and attractive register is maintained and rules surrounding the addition of assets to this register are developed.</li> <li>Office expenses transactions are reviewed to ensure that all portable and attractive items are entered on the register and are properly managed.</li> </ul>	<p>Portable and attractive assets are those which are considered to have a high value and are easy to re-locate. These can be mobile phones, laptops, radios, USB sticks, tablets and projectors. While the value of the items may be less than the asset capitalisation and management threshold, the TWOG needs to ensure that these assets remain in their possession. Currently there is no register for portable and attractive items, nor is there any controls preventing theft or</p>	<ul style="list-style-type: none"> <li>➤ Financial Reporting Team will take into consideration this recommendation for future preparation of the TWOG accounts</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<ul style="list-style-type: none"> <li>• TWOG should ensure that all assets provided by Development Partners to individuals are included as assets on the Portable and Attractive register and remain TWOG property.</li> <li>• There should be frequent counting of Portable and Attractive items to ensure they remain in the possession of the TWOG.</li> <li>• A policy of clearly marking Portable and Attractive items as the TWOG's property should be developed and introduced.</li> <li>• If a fraud plan is developed, there could be some commentary surrounding management of Portable and Attractive items.</li> </ul>	<p>misuse.</p> <p>Without active management, there is an increased risk that portable and attractive items are stolen, pilfered and misused</p>	
<p><b>10.2013 Accounting for in-kind assets</b></p> <ul style="list-style-type: none"> <li>• In future all assets which are provided in-kind to the TWOG are accounted for as assets and deferred income, with deferred income being unwound appropriately.</li> <li>• Depreciation expense of these in kind assets should be recognised.</li> </ul>	<p>Assets which were provided in-kind to the TWOG in 2014 were accounted for by increasing equity in 2014. This is not accounting for these assets according to Tuvalu GAAP and the standards that Tuvalu GAAP looks to.</p> <p>In-kind assets should be accounted for by both recognising revenue and subsequent expense in a single year, or by recognising a deferred income component which is reduced each year of the assets useful life.</p> <ul style="list-style-type: none"> <li>• The TWOG is accounting for additional in-kind assets incorrectly as a movement in equity. There is no recognition of deferred income.</li> <li>• The deferred income component of the Financial Statements is understated as well as the grant income component.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial Reporting Team will take into consideration this recommendation for future preparation of the TWOG accounts</li> </ul>
<p><b>11.2013 Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the</b></p>	<p>The movement in cash in the Tuvalu Development Fund for the year was unable to be reconciled to the movement in the Tuvalu Development Fund bank account.</p>	<ul style="list-style-type: none"> <li>➤ The Ministry of Finance's Office and Administration Team will take into</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p><b>movement in the Tuvalu Development Fund bank account</b></p> <ul style="list-style-type: none"> <li>Going forward additional effort is placed in reconciling the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account.</li> </ul>	<ul style="list-style-type: none"> <li>There are unexplained movements within the Tuvalu Development Fund. There are either incomplete receipts balances or incorrect accounting for expenditure.</li> </ul>	<p>consideration this recommendation for future preparation of the TWOG account</p>
<p><b>12.2013 Non-inclusion of Inventory in the Financial Statements</b></p> <ul style="list-style-type: none"> <li>Similar to the assets write on process undertaken in the 2014 Financial Statements, Inventories are documented and counted on a regular basis.</li> <li>Inventory is included in the Financial Statements and the accounting policy note in the Financial Statements is updated.</li> <li>Additional detail is provided in the draft finance circular surrounding Inventories, to ensure that they are accounted for correctly.</li> </ul>	<ul style="list-style-type: none"> <li>Inventories have not been disclosed as assets in the Financial Statements. They have been expensed when purchased, rather than when consumed. There is no record of Inventory.</li> <li>Assets in the Financial Statements of the TWOG are understated by the value of Inventory on hand at 31/12/14</li> <li>Expenses are overstated and retained earnings understated in the Financial Statements of the TWOG by the value of Inventory</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry of Finance's Financial Reporting Team will take into consideration this recommendation for future preparation of the TWOG account</li> </ul>
<p><b>13.2013 Financial Statements for PEs not included as they have not been compiled</b></p> <ul style="list-style-type: none"> <li>That the Public Enterprises ensure that they submit Financial Statements for audit and consolidation before 30 June the following year.</li> </ul>	<p>A review of the Public Enterprises found that the Nation Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Philatelic Bureau (TPB), Tuvalu Post and Travel Limited (TPTL), Tuvalu Post Limited (TPL), Pacific Forum Lines, and the Tuvalu Maritime Training Institute (TMTI) had not finalised their Financial Statements at time of the Financial Statements being published. The figures used in the Financial Statements were either estimates or the prior year figures.</p> <p>The values of the Public Enterprises disclosed in the Financial Statements do not reflect their true financial position</p>	<ul style="list-style-type: none"> <li>NAFICOT holds 50% of shares in the Tuvalu Tuna Co Ltd a separate entity. It does not have a management or Board to provide the Public Enterprises Reform Management Unit (PERMU) within the Ministry of Finance with the Financial Statements. Thus there is no way PERMU can receive NAFICOT's Financial Statements.</li> <li>Tuvalu Philatelic Bureau 2013 Financial Statements are still outstanding and the</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
		<p>management of Tuvalu Post Limited is currently working to update the 2015, 2014 and 2013 accounts.</p> <p>➤ TMTI 2013 Financial Statements have been finalised.</p>
<p><b>14.2013 Tuvalu Post and Travel Limited revenues being incorrectly accounted for and retained by the TWOG</b></p> <ul style="list-style-type: none"> <li>• Payment of the amount owing to Tuvalu Post and Travel limited for their revenues from the Travel Office and Post Office is made and continues to be made in the future.</li> <li>• It is understood that there has been a change to the Tuvalu Post and Travel Limited Public Enterprise, however this is yet to be formalised. Until it is finalised, revenues should continue be paid to Tuvalu Post and Travel Limited.</li> </ul>	<p>Out review of the TWOG's revenues shown that revenue was booked for sales of post office goods and Travel Office commissions. According to new agreements for the Tuvalu Post and Travel Limited Public Enterprise, these functions (and revenues earned) are no longer part of the TWOG, rather are now part of Tuvalu Post and Travel Limited. It is understood that the TWOG is providing staff on a secondment basis to Tuvalu Post and Travel Limited.</p> <ul style="list-style-type: none"> <li>• The revenue accounted for by Treasury which relate to the Travel Office and the Post Office are overstated.</li> <li>• The liability to the Tuvalu Post and Travel Office is understated.</li> </ul>	<p>➤ No comment received from Management.</p>
<p><b>15.2013 Payment of Honorarium Allowances to Civil Servants</b></p> <ul style="list-style-type: none"> <li>• In future, no payments of Honorarium allowances are made to civil servants.</li> <li>• Any Payment Voucher requesting allowance payments should be rejected by the Secretary for Finance.</li> </ul>	<p>A review of the Ministry of Education, Youth and Sports' expenses found that Honorarium payments were being made by the TWOG to civil servants who are attending or presenting workshops.</p> <p>Payment of honorarium allowances is prohibited by the TWOG Policy on meeting allowances. Attendance or presentation at these workshops is considered part of the role of these civil servants.</p> <ul style="list-style-type: none"> <li>• These payments are not in compliance with the Policy developed surrounding payments to civil servants, and should not have been made.</li> </ul>	<p>➤ No comment received from Management. No</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p><b>16.2013 Non-inclusion of donated services in the Financial Statements</b></p> <ul style="list-style-type: none"> <li>In the future, TWOG should record the services being provided by Development Partners and include these costs in the Financial Statements.</li> <li>We acknowledge that getting a full list and estimating the value of the services provided by all Development Partners is not a simple undertaking. We recommend that a lesser priority is placed on this issue.</li> </ul>	<p>The TWOG receives some professional services from development partners without any cost to the TWOG. This is in the form of the provision of people to perform functions that the TWOG are unable to provide either due to lack of expertise or lack of capacity. These provided services are not being accounted for in the Financial Statements. We acknowledge that some of these services are estimated in the budget documentation.</p> <ul style="list-style-type: none"> <li>The non-inclusion of services provided by development partners without any cost to the TWOG, understates the expenses of the TWOG in the year in which the services were received. The Financial Statements do not show the full costs of all of the goods and services provided by the TWOG.</li> </ul>	<ul style="list-style-type: none"> <li>No comment received from Management.</li> </ul>
<p><b>17.2013 Usage and review of Miscellaneous Revenue account for sales of assets and fisheries pay-ins</b></p> <ul style="list-style-type: none"> <li>Review of the Miscellaneous Revenue account for mispostings continues into the future.</li> <li>A separate asset sales account is created, given the reporting of assets in the Financial Statements going forward and the likely disposal of assets by sale in the future.</li> </ul>	<p>A review of the miscellaneous revenue account in 2014 found that there were transactions relating to asset sales and a single fisheries department cash pay-in. We acknowledge that effort has been made to clear amounts out of this account.</p> <p>These revenues are incorrectly classified and should be classified to their correct revenue heads.</p> <ul style="list-style-type: none"> <li>The head who earned these revenues does not show these revenues in the Financial Statements, thereby understating their revenues.</li> <li>Asset sales are not separately disclosed in the Financial Statements.</li> </ul>	<ul style="list-style-type: none"> <li>The sales of assets were allocated to the appropriate allocation.</li> <li>For fisheries pay in during 2014 there was no proper allocation, however, this allocation has been included in their budget for 2015.</li> </ul>
<p><b>18.2013 Votebook reconciliation process to include assets reporting and counting</b></p> <ul style="list-style-type: none"> <li>The votekeepers and accountable officers on a regular basis in accordance with the Financial</li> </ul>	<p>With the recent introduction of Property Plant and Equipment into the Financial Statements and management of Property Plant and Equipment within the TWOG, there are limited measures in place to ensure that Property Plant and Equipment, Inventory and Portable and Attractive assets are accounted for.</p>	<ul style="list-style-type: none"> <li>Financial Reporting Team within the Ministry of Finance will address the recommendation.</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>Instructions perform a count of all of their Property Plant and Equipment , Inventory and Portable and Attractive assets and report the results of the count to Treasury. Any unaccounted items from the previous count must be investigated and justified.</p>	<ul style="list-style-type: none"> <li>Without some form of accounting process being performed, Property Plant and Equipment , Inventory and Portable and Attractive items may not be reported accurately, may be subject to fraud and may be not be included within the Financial Statements.</li> </ul>	
<p><b>19.2013 TDF reconciliation and banking</b></p> <p>PVs are entered into ACCPAC before payment is made.</p> <ul style="list-style-type: none"> <li>Adequate segregation of duties is implemented in the processing of payments and receipts, entry of data into ACCPAC and bank reconciliation.</li> </ul>	<ul style="list-style-type: none"> <li>During our review of the TDF cash reconciliation process, we noted that some payments were being made before the Payment Voucher (PV) was entered into ACCPAC. These payments were identified as part of the Bank reconciliation process.</li> <li>There are limited segregation of duties surrounding the payment of monies from the TDF and their entry into ACCPAC.                             <ul style="list-style-type: none"> <li>PVs and subsequent payments are not being entered into ACCPAC before the PV is approved and paid.</li> <li>Without adequate segregation of duties, the risk of payments or receipts being made incorrectly is increased as is the fraud risk</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We note that all payments should be entered into ACCPAC before releasing the payment voucher.</li> </ul>
<p><b>20.2013 Settlement of purchases to Overseas Suppliers</b></p> <ul style="list-style-type: none"> <li>Documentation of settlements of purchases by telegraphic transfers in which the THC has been involved should be copied to the THC mission for monitoring purposes. This should include full details of payments including, who payment was made to, amount of the payment and what the payment was for.</li> </ul>	<ul style="list-style-type: none"> <li>The payment of overseas suppliers can be arranged through the Tuvalu High Commission (THC) in Fiji. It was found that after the THC made some of these orders on behalf of the TWOG in Tuvalu and submitted the invoices/quotes to TWOG in Tuvalu, settlements of these invoice/quotes were made directly with the suppliers without the THC's consent or knowledge.</li> <li>Without notifying the THC that a direct payment to the supplier has been made by TWOG Tuvalu rather than via the THC, there is a risk of double payment occurring and accounting for these payments (and outstanding items) by the THC is considerably more complex.</li> </ul>	<ul style="list-style-type: none"> <li>Line Agencies were responsible for this matter as most of them they seek quotations directly to the THC. But once they made the payment to the Suppliers, the THC is not copied in their correspondences.</li> <li>The Treasury reminds line agencies every year to avoid duplicate payments.</li> </ul>



Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p><b>21.2013 Establishment of the TMTS Liaison Officer</b></p> <ul style="list-style-type: none"> <li>The TMTS Liaison Officer post should be established and filled so that the Clerk/Registry Officer can perform their duties.</li> </ul>	<ul style="list-style-type: none"> <li>During our review of the functions of the Tuvalu High Commission (THC), we found that the current Clerk/Registry Officer is dealing with the responsibilities of the Tuvalu Medical Treatment Scheme (TMTS) Liaison Officer. The TMTS Liaison Officer post remains vacant.</li> <li>The Clerical/Registry Officer's responsibilities are left unperformed due to the additional effort required of taking on the functions of the TMTS Liaison Officer. This has the risk of affecting communication links between the THC and line ministries, communications with other embassies and the day to day functions of the THC.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The establishment of a liaison officer for our TMTS is still in the process.</li> </ul>
<p><b>25.2013 Non reconciliation of Undelivered Cargo List to the warehousing file</b></p> <ul style="list-style-type: none"> <li>The UCL continues to be updated until all goods are either cleared by Customs or are seized by Customs and auctioned.</li> </ul>	<p>When a ship unloads its goods, the total amount of goods unloaded is detailed in a manifest. This manifest is reconciled to the bills of entry prepared to clear the goods into Tuvalu. The goods which do not have a bill of entry appear in the Undelivered Cargo List (UCL). This represents goods on which Customs duty has not been paid.</p> <p>As part of our audit testing we found that the UCL is not being updated for duty which has been paid subsequent to the initial compilation of the UCL.</p> <ul style="list-style-type: none"> <li>Customs will not know which items on the UCL that Duty has not been paid on. They will not know which items should remain in their possession.</li> <li>There is an increased risk that Customs will not identify goods that are taken without payment if the UCL is not updated for cleared goods.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No comment received from Management.</li> </ul>
<p><b>1.2012 Non Consolidation of NAFICOT and its Joint Ventures</b></p> <ul style="list-style-type: none"> <li>The Joint Ventures are consolidated into the Financial</li> </ul>	<p>Although NAFICOT is a company scheduled as a public 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</p>	<ul style="list-style-type: none"> <li>➤ No comment received from Management.</li> </ul>



Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>Statements of the TWOG in the future;</p> <ul style="list-style-type: none"> <li>• Proper monitoring of the Joint Ventures' performance occurs through NAFICOT; and</li> <li>• 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.</li> </ul>	<p>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.</p> <p>The assets, liabilities, expenses and revenues of the TWOG will be understated given the non-consolidation of the NAFICOT and through NAFICOT the Joint Ventures, into the TWOG's Financial Statements.</p> <p>Without proper reporting by NAFICOT and the Joint Ventures, the TWOG does not have any oversight of the operations of the Joint Ventures.</p>	
<p><b>3.2012 Tuvalu Development Fund (TDF) Opening and Closing Balances and Budget Estimates</b></p> <p>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. The TWOG should:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	<p>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. 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.</p>	<ul style="list-style-type: none"> <li>➤ 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 2015 Annual Financial Statements.</li> </ul>
<p><b>4.2012 Tuvalu Development Fund Accountability</b></p> <p>Amend the Public Finance Act to make the Schedule part of the Public Finance Act, so that it can only then</p>	<p>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</p>	<ul style="list-style-type: none"> <li>➤ The Ministry will work on amending the Act to make the Schedule part of the Act.</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>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.</p>	<p>provision of estimates from the TDF, they are considered to be important. 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 Parliaments responsibility for the control of public finances.</p>	
<p><b>5.2012 Cabinet Minutes and Records of Decisions</b></p> <p>Cabinet Minutes are produced and circulated in a timely manner to key decision makers. If there are concerns surrounding confidentiality, at a minimum a record of decisions made should be made available soon after each meeting.</p>	<p>The Auditor-General requested copies of Cabinet Minutes for 2014 and into 2015 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 were unable to be located by the OPM staff.</p> <p>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.</p>	<p>➤ Arrangement has been made for every cabinet decisions to be circulated to Cabinet Ministers &amp; Permanent Secretaries soon after each meeting for ministry necessary action</p>
<p><b>7.2012 Observer Fund Expenditure</b></p> <p>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.</p>	<p>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 a transfer of \$40,000 AUD to Fisheries Program Activities, which is a separate project in the Tuvalu Development fund.</p> <p>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.</p> <p>Without any rules surrounding the usage of the Observer's Fund,</p>	<p>➤ The Ministry will work on amending the Act to make the Schedule part of the Act.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
	there is no accountability surrounding the expenditure out of the fund.	
<p><b>8.2012 Management of .TV Contract</b></p> <p>The agreement is reviewed and all the benefits to Tuvalu are documented and provided by VeriSign.</p>	<p>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.</p> <p>Tuvalu is missing out on benefits of the VeriSign contract</p>	<p>➤ No comment received from Management.</p>
<p><b>11.2012 Special Funds Rules and Governance</b></p> <p>That the Minister establishes regulations for the operations and control of the Special funds, or closes the funds.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>➤ No comment received from Management.</p>
<p><b>12.2012 Review of Financial Statements Reconciliations and Provision of Supporting Documentation</b></p> <p>We recommend that supporting documentation,</p>	<p>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:</p>	<p>➤ Treasury acknowledges that there will always be room for improvement.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>calculations and analytical review are attached to the working papers and they are evidenced as reviewed.</p>	<ul style="list-style-type: none"> <li>• The reconciliations to the balance sheet accounts were completed, but limited supporting documentation was attached.</li> <li>• No analytical review of movements to budget and the prior year was completed.</li> <li>• No evidence of review on most of the documentation presented to the Auditor-General.</li> <li>• No documentation of the payroll fortnightly reconciliation and payroll analysis of movements in the pays.</li> </ul> <p>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.</p> <p>Without review, the risk of errors being reported in the accounts is increased.</p>	
<p><b>13.2012 Improper Consolidation of Public Enterprises.</b></p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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;</p>	<p>➤ 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.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
	<p>and the elimination of transactions between the Public Enterprises and the TWOG, including Community Service Obligations.</p> <p>The impact is that 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.</p>	
<p><b>17.2012 Follow up of Special Imprests</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• No reminder letters were sent to officers with outstanding special 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.</li> <li>• 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.</li> </ul> <p>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 TWOG.</p>	<p>This issues was due to the misunderstanding of what should have been done during that time.</p> <p>This year we will try to take serious thought about this and will try to again issue reminder letters to all outstanding imprest holders and also look into interest for those outstanding.</p>
<p><b>5.2011 Fraud</b></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</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 some progress in relation to the development of a fraud policy, with the policy being drafted, however, yet to be approved.</p> <p>There is limited communication, awareness and training being conducted on fraud. There is a need to communicate ethics</p>	<p>We now have a draft Financial Circulars and need to be approved and establish so that we can start conducting awareness on this Fraud Policy.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>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. Any case of fraud will benefit 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>and leadership code principles to the entire staff of the TWOG.</p>	
<p><b>8.2011 Tax Reconciliation Issues</b></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 misposting 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>In the past years, the Inland Revenue Department (IRD) had not performed any reconciliation from their records of taxation revenue due and collected with ACCPAC which records the actual revenue and receivables. No reconciliation was performed for 2014 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 be 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>	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>
<p><b>16.2011 No Reconciliation Between Fisheries and Treasury Records.</b></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</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</p>	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Treasury also notes that the position in the</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>payments are recorded in the Fisheries Management System (TUFMAN).</p>	<p>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>Fisheries Department to support this process is no longer filled.</p>
<p><b>17.2011 Fisheries to Keep Minutes of Negotiation on File</b></p> <ul style="list-style-type: none"> <li>• Official records and minutes of negotiating to approve fishing licenses discussed via email should be filed for transparency.</li> <li>• 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.</li> </ul>	<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><b>8.2009 Reconciliation Between Customs and ACCPAC</b></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>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</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</p>



Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
Initially the monthly movements could be reconciled in order to simplify the reconciliation process.	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.	improved tracking and reconciliation.
<p><b>1.2008 Guarantees and Commitments Issued by Government</b></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. 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. 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>➤ No comment received from Management.</p>
<p><b>5.2008 Debt Management Policy</b></p> <p>Develop and implement a debt management policy to assist in the timely recovery of debts owed to TWOG. Approve advances based only on full and complete budget details. Ensure appropriate documentation is available for all advances made prior to processing payment.</p>	<p>That all debts which are owed to the TWOG are not collected.</p> <p>The draft <i>Accounts Receivable</i> finance circular covers the issue of debt management; however, it is yet to be implemented.</p>	<p>➤ No comment received from Management.</p>
<p><b>9.2008 Employee Entitlements</b></p> <p>Maintain a record of leave entitlement liabilities and</p>	<p>Liabilities for leave and sick leave may accrue without finance being able to forecast resultant cash flows.</p>	<p>➤ The Tuvalu Whole of Government does not currently record a liability for staff entitlements as this information is not</p>



Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
<p>provide this information at least quarterly to Treasury to include in the Financial Statements.</p>	<p>Leave may be taken, however, not recorded in the system.</p>	<p>maintained by the Personnel Department.</p> <ul style="list-style-type: none"> <li>➤ Treasury will liaise with Personnel to improve this practice in 2015. Additionally the Payroll and Imprest Team is investigating the possible use of ACCPAC for Payroll.</li> </ul>
<p><b>4.2007 Unauthorised Expenditure</b></p> <p>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>	<ul style="list-style-type: none"> <li>➤ ACCPAC is now utilised to ensure spending is maintained in line with Budgeted and Warranted expenditure.</li> <li>➤ Responsibility drafted into Treasury role descriptions.</li> </ul> <p>Monthly vote keeper reconciliations also assist this process.</p>
<p><b>18.2007 Government Policy Register</b></p> <p>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>	<ul style="list-style-type: none"> <li>➤ All Government Policies are to be kept and registered at OPM Headquarters. However Register had not been reactivated lately.</li> <li>➤ Usual practice with any policy from any line ministry comes through the Attorney-General's office for vetting and then final stages will be dealt with by concerned Ministry by taking it up for Development and Consultative Committee consultation and Cabinet approval then Senior Assistant Secretary of Planning at Office of Prime Minister (SAS (P) OPM) must be given a copy by concerned Ministry for registering and dispatching to all government ministries through email and/or hard copy of that policy.</li> <li>➤ As a way forward to improve this area,</li> </ul>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:

Year ended 31 December 2014

Recommendation	Risk	Management response
		<p>SAS (P) OPM is intending to reactivate Government Policy Register and to work closely with line Ministries in achieving this.</p>
<p><b>19.2007 Government Contracts Register</b></p> <p>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. It is understood that the Central Procurement Unit will have a role in the creation of this register.</p>	<p>Budgets are based on estimates rather than source documents.</p> <p>TWOG is unaware at a global level what contracts they are counter-party to and the impact this has on TWOG cash flows. That the TWOG are not able to effectively manage contracts to its fullest extent.</p>	<ul style="list-style-type: none"> <li>➤ MFED agrees with the finding, however responsibility for this activity has not yet been identified.</li> <li>➤ This register is established in line with Procurement processes that will be introduced in 2015.</li> </ul>

## Appendix 2: Audit Issues Closed during the 2014 Audit

LC 2013.4 Payment of Allowances to Co-opted Members and Support Staff of the Parliamentary Committees
1.2013 Stocktake not completed at 31/12/13
9.2013 Incorrect accounting for write on of assets
22.2013 Non-payment of custom duty
23.2013 No reconciliation performed on Customs revenue from the warehouse entry to bill of entries
24.2013 Releasing of items before payment of duty
10.2012 Purchase Order Usage
19.2012 Variance Between Cash Accounts and Statement of Receipts and Payments by Heads
13.2011 Customs Revenue Management
15.2011 Tuvalu Fisheries Management System (TUFMAN) Data not Up-to-date
9.2009 Improper use of Bank Entries
23.F.2007 Bank Reconciliations
23.I.2007 Bank Reconciliations

## Appendix 3: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2014



Tuvalu Whole of Government Independent Audit Report for the year ended  
31 December 2014

To: Honourable Members of the Tuvalu Parliament

I 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 2014; 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 Revenue by 'Subhead'; Comparative Statement of Actual and Estimated Recurrent Expenditure by 'Subhead'; for the year then ended and the 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

##### **Uncertainty surrounding valuation, completeness and existence of Property Plant and Equipment in the Financial Statements**

The Tuvalu Whole of Government's accounting policy changed in 2013 to recognise Property Plant and Equipment in the Financial Statements. The Property Plant and Equipment were written on via an equity adjustment in 2013 using estimates of their value. I was unable to satisfy myself that the valuation estimates made by the Tuvalu Whole of Government were robust and accurate.

A stock count was performed at the end of 2014, however due to lack of robust supervision and guidance surrounding the stock count processes I was unable to satisfy myself that the Property Plant and Equipment balance is complete and that all assets in the balance exist.

Property Plant and Equipment asset purchases in 2014 were accounted for through expense accounts and then are written on as assets using an adjustment to retained earnings. Depreciation of Property Plant and Equipment has not been recognised as an expense. Accordingly, the expense accounts used to purchase these assets are overstated and the depreciation expense accounts are understated.

I have not been able to obtain sufficient appropriate audit evidence to support the Property Plant and Equipment portion of the Statement of Assets and Liabilities, the Introduction of Property Plant and Equipment portion of the Statement of Changes in Equity, the non-inclusion of Depreciation expense in the Statement of Income and Expenditure and all Expenses in the Statement of Income and Expenditure.

The lack of robust valuation, the lack of a robust stock count of Property Plant and Equipment and the improper accounting for Property Plant and Equipment constitute a limitation of scope of the audit which is significant and pervasive.

##### **Lack of evidence to support prior year comparatives**

My audit report on the Financial Statements for the period ended 31 December 2013 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2013 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 which is significant and pervasive.

#### **Non-consolidation of NAFICOT and TMTI**

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT) and the Tuvalu Maritime Training Institute (TMTI) public enterprises.

NAFICOT has not produced Financial Statements since 1999 however has become financially active in the past years, including entering into multiple joint venture agreements which are also financially active. TMTI has not produced Financial Statements since 2013. Without the consolidation of NAFICOT (Financial Statements which include the joint venture operations) and TMTI Financial Statements, the Tuvalu Whole of Government Financial Statements are incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of TMTI and NAFICOT and through it the Joint Ventures. This affects the completeness of the Investments in Corporations Balance on the Statement of Assets and Liabilities, and the completeness of the Unrealised Gain (Loss) on Investment in Corporations on the Statement of Income and Expenditure. This constitutes a limitation of scope which is significant.

#### **The non-inclusion of Inventory in the Financial Statements**

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 of Inventory.

I have not been able to obtain sufficient appropriate audit evidence to support the non-inclusion of Inventory in the Statement of Assets and Liabilities and the non-inclusion of the Statement of Summaries of Unallocated Stores and Manufacturing Accounts. This constitutes a limitation of scope of the audit which is significant.

#### **Lack of evidence to support completeness of Account Receivable and Revenues Financial Statements**

The Account Receivable balance is understated in the Financial Statements. This is due to outstanding Taxation, Customs and Wharfage revenues not being recognised as Receivables in the Financial Statements. The Accounts Receivable balances relating to Taxation, Customs and Wharfage in their individual systems was not reflected on the Tuvalu Whole of Government's accounting system. I was unable to satisfy myself surrounding the completeness of the Account Receivable balance and corresponding Revenue balances in the Financial Statements.

The lack of evidence to support the completeness of the Account Receivable balance and the completeness of the corresponding Revenue transactions in the Financial Statements constitutes a limitation of scope of the audit which is significant.

#### **Limitation of scope surrounding Cabinet minutes and decisions**

All Cabinet minutes and key decisions made in Cabinet for 2014 were unable to be presented to me for review. This constitutes a limitation of scope as without a record of key decisions made (some of which can affect the financial position of the Tuvalu Whole of Government), I am unable to be certain that the Financial Statements reflect these decisions.

The inability for Audit to review all Cabinet minutes and Decisions constitutes a limitation of scope which is significant. It is uncertain which areas if any of the Financial Statements will be affected.

**Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account**

The Tuvalu Whole of Government was unable to reconcile the cash movement in the Tuvalu Development Fund in the Financial Statements to the movement in the Tuvalu Development Fund bank account. There are unexplained movements within the Tuvalu Development Fund. There are either incomplete receipts balances or incorrect accounting for expenditure.

I have not been able to obtain sufficient appropriate audit evidence to support the entire Statement on Balance of the Tuvalu Development Fund Account by Aggregate Receipts and Payments, and the Gain/Loss from Tuvalu Development Fund Operation in the Statement of Income and Expenditure. The non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account constitutes a limitation of scope which is significant.

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 2014.

Auditor's Responsibility

I have conducted an independent audit in order to express an opinion on the financial report. I have audited the Financial Statements of the Tuvalu Whole of Government for the year ended 31 December 2014 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.

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:  
Year ended 31 December 2014

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 Office of the Auditor-General Tuvalu complies with all applicable independence requirements of the Audit Act.

Sincerely,



Eli Lopati

**Auditor-General for Tuvalu**

Funafuti

30 September 2015



# **TUVALU WHOLE OF GOVERNMENT**



## **FINANCIAL STATEMENTS**

**for the Year Ended 31 December 2014**

## STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2014

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 Year Ended 31 December 2014

The Financial Statements were authorised for issue by the Minister of Finance on 30 June 2015



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**Hon. Maatia Toafa**  
Minister of Finance & Economic  
Development



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**Mr Letasi Iulai**  
Permanent Secretary for Finance and  
Economic Development

## STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31-Dec-14

The accompanying notes form part of these financial statements.

	Notes	<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
<b><u>RECURRENT INCOME</u></b>				
Taxation	9	5,922,957	7,786,101	8,160,636
Interest, Dividends and Rent	10	3,671,560	2,292,810	531,581
Fisheries Licenses		13,626,652	13,848,620	18,058,838
.TV		5,514,159	4,050,000	4,355,012
External Assistance and Grants	11	11,628,551	14,670,619	9,757,540
Other Income	12	2,527,011	2,816,761	2,936,758
Distribution from Tuvalu Trust Fund		10,711,398	6,500,000	0
<b>TOTAL RECURRENT INCOME</b>		<b>53,602,287</b>	<b>51,964,911</b>	<b>43,800,364</b>
<b><u>RECURRENT EXPENDITURE</u></b>				
Wages, Salaries, and Allowances		13,923,859	14,564,006	11,955,930
Contributions to Tuvalu National Provident Fund		1,165,388	1,292,433	1,013,053
Travel	13	2,279,496	2,043,865	1,414,932
Fuel, Electricity and Communications		2,219,287	3,117,783	1,864,091
Maintenance		1,629,714	1,299,368	1,679,531
Bank Charges and Fees		650,465	611,459	145,872
Grants and Subsidies (incl. Scholarships Support)	14	10,545,161	8,684,573	7,844,265
Tuvalu Medical Treatment Scheme		2,509,414	1,804,500	2,310,962
Other Expenses	15	4,306,106	3,917,896	3,907,860
Special Development Expenditures		2,280,398	1,857,704	489,169
<b>TOTAL RECURRENT EXPENDITURE</b>		<b>41,509,289</b>	<b>39,193,588</b>	<b>32,625,665</b>
<b>RECURRENT SURPLUS / (DEFICIT)</b>		<b>12,092,998</b>	<b>12,771,324</b>	<b>11,174,699</b>
<b><u>OTHER GAIN AND LOSS</u></b>				
Unrealised Gain (Loss) on Trust Fund Investment	4	516,955		3,140,000
Unrealised Gain (Loss) on Investment in Corporations	5	(411,726)		2,174,347
Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	8	(202,176)		(1,071,045)
Gain (Loss) on Tuvalu Development Fund Operation	16	43,105		(68,828)
Doubtful Debts (Expense)		(5,664)		(1,770)
<b>TOTAL OTHER REVENUE AND EXPENDITURE</b>		<b>(59,507)</b>		<b>4,172,704</b>
<b>TOTAL SURPLUS / (DEFECIT)</b>		<b>12,033,492</b>		<b>15,347,403</b>

**STATEMENT OF ASSETS AND LIABILITIES**

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

For the Year Ended 31-Dec-14

The accompanying notes form part of these financial statements.

	Notes	<b>2014</b>	<b>2013</b>
<b>GOVERNMENT EQUITY</b>			
Surplus / (Deficit)		12,033,492	15,347,403
Retained Earnings		131,643,879	120,063,358
<b>TOTAL GOVERNMENT EQUITY</b>		<b>143,677,371</b>	<b>135,410,761</b>
<b>REPRESENTED BY:</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	1	5,019,322	10,118,073
Special Funds	2	1,403,660	1,229,520
Cash Investments	3	24,690,987	5,465,837
Debtors & Accrued Revenue	6	1,550,612	1,813,255
<b>Total current assets</b>		<b>32,664,582</b>	<b>18,626,684</b>
<b>Non-Current Assets</b>			
Tuvalu Trust Fund	3 & 4	54,065,782	53,548,827
Tuvalu Development Fund	3 & 16	2,457,184	2,404,937
Investments in Corporations	3 & 5	12,810,885	13,222,612
Property, Plant and Equipment	18	55,522,039	58,306,697
<b>Total Non-Current Assets</b>		<b>124,855,891</b>	<b>127,483,072</b>
<b>TOTAL ASSETS</b>		<b>157,520,472</b>	<b>146,109,757</b>
<b>LIABILITIES</b>			
<b>Less Current Liabilities</b>			
Accounts Payable	7	1,321,019	1,251,033
Unearned Revenue	7(a)	4,168,332	0
Other	7(a)	1,872	3,948
<b>Total current liabilities</b>		<b>5,491,223</b>	<b>1,254,981</b>
<b>Less Non-Current Liabilities</b>			
Offshore Loans	8	6,988,147	7,262,791
Domestic Loans	8	1,363,731	2,181,224
<b>Total non-current liabilities</b>		<b>8,351,878</b>	<b>9,444,015</b>
<b>TOTAL LIABILITIES</b>		<b>13,843,101</b>	<b>10,698,995</b>
<b>TOTAL NET ASSETS</b>		<b>143,677,371</b>	<b>135,410,761</b>

Note; Property plant & equipment included as non-Current Asset of Government of Tuvalu for the first time in 2013

**STATEMENT OF CHANGES IN EQUITY****For the Year Ended 31-Dec-14**

*The accompanying notes form part of these financial statements.*

	Notes	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Retained Earnings as at 1 January</b>		135,410,761	61,756,661
<b>Movements reflected on Income Statement</b>			
Net Surplus/(Deficit) for the period		12,092,998	11,174,699
Other Gain (Loss) for the period		(59,507)	4,172,704
<b>Movements not reflected on Income Statement</b>			
Introduction of Property, Plant & Equipment	<b>18</b>	(2,784,658)	58,306,697
Write off of Nukufetau Cash Book Prior Year Error	<b>Acc Pol 2.5</b>	(48,967)	0
Accounts Receivable Prior Year Error	<b>Acc Pol 2.5</b>	(429,787)	
Accounts Payable Prior Year Error	<b>Acc Pol 2.5</b>	(503,471)	
<b>Accumulated Funds as at 31 December</b>		<b><u>143,677,371</u></b>	<b><u>135,410,761</u></b>

**STATEMENT OF REVENUE AND EXPENDITURE BY HEADS**

**For the Year Ended 31-Dec-14**

*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>2014 Actual</u>	<u>2014 Original Budget</u>	<u>Variance (Bud - Act)</u>
<b>RECURRENT REVENUE</b>				
A	Office of the Governer General	0	0	0
B	Office of the Prime Minister	245,474	333,700	(88,226)
C	Legal Services	88,671	74,050	14,621
D	Parliament	0	0	0
E	Office of the Auditor General	79,769	35,000	44,769
F	Finance and Economic Development	21,372,461	22,177,161	(804,700)
G	Public Utilities	91,191	1,099,800	(1,008,609)
H	Health	4,592	24,000	(19,408)
I	Natural Resources	13,707,854	15,458,132	(1,750,278)
J	Home Affairs	34,217	16,300	17,917
K	Police and Prison Services	27,686	58,900	(31,214)
L	Transport and Communications	7,112,491	6,006,850	1,105,641
M	Education, Youth and Sports	48,493	80,000	(31,507)
N	Judiciary	9,561	5,770	3,791
O	Foreign Affairs, Trade, Tourism, Environment & Labour	68,430	95,248	(26,818)
	Distribution from Tuvalu Trust Fund	10,711,398	6,500,000	4,211,398
<b>TOTAL RECURRENT REVENUE</b>		<b>53,602,287</b>	<b>51,964,911</b>	<b>(1,637,376)</b>
<b>RECURRENT EXPENDITURE</b>				
A	Office of the Governer General	141,817	146,654	4,837
B	Office of the Prime Minister	3,702,415	3,147,234	(555,181)
C	Legal Services	244,286	363,885	119,599
D	Parliament	494,443	454,138	(40,305)
E	Office of the Auditor General	235,038	344,703	109,665
F	Finance and Economic Development	6,294,484	3,467,878	(2,826,605)
G	Public Utilities	1,960,127	3,175,605	1,215,479
H	Health	6,246,399	5,470,586	(775,813)
I	Natural Resources	2,463,004	2,583,111	120,107
J	Home Affairs	3,644,223	3,990,556	346,333
K	Police and Prison Services	1,697,713	1,618,675	(79,038)
L	Transport and Communications	4,428,951	4,186,295	(242,656)
M	Education, Youth and Sports	6,898,418	7,544,018	645,600
N	Judiciary	161,997	162,215	218
O	Foreign Affairs, Trade, Tourism, Environment & Labour	2,895,974	2,538,034	(357,940)
<b>TOTAL RECURRENT EXPENDITURE</b>		<b>41,509,289</b>	<b>39,193,588</b>	<b>(2,315,701)</b>
<b>RECURRENT SURPLUS / (DEFICIT)</b>		<b>12,092,998</b>	<b>12,771,324</b>	<b>678,325</b>
<b>OTHER GAIN AND LOSS</b>				
	Unrealised Gain (Loss) on Trust Fund Investment	516,955		
	Unrealised Gain (Loss) on Investment in Corporations	(411,726)		
	Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	(202,176)		
	Gain (Loss) on Tuvalu Development Fund Operation	43,105		
	Doubtful Debts (Expense)	(5,664)		
<b>TOTAL OTHER REVENUE AND EXPENDITURE</b>		<b>(59,507)</b>		
<b>TOTAL SURPLUS / (DEFECIT)</b>		<b>12,033,492</b>		

**STATEMENT OF RECEIPTS AND PAYMENTS BY HEADS**  
**Prepared in accordance with Public Finance Act s31(1)(ii)**  
**For the Year Ended 31-Dec-14**

*The accompanying notes form part of these financial statements.*

**Budget Approved on Cash Basis**

<u>Head</u>	<u>Head / Government Function</u>	<u>2014 Expense &amp; Revenue</u>	<u>Adjust for Movement of AP/AR accrual balance</u>	<u>2013/2014 Accrual Journals</u>	<u>2014 Accrual Movement</u>	<u>2014 Receipts &amp; Payments</u>	<u>2014 Final Budget Provision</u>	<u>Variance (Bud - Act)</u>
<b>RECURRENT RECEIPTS</b>								
A	Office of the Governer General	0	0	0	0	0	0	0
B	Office of the Prime Minister	245,474	0	0	0	245,474	333,700	88,226
C	Legal Services	88,671	0	0	0	88,671	74,050	(14,621)
D	Parliament	0	0	0	0	0	0	0
E	Office of the Auditor General	79,769	0	(31,027)	(31,027)	48,743	35,000	(13,743)
F	Finance and Economic Development	21,372,461	(83,243)	1,038,429	955,187	22,327,648	22,177,161	(150,487)
G	Public Utilities	91,191	0	0	0	91,191	1,099,800	1,008,609
H	Health	4,592	0	0	0	4,592	24,000	19,408
I	Natural Resources	13,707,854	0	2,364,721	2,364,721	16,072,575	15,458,132	(614,443)
J	Home Affairs	34,217	0	0	0	34,217	16,300	(17,917)
K	Police and Prison Services	27,686	(124,513)	25	(124,488)	(96,803)	58,900	155,703
L	Transport and Communications	7,112,491	0	16,475	16,475	7,128,966	6,006,850	(1,122,116)
M	Education, Youth and Sports	48,493	0	350	350	48,843	80,000	31,157
N	Judiciary	9,561	0	0	0	9,561	5,770	(3,791)
O	Foreign Affairs, Trade, Tourism, Env. & Labour	68,430	0	0	0	68,430	95,248	26,818
	Drawdown from the Tuvalu Trust Fund	10,711,398	0	0	0	10,711,398	6,500,000	(4,211,398)
	<b>TOTAL RECEIPTS by heads</b>	<b>53,602,287</b>	<b>(207,756)</b>	<b>3,388,974</b>	<b>3,181,218</b>	<b>56,783,505</b>	<b>51,964,911</b>	<b>(4,818,594)</b>
<b>RECURRENT PAYMENTS</b>								
A	Office of the Governer General	141,817	2,941	(7,296)	(10,237)	131,580	144,855	13,274
B	Office of the Prime Minister	3,702,415	18,392	6,190	(12,202)	3,690,212	3,970,848	280,635
C	Legal Services	244,286	(201)	0	201	244,488	364,386	119,898
D	Parliament	494,443	(726)	3,505	4,231	498,674	517,340	18,666
E	Office of the Auditor General	235,038	0	0	0	235,038	358,148	123,110
F	Finance and Economic Development	6,294,484	3,234	128,611	125,377	6,419,861	5,984,301	(435,559)
G	Public Utilities	1,960,127	(1,057)	(3,214)	(2,157)	1,957,970	3,193,079	1,235,108
H	Health	6,246,399	(51)	124,389	124,440	6,370,838	6,089,669	(281,169)
I	Natural Resources	2,463,004	193	(43,681)	(43,873)	2,419,131	2,717,714	298,584
J	Home Affairs	3,644,223	10,629	289,367	278,737	3,922,960	4,084,803	161,843
K	Police and Prison Services	1,697,713	(93)	369	462	1,698,175	1,778,650	80,476
L	Transport and Communications	4,428,951	611	112,561	111,951	4,540,902	4,623,964	83,063
M	Education, Youth and Sports	6,898,418	(724)	344,476	345,200	7,243,619	7,547,075	303,456
N	Judiciary	161,997	(14)	(2,034)	(2,020)	159,977	165,737	5,760
O	Foreign Affairs, Trade, Tourism, Env. & Labour	2,895,974	(330)	1,557	1,886	2,897,861	2,706,507	(191,354)
	<b>TOTAL PAYMENTS by heads</b>	<b>41,509,289</b>	<b>32,803</b>	<b>954,799</b>	<b>921,996</b>	<b>42,431,285</b>	<b>44,247,076</b>	<b>(1,815,791)</b>
	<b>TOTAL CASH MOVEMENT</b>					<b>14,352,220</b>		
<b>Cash movement reconciled to:</b>								
		Note				<b>Movement</b>	<b>Balance as at</b>	
	<b>Movement in Balance of Deposit Accounts</b>	1				(5,098,751)	<b>31-Dec-14</b>	<b>30-12-13</b>
	<b>Movement in Special Fund Balances</b>	2				174,140	5,019,322	10,118,073
	<b>Movement in Cash Investments</b>	3				19,225,150	1,403,660	1,229,520
	<b>Interest on Tuvalu Development Fund IBD</b>	3				4,644	24,690,987	5,465,837
							188,677	184,033
						<b>14,305,184</b>		
	<b>Cash Movement written off for Nukufetau</b>					<b>48,697</b>		
						<b>UNRECONCILED MOVEMENT</b>		<b>1,931</b>

**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-Dec-14

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Revenue / Government Function</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance (Act - Bud)</u>
<b>RECURRENT REVENUE</b>			
<b>Office of the Prime Minister</b>			
B01 Corporate Services - Office of the Prime Minister	665	1,700	(1,035)
B04 Personnel and Training	122,805	127,000	(4,195)
B08 Tuvalu Media Department	45,810	142,000	(96,190)
B11 Immigration	76,194	63,000	13,194
<b>Legal Services</b>			
C01 Office of the Attorney General	88,671	71,050	17,621
C02 People's Lawyer	0	3,000	(3,000)
<b>Office of the Auditor General</b>			
E01 Office of the Auditor General	79,769	35,000	44,769
<b>Finance and Economic Development</b>			
F01 Corporate Services - Finance	14,447,829	14,308,215	139,614
F02 Planning and Budget	0	810	(810)
F03 Central Statistics Division	80	50	30
F04 Customs	2,786,033	2,862,000	(75,967)
F05 Postal	68,129	0	68,129
F06 Treasury	888,484	0	888,484
F07 Inland Revenue	3,176,881	4,993,986	(1,817,105)
F09 Industries	5,025	12,100	(7,075)
<b>Public Utilities</b>			
G01 Corporate Services - Public Utilities	0	1,000,000	(1,000,000)
G02 Energy	7,988	5,000	2,988
G03 Public Works Department	83,203	94,800	(11,597)
<b>Health</b>			
H03 Curative	4,132	21,000	(16,868)
H04 Preventative Primary and Preventative Health Services	460	3,000	(2,540)
<b>Natural Resources</b>			
I02 Agriculture	10,010	9,500	509
I03 Fisheries	13,673,991	15,397,282	(1,723,291)
I04 Lands and Surveys	23,853	51,350	(27,497)
<b>Home Affairs</b>			
J01 Corporate Services - Home Affairs	28,227	16,300	11,927
J08 Solid Waste Agency of Tuvalu (SWAT)	5,990	0	5,990
<b>Police and Prison Services</b>			
K01 Police and Prison Services	27,686	58,900	(31,214)
<b>Transport and Communications</b>			
L01 Corporate Services - Communications and Transport	5,514,159	4,050,000	1,464,159
L02 Marine	1,588,946	1,672,100	(83,154)
L03 Aviation	3,702	284,100	(280,398)
L04 Information, Communication and Technology	5,261	500	4,761
L07 Meteorological Office	424	150	274
<b>Education, Youth and Sports</b>			
M04 EFA Secondary School	46,702	80,000	(33,298)
M05 Library	1,791	0	1,791
<b>Judiciary</b>			
N01 Judiciary	9,561	5,770	3,791
<b>Foreign Affairs, Trade, Tourism, Environment &amp; Labour</b>			
O01 Corporate Services - Foreign Affairs, Trade, Tourism, Environ	70	0	70
O02 Labour	2,000	0	2,000
O03 Suva Mission	14,409	22,148	(7,739)
O04 Permanent Mission of Tuvalu to the UN	0	100	(100)
O06 Environment	500	0	500
O08 Trade Office	1,305	0	1,305
O10 Labour	50,146	73,000	(22,854)
<b>TTF Distribution to CIF</b>	<b>10,711,398</b>	<b>6,500,000</b>	<b>4,211,398</b>
<b>TOTAL RECURRENT REVENUE</b>	<b><u>53,602,287</u></b>	<b><u>51,964,911</u></b>	<b><u>(1,637,376)</u></b>



**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-Dec-14

*The accompanying notes form part of these financial statements.*

**Budget Approved on Cash Basis**

<u>Head of Expenditure / Government Function</u>	<u>2014 Actual</u>	<u>2014 Original Budget</u>	<u>Variance (Bud - Act)</u>
<b>RECURRENT EXPENDITURE</b>			
<b>Office of the Governer General</b>			
A01 Office of the Governor General	141,817	146,654	4,837
<b>Office of the Prime Minister</b>			
B01 Corporate Services - Office of the Prime Minister	1,784,514	1,020,058	(764,456)
B04 Personnel and Training	1,310,005	1,431,936	121,932
B08 Tuvalu Media Department	414,090	418,581	4,492
B10 Department of Women	95,158	92,464	(2,694)
B11 Immigration	98,649	184,195	85,546
<b>Legal Services</b>			
C01 Office of the Attorney General	187,027	249,743	62,716
C02 People's Lawyer	47,703	68,505	20,802
C03 Office of the Ombudsman	9,557	45,637	36,081
<b>Parliament</b>			
D01 Office of the Parliament	494,443	454,138	(40,305)
<b>Office of the Auditor General</b>			
E01 Office of the Auditor General	235,038	344,703	109,665
<b>Finance and Economic Development</b>			
F01 Corporate Services - Finance	4,734,806	2,272,757	(2,462,049)
F02 Planning and Budget	184,738	195,808	11,070
F03 Central Statistics Division	59,058	79,503	20,445
F04 Customs	248,112	225,848	(22,264)
F05 Postal	(150)	0	150
F06 Treasury	847,903	428,299	(419,603)
F07 Inland Revenue	121,390	148,412	27,022
F08 Public Enterprise Reform and Montoring Unit	32,917	45,063	12,146
F09 Industries	65,711	72,188	6,478
<b>Public Utilities</b>			
G01 Corporate Services - Public Utilities	570,694	1,565,603	994,909
G02 Energy	89,358	106,003	16,645
G03 Public Works Department	1,300,075	1,503,999	203,925
<b>Health</b>			
H01 Corporate Service - Health	2,936,592	2,157,961	(778,631)
H02 Health Administration	376,260	408,245	31,985
H03 Curative	2,451,641	2,222,238	(229,402)
H04 Preventative Primary and Preventative Health Services	481,905	682,142	200,237
<b>Natural Resources</b>			
I01 Corporate Services - Natural Resources	299,994	261,626	(38,367)
I02 Agriculture	420,652	436,232	15,580
I03 Fisheries	662,800	791,028	128,228
I04 Lands and Surveys	1,079,558	1,094,224	14,666
<b>Home Affairs</b>			
J01 Corporate Services - Home Affairs	250,903	505,007	254,104
J02 Department of Rural Development	2,680,033	2,787,538	107,505
J03 Community Affairs	349,113	345,392	(3,722)
J05 Culture	12,064	22,739	10,675
J08 Solid Waste Agency of Tuvalu (SWAT)	352,109	329,880	(22,229)

Continued from previous page  
Head of Expenditure / Government Function

Continued on next page

		<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>between</u> <u>Actual and</u> <u>Budget</u>
<b>Police and Prison Services</b>				
K01	Police and Prison Services	1,697,713	1,618,675	(79,038)
<b>Transport and Communications</b>				
L01	Corporate Services - Communications and Transport	316,554	298,209	(18,345)
L02	Marine	3,420,939	3,129,372	(291,567)
L03	Aviation	175,861	207,180	31,319
L04	Information, Communication and Technology	308,427	319,663	11,236
L07	Meteorological Office	207,169	231,871	24,702
<b>Education, Youth and Sports</b>				
M01	Corporate Services - Educations, Youth and Sports	935,178	955,120	19,942
M02	Education Department	546,793	528,488	(18,305)
M03	Primary Education	1,567,092	1,592,505	25,413
M04	EFA Secondary School	1,851,126	2,205,703	354,577
M05	Library	91,784	95,629	3,845
M06	Sports	193,390	189,527	(3,863)
M07	Pre-service Scholarships	1,566,716	1,826,476	259,760
M08	Youth	21,337	25,743	4,406
M09	Early Childhood Care and Education	125,002	124,827	(175)
<b>Judiciary</b>				
N01	Judiciary	161,997	162,215	218
<b>Foreign Affairs, Trade, Tourism, Environment &amp; Labour</b>				
O01	Corporate Services - Foreign Affair	587,661	426,438	(161,223)
O02	Labour	93,604	99,126	5,522
O03	Suva Mission	374,552	351,808	(22,745)
O04	Permanent Mission of Tuvalu to the UN	406,315	388,384	(17,931)
O05	Brussels Mission	353,586	383,656	30,070
O06	Environment	127,138	154,696	27,558
O07	Tuvalu Consulate in Auckland	293,097	172,278	(120,819)
O08	Trade Office	38,574	55,538	16,964
O09	Tourism	48,646	43,453	(5,193)
O10	Labour	124,736	138,927	14,191
O11	Taipei Mission	448,065	323,729	(124,336)
<b>TOTAL RECURRENT EXPENDITURE</b>		<b><u>41,509,289</u></b>	<b><u>39,193,588</u></b>	<b><u>(2,315,701)</u></b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2014

Accounting Policies

NOTE 1	Statement of Balances on Deposit Accounts
NOTE 2	Statement of Special Fund Balances
NOTE 3	Statement of Investments
NOTE 4	Statement of Contingent Assets - Tuvalu Trust Fund
NOTE 5	Government Investment in Corporations
NOTE 6	Debtors
NOTE 6 (a)	Statement of Balance on Advance Accounts
NOTE 6 (b)	Statement of Arrears of Revenues by Sub Heads
NOTE 7	Other Recurrent Liabilities
NOTE 8	Statement of Public Debts
NOTE 8(a)	Statement of Contigent Liabilities
NOTE 9	Taxation
NOTE 10	Interest, Dividends and Rent
NOTE 11	External Assistance and Grants
NOTE 12	Other Income
NOTE 13	Travel
NOTE 14	Grants and Subsidies (Include Scholarship Support)
NOTE 15	Other Expenditures
NOTE 16	TDF Aggregate Receipts & Payments
NOTE 17	Requirement of the Public Finance Act without balances
NOTE 18	Statement of Property,Plant and Equipment by Department
NOTE 18 (a)	Statement of Property,Plant & Equipment by Category
NOTE 19	Statement of Unauthorised Expenditure by Sub Head & Items

## **STATEMENT OF ACCOUNTING POLICIES**

### **for the Year Ended 31 December 2014**

#### **1            REPORTING ENTITY**

##### **1.0            TUVALU GOVERNMENT**

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

This Financial Statements also includes some of the key contribution of the Tuvalu Trust Fund to the Tuvalu Government. This statutory body was established by the Tuvalu Government in 1987 under the Tuvalu Trust Fund Act. The trustees represent the Tuvalu Government, New Zealand and Australia who are the main contributors to the TTF.

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 Post Limited, Tuvalu Maritime Training Institute (TMTI) and Tuvalu Telecommunications Corporation are not consolidated into the Tuvalu Government Accounts. The Tuvalu 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 Tuvalu Government are not included in these accounts.

#### **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 in compliance with 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 Tuvalu Government. 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 presentational currency of the Tuvalu Government is Australian dollars. Transactions in foreign currencies are initially recorded in Australian dollars 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 Currencies are translated at the exchange rates provided by the Reserve Bank of Australia. 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 detailed in the budget, except for Note 19 which includes both the initial Annual Appropriation Act and all Supplementary Appropriation Acts. Appropriations are on a cash basis.

## **2.4 CHANGES IN ACCOUNTING POLICIES**

Changes in accounting policies are applied retrospectively. 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 updated in the current period's accounts and noted in these statements.

The Cash Balance of Nukufetau was overstated in 2013 by \$48,967. This has been corrected in 2014 by reducing this cash balance and reducing Retained Earnings.

The 2013 accounts included a double entered receivable from the Tuvalu Electricity Corporation for a amount of \$429,786.65. This invoice overstated the 2013 Accounts Receivable and Revenue Balances and has been corrected in the 2014 Accounts. The impact of this error in 2014 is that the Retained Earnings balance has been decreased and the receivable balance decreased.

An invoice for goods and services expenses incurred in 2013 was located during 2015. This has been corrected in 2014 by reducing Retained Earnings by \$503,471 and increasing Accounts Payable by \$503,471. The invoice was subsequently paid in 2015.

## **3 ACCOUNTING POLICIES**

### **3.1 REVENUE**

Revenue is recognised 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 recognised 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 recognised 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 7% 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.

### **Interest, Dividends, and Rent**

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

### **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 development partners is recognised at the time of receipt. Aid funding received from development partners for projects in the Tuvalu Development Fund is recognised as revenue within Tuvalu Development Fund account, distinctly separate to the Government Consolidated Fund at time of receipt.

### **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 Tuvalu Government.

Grants in kind in the form of assets are recognised within these accounts through retained earnings, consistent with the Tuvalu Government's accounting for Property Plant and Equipment.

Grants in kind in the form of services are not recognised in these accounts.

## **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 Organisations (NGOs) are recognised 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 it relates to.

### **Special Development Expenditure**

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

## **3.4 ASSETS**

### **Current Assets**

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

### **Cash & Cash Equivalentents**

Cash comprises cash on hand and demand deposits. Cash equivalentents 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.

### **Special Funds**

Special Funds consist of monies which have been reserved for a specific purpose as required by an Act or Regulation. These do not form part of the Consolidated Revenue Fund.

### **Cash Investments**

Cash Investments include the Consolidated Investment Fund and the Government Air Pacific Bank Guarantee. Distributions from the Tuvalu Trust Fund are paid into the Consolidated Investment Fund, in order to ensure that there is a sufficient reserve of funds, in the event that the Tuvalu Trust Fund does not make a distribution.

## **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.

## **Investments in Corporations**

Financial Statements for all Public Enterprises are not consolidated into the Tuvalu Government accounts. The net asset positions of Public Enterprises are reflected on the Statement of Assets and Liabilities as an Investment in Corporations and the movement in the Investment in Corporations balance is included in the Statement of Revenue and Expenditures as a gain/loss.

## **Property Plant & Equipment**

Property, Plant and Equipment is presented at cost less accumulated depreciation and impairment losses and includes assets provided in-kind. Assets purchased by the Tuvalu Government are initially measured at cost, and then depreciated on straight-line basis.

### **Depreciation**

Items of Premises and equipment are depreciated using straight line method at rates which reflect the useful life of the asset. The annual depreciation rates used for each class of asset are as follows:

<i>Asset Class</i>	<i>Annual Depreciation</i>
Automobiles & Bikes	20
Equipment(Computers,Photocopier &Other)	20
Buildings excluding land	3.6
Plant & Machinery (not)-Vehicle	12
Furnitures & Fittings	5
Technical Equipment	5
Ships & Boats	5

### **Subsequent Costs**

The Cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Tuvalu Government and its cost can be measured reliably.The costs of the day-to-day servicing of premises and equipment are recognised in the statement of income and expenditure as incurred.

### **Assets in Kind**

In-kind assets are assets which are provided by development partners for either nominal or no consideration. In-kind assets are recognised at estimated cost. The estimated cost is assessed in consultation with the development partner who provided the asset.

## **Tuvalu Trust Fund (TTF)**

In 1987 under the Tuvalu Trust Fund (Finance and Information) Act, the Tuvalu Government 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, who are the main contributors to the Tuvalu Trust Fund.



Despite being the sole beneficiary of the TTF, the Tuvalu Government 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 Tuvalu Government'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.

#### **Tuvalu Development Fund**

The Tuvalu Development Fund is recognised as a Non-current Asset, reflecting the Government's agreement with development partners to utilise development funds in line with approved development partner agreements. The Tuvalu Development Fund is accounted for on a cash basis, that is payments and receipts are recognised when there is a cash inflow or outflow. The movement in the Tuvalu Development Fund is recognised in the Statement of Revenue and Expenditure as a gain/loss.

### **3.5 LIABILITIES**

#### **Accounts Payable**

Accounts Payable is recognised on receipt of an approved invoice.

#### **Accrued Expenditure**

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

#### **Unearned Revenue**

Revenue received in advance and related to future financial periods is recognised as Revenue received in Advance.

#### **Employee Entitlements**

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

#### **Public Debt**

All Public Debt is measured and presented at fair value.

### **4 CHANGES IN ACCOUNT POLICIES**

There have been no changes in accounting policies for the year ended 31st December 2014.

### **5 SUBSEQUENT EVENTS**

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

## 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-Dec-14**

	<b>Financial Year Ending</b>	
	<b><u>31-Dec-14</u></b>	<b><u>31-12-13</u></b>
<b>Consolidated Fund Accounts</b>		
General Current Account	4,240,847	9,245,265
Intellectual Property Account	99,365	52,208
IBD - Housing Repurchasing	262,674	256,195
IBD -Tuvalu Parliment Building	79,767	77,804
IBD - Investment in Education Office	154,577	150,772
<i>Total Consolidated Fund Cash account balances</i>	<b><u>4,837,231</u></b>	<b><u>9,782,243</u></b>
<b>Foreign Mission Accounts</b>		
Cash on Hand - UN Mission	58,611	62,092
Cash on Hand - Brussel Mission	28,977	29,715
Cash on hand - Suva Embassy	23,571	76,960
Cash in transit - Suva Embassy	0	6,607
Cash on Hand - New Zealand Consulate Office	62,960	97,852
Cash on hand - Taiwan Embassy	0	9,331
<i>Total Foreign Mission Cash account balances</i>	<b><u>174,119</u></b>	<b><u>282,557</u></b>
<b>Outer Island General Accounts</b>		
Cash on Hand Nanumaga	35	150
Cash on Hand Nanumea	150	150
Cash in Transist - Nanumea	0	396
Cash on Hand Niutao	150	3,787
Cash on Hand Nui	160	153
** Cash on Hand Nukufetau	278	47,584
Cash on Hand Nukulaelae	50	105
Cash on Hand Vaitupu	4,650	948
Cash in Transist - Vaitupu	2,500	0
<i>Total Outer Island Cash account balances</i>	<b><u>7,973</u></b>	<b><u>53,273</u></b>
<b>Total Cash Balances as at 31-Dec-14</b>	<b><u>5,019,322</u></b>	<b><u>10,118,073</u></b>

\*\* Refer to Prior Year errors

## 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-Dec-14

Special Funds	Financial Year Ending	
	<u>31-Dec-14</u>	<u>30-12-13</u>
<b>IBD - Coinage Security</b>		
<i>[Refer to s5(1)-Currency Act]</i>		
Opening Balance	195,230	89,416
Proceeds of sales of coins & royalties	148,006	105,814
Transfer - Government General Account		
Closing Balance	<b>343,236</b>	<b>195,230</b>
<b>IBD - Rehabilitation</b>		
<i>[Refer to Order 2 of the Community Rehabilitation Fund (Special Fund) Order]</i>		
Opening Balance	18,039	17,594
Interest Earnings	456	445
Closing Balance	<b>18,495</b>	<b>18,039</b>
<b>IBD - Insurance Fund</b>		
<i>[Refer to s20(3)© of Public Finance Act]</i>		
Opening Balance	405,624	395,646
Interest Earnings	10,236	9,977
Closing Balance	<b>415,860</b>	<b>405,624</b>
<b>IBD - NBT Insurance</b>		
<i>[Refer to s4-NBT(Insurance Fund)Act]</i>		
Opening Balance	610,627	595,570
Interest Earnings	15,442	15,058
Closing Balance	<b>626,069</b>	<b>610,627</b>
<b>Total Special Funds balance as at 31-Dec-14</b>	<b><u>1,403,660</u></b>	<b><u>1,229,520</u></b>

## 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-Dec-14

	Notes	Financial Year Ending	
		31-Dec-14	30-12-13
<b>Cash Investments</b>			
Consolidated Investment Fund		24,643,524	5,419,544
Government Air Pacific Bank Guarantee		47,464	46,293
<b>Total Cash Investments as at 31-Dec-14</b>		<b>24,690,987</b>	<b>5,465,837</b>
<b>Investment</b>			
Tuvalu Trust Fund - Government of Tuvalu Contribution	4	54,065,782	53,548,827
Capital in Corporations (total)	5	12,810,885	13,222,612
<b>Sub total</b>		<b>66,876,667</b>	<b>66,771,439</b>
Tuvalu Development Fund		2,268,507	2,220,904
IBD - Tuvalu Development Fund		188,677	184,033
<b>Sub total Tuvalu Development Fund</b>		<b>2,457,184</b>	<b>2,404,937</b>
<b>Total Non-current Investments as at 31-Dec-14</b>		<b>69,333,851</b>	<b>69,176,375</b>
<b>Total Investments of Government as at 31-Dec-14</b>		<b>94,024,839</b>	<b>74,642,212</b>

## NOTE 4

### STATEMENT OF CONTINGENT ASSETS

Prepared in accordance with Public Finance Act s31(1)(x)  
For the Year Ended 31/12/2014

#### 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 31st 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
2013 Closing Balance	\$ 140,705	\$ 83,781	\$ 31,885	38%	\$ 53,549	\$ 87,156
<b>2014 Closing Balance</b>	<b>\$ 143,606</b>	<b>\$ 84,691</b>	<b>\$ 31,885</b>	<b>38%</b>	<b>\$ 54,066</b>	<b>\$ 89,540</b>

#### Tuvalu Trust Fund Contribution Balances

\$'000	2008	2009	2010	2011	2012	2013	2014
GOT	31,885	31,885	31,885	31,885	31,885	31,885	31,885
UK	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Australia	18,319	19,570	22,901	26,901	28,901	30,071	30,950
NZ	12,579	12,579	12,579	12,579	12,579	12,579	12,579
Japan	695	695	695	695	695	695	695
Turkey							31
South Korea	69	101	101	101	101	101	101
<b>Total Contributions</b>	<b>71,996</b>	<b>73,279</b>	<b>76,611</b>	<b>80,611</b>	<b>82,611</b>	<b>83,781</b>	<b>84,691</b>

#### GOT Unrealised Gain / Loss on TTF Investment

2008	
2009	\$ 366
2010	\$ 3,585
2011	\$ 913
2012	\$ 3,461
2013	\$ 3,140
2014	\$ 517

## NOTE 5

### GOVERNMENT INVESTMENT IN CORPORATIONS For the Year Ended 31/12/2014

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.

Corporation	2012		2013		2014	
	Net Assets of corporation	GOT share of Net Assets	Net Assets of corporation	GOT share of Net Assets	Net Assets of corporation	GOT share of Net Assets
Tuvalu Maritime Training Institute <sup>3</sup>	565,639	565,639	2,914,420	2,914,420	1,380,244	1,380,244
National Fisheries Corporation of Tuvalu <sup>2</sup>	0	0	0	0	0	0
Development Bank of Tuvalu <sup>1</sup>	2,024,750	2,024,750	887,345	887,345	1,045,847	1,045,847
Vaiaku Lagi Hotel <sup>1</sup>	-36,852	0	-49,043	0	326,160	326,160
National Bank of Tuvalu <sup>1</sup>	7,741,360	7,702,843	9,420,846	9,420,846	9,644,306	9,644,306
Tuvalu Electricity Corporation <sup>1</sup>	755,032	755,032	-901,153	0	-192,158	0
Tuvalu Telecommunications Corporation <sup>1</sup>	-1,283,449	0	-700,731	0	414,328	414,328
Philatelic Bureau <sup>4</sup>	-201,240	0	0	0	0	0
Tuvalu Post and Travel Limited <sup>4</sup>	0	0	0	0	0	0
		<b>11,048,265</b>		<b>13,222,611</b>		<b>12,810,885</b>
Unrealised Gain (Loss) on Investment in Corporations		-426,105		2,174,346		-411,726

#### Notes

Corporations with negative net assets are recognised at zero value, as in the event of wind-up of the PE, the Government of Tuvalu is not considered liable for the deficit in Net Assets.

<sup>1</sup> The Net Asset Values for these Public Enterprises have been sourced from 2014 unaudited Financial Statements.

<sup>2</sup> The National Fisheries Corporation of Tuvalu has not prepared its accounts since 1999.

<sup>3</sup> Tuvalu Maritime Training Institute (TMTI) did not provide financial statements for 2014, therefore Net Assets figures for 2013 are used.

<sup>4</sup> The Tuvalu Postal Office, Tuvalu Philatelic Bureau and Travel Office departments were officially merged into one public enterprise (TPTL) on the 26th of November 2012 as per approval of Parliament. The Tuvalu Philatelic Bureau has not been removed from the Public Enterprise Act and remains a Public Enterprise. All shares held under Tuvalu Philatelic Bureau have been transferred to TPTL. The TPTL has not prepared any accounts since it was established. The Tuvalu Philatelic Bureau not producing accounts since 2012 either.

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6**

**DEBTORS & ACCRUED REVENUE**

For the Year Ended 31-Dec-14

	Notes	<b>Financial Year Ending</b>	
		<b><u>2014</u></b>	<b><u>2013</u></b>
Classification			
Claimed Debts Control Account		782,216	1,096,910
Other Debtors Control Account		86,480	547,629
Personal Loan Control Account		28,610	18,866
Special Imprest Control Account		67,513	42,815
Standing and Working Imprest Control Account		(48)	3,000
	ARREARS OF REVENUE	<u>964,771</u>	<u>1,709,219</u>
Accrued Revenue		605,365	248,508
Other Debtors NBT		14,072	14,072
	TOTAL DEBTORS	<u>1,584,207</u>	<u>1,971,798</u>
Less Provision for Doubtful Debts			
Provision for Doubtful Debts		(33,595)	(158,544)
	<b>NET DEBTORS</b>	<b><u>1,550,612</u></b>	<b><u>1,813,255</u></b>

**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-Dec-14

CATEGORIES OF s13 (1) PFA	Advance Description	<b>Financial Year Ending</b>	
		<b><u>2014</u></b>	<b><u>2013</u></b>
<i>(a) issued on behalf of, and recoverable from, any other Government.</i>	Tuvalu Delegation to Mauritius	-	70,537
	GG Delegation to Malta	-	60,075
	PM Delegation to the SIDs in Samoa	86,480	-
	<b>Sub-total</b>	<b><u>86,480</u></b>	<b><u>130,612</u></b>
	<b>TOTAL ADVANCES</b>	<b><u>86,480</u></b>	<b><u>-</u></b>

## 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-Dec-14

*The accompanying notes form part of these financial statements.*

<u>Head of Revenue / Government Function</u>	<u>Total Arrears of Revenue</u>
<b>Office of the Governer General</b>	
A01 Office of the Governor General	3,064
<b>Office of the Prime Minister</b>	
B01 Corporate Services - Office of the Prime Minister	(809)
B08 Tuvalu Media Department	(75)
<b>Legal Services</b>	
C02 People's Lawyer	(170)
<b>Finance and Economic Development</b>	
F01 Corporate Services - Finance	2,489
F02 Planning and Budget	(69)
F03 Central Statistics Division	(111)
F04 Customs	(33)
F06 Treasury	94,795
F07 Inland Revenue	775,346
F09 Industries	539
<b>Health</b>	
H01 Corporate Service - Health	(776)
<b>Natural Resources</b>	
I02 Agriculture	(159)
I03 Fisheries	(30)
I04 Lands and Surveys	(117)
<b>Home Affairs</b>	
J01 Corporate Services - Home Affairs	(393)
<b>Police and Prison Services</b>	
K01 Police and Prison Services	(93)
<b>Transport and Communications</b>	
L02 Marine	622
L07 Meteorological Office	(198)
<b>Education, Youth and Sports</b>	
M02 Education Department	175
M07 Pre-service Scholarships	(384)
<b>Judiciary</b>	
N01 Judiciary	(14)
<b>Foreign Affairs, Trade, Tourism, Environment &amp; Labour</b>	
O06 Environment	(241)
O08 Trade Office	(8)
O10 Labour	(101)
<b>Arrears not related to Sub-Head (clearing)</b>	91,525
<b>TOTAL ARREARS OF REVENUE</b>	<b><u>964,771</u></b>



**NOTE 7**

Prepared in accordance with Public Finance Act s31(1)(i)  
For the Year Ended 31-Dec-14

*The accompanying notes form part of these financial statements.*

	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	944,072	902,975
Accounts Payable - Provident Fund (Tuvalu and Fiji)	376,947	348,058
<b>TOTAL</b>	<b><u>1,321,019</u></b>	<b><u>1,251,033</u></b>
<b>OTHER RECURRENT LIABILITIES</b>		
Clearing - Money Order	0	885
Unearned Revenue	4,168,332	0
Police Fund	1,402	1,513
Overseas Civil Servants Deductions to NBT-Clearing	470	1,550
<b>TOTAL</b>	<b><u>4,170,204</u></b>	<b><u>3,948</u></b>

**NOTE 8**

**STATEMENT OF PUBLIC DEBT**

Prepared in accordance with Public Finance Act s31(1)(xiii)  
For the Year Ended 31/12/2014

	Agency	Original debt	2010 Debt Balance	2011 Debt Balance	2012 Debt Balance	2013 Debt Balance	2014 Debt Balance	Start	Term	Grace period	Interest Rate	Principle repayments	
<b>Government Offshore Loans</b>													
<b>Falekaupule Trust Fund</b>	<b>300200</b>	ADB - LN1693	US\$3.972m	3,175,245	2,933,016	2,629,566	2,774,152	2,577,727	Nov-99	24yrs, 16 yrs repayment	8 yrs - start Feb 2008	1% in grace, then 1.5%	USD124,115 semi annual
				Interest Payment <a href="#">741110-J01-TG</a>	36,757	53,731	28,679	32,327	42,013				
				Principal Repayment <a href="#">741110-J01-TG</a>	293,758	248,230	248,543	259,728	328,795				
				Movement due to Currency fluctuation	405,712	-6,001	54,908	-404,314.31	-132,370				
<b>TMTI Original Loan</b>	<b>300200</b>	ADB - LN1921	SDR1.394m	1,873,844	1,789,948	1,674,530	1,884,709.07	1,853,185	Nov-02	32yrs, 24 yrs repayment	8 yrs - start Feb 2011	1% in grace, then 1.5%	SDR29,041 Semi annual
				Interest Payment <a href="#">741120-M01-TG</a>		26,843	27,699	12,810	29,375				
				Principal Repayment <a href="#">796120-M01-TG</a>		39,271	81,152	73,592	94,482				
				Movement due to Currency fluctuation	246,236	44,625	34,265	-283,770.37	-62,958				
<b>TMTI Supplementary Loan</b>	<b>300200</b>	ADB - LN2088	SDR1.353m	2,012,892	2,014,279	1,929,009	2,141,324	2,112,527	Aug-04	32yrs, 24 yrs repayment	8 yrs - start Feb 2012	1% in grace, then 1.5%	SDR28,186 Semi annual
				Interest Payment		21,216	46,126	16,715					
				Principal Repayment		42,340	111,181	53,544					
				Movement due to Currency fluctuation	267,967	-1,387	42,930	-323,496.65	-24,746				
<b>DBT Equity Injection</b>	<b>300200</b>	EIB	EUR0.3m	392,311	382,312	381,291	462,606	444,708	Jan-03	15 yrs	1 repayment 2018	2%	Eur0.3m in 2018
				Movement due to Currency fluctuation	88,381	9,999	1,020	81,314.71	-17,898				
<b>TOTAL GOVERNMENT OFFSHORE DEBT</b>				<b>7,454,291</b>	<b>7,119,555</b>	<b>6,614,397</b>	<b>7,262,792</b>	<b>6,988,147</b>					
<b>Government Domestic Debt</b>													
<b>Air Fiji O/D G'teed by Govt</b>	<b>300210</b>	NBT		774,985	895,290	920,486	920,486	920,493					
				Call on Government Gaurantee Expense									
				Interest & Service Expense	84,000	120,305	25,196	7					
<b>NAFICOT Loan Gauranteed by Government</b>	<b>300120</b>	NBT	AUD1.308m	1,308,100	1,308,100	1,203,568	1,260,738	443,238	Nov-03	129 months from Aug 07		8% from 1st repayment	
				Interest Expense			10,436	57,170	443,238				
				Principal Repayment	0	0	114,969	1,260,738					
<b>TOTAL GOVERNMENT DOMESTIC DEBT</b>				<b>4,284,593</b>	<b>2,632,270</b>	<b>2,553,358</b>	<b>2,181,224</b>	<b>1,363,731</b>					
<b>TOTAL PUBLIC DEBT</b>				<b>11,738,884</b>	<b>9,751,825</b>	<b>9,167,755</b>	<b>9,444,015</b>	<b>8,351,878</b>					

**NOTE 8 (a)**

**STATEMENT OF CONTINGENT LIABILITIES**

Prepared in accordance with Public Finance Act s31(1)(x)  
For the Year Ended 31/12/2014

	Agency	Original Guarantee	2010 Debt Balance	2011 Debt Balance	2012 Debt Balance	2013 Debt Balance	2014 Debt Balance	
Air Pacific Guarantee (NBT Guarantee on Travel Office operations)*	NBT	AUD40000	40,000	40,000	40,000	40,000	40,000	The Government of Tuvalu guarantee with this amount of money Tuvalu Travel Office operations on behalf of Air Pacific Ltd
DBT Global Loan 2 - Guarantee	EIB	EUR0.7m	696,976	161,861	532,607	542,948	414,400	The Government of Tuvalu guarantee this loan made to the DBT by the European Investment Bank
National Bank of Tuvalu Deposits-Guarantee	NBT	n/a		21,206,446	22,500,408	30,149,190	33,903,636	s 21(1) - National Bank of Tuvalu Act - Government of Tuvalu Guarantees all Deposits held at the National Bank of Tuvalu
			<b>1,236,976</b>	<b>21,908,307</b>	<b>23,073,015</b>	<b>30,732,138</b>	<b>34,358,036</b>	

\* This is a sum of deposits from the Government of Tuvalu guaranteeing Travel Office operations with Air Pacific. For example, Travel Office collect airfares on behalf of Air Pacific, if Travel Office fails to pay those airfares to Air Pacific then Tuvalu Government use this guarantee money to cater for that

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 9

#### TAXATION

	<u>2014</u> Actual	<u>2014</u> Budget	<u>2013</u> Actual
Income Tax	2,519,409	1,800,000	1,655,650
Company Tax	469,492	2,700,001	2,977,900
Tuvalu Consumption Tax	151,460	300,000	649,475
Import Duty	2,356,514	2,210,000	2,046,696
Import Levy & Excise	353,132	600,000	559,279
Other Taxes	72,950	176,100	271,636
	5,922,957	7,786,101	8,160,636

### NOTE 10

#### INTEREST, DIVIDENDS & RENT

	<u>2014</u> Actual	<u>2014</u> Budget	<u>2013</u> Actual
Interest and Dividends	3,411,208	2,003,862	283,324
Lease, rent and hire	260,352	288,948	248,257
	3,671,560	2,292,810	531,581

### NOTE 11

#### EXTERNAL ASSISTANCE & GRANTS

	<u>2014</u> Actual	<u>2014</u> Budget	<u>2013</u> Actual
Republic of China (Taiwan)	5,000,000	7,983,819	5,355,306
AusAID (CIF)	2,000,000	2,000,000	500,000
New Zealand (CIF)	543,755	520,800	351,095
World Bank, IMF, ADB	3,335,378	3,010,000	2,178,733
Project Development Fund (PDF)	0	156,000	0
Other Donors	749,418	1,000,000	1,372,405
	11,628,551	14,670,619	9,757,540

### NOTE 12

#### OTHER INCOME

	<u>2014</u> Actual	<u>2014</u> Budget	<u>2013</u> Actual
Vessel Registrations	808,915	850,000	804,609
Marine Services (Nivaga II & Manu Folau)	593,547	480,000	518,297
Stevedoring and Wharfage	171,311	298,100	174,028
Provision of Goods and Services	557,299	699,810	585,306
Foreign Exchange Gain	138,970	0	77,083
Regional Seasonal Employment Workers Repayment	50,146	70,000	37,567
Other Charges	206,823	413,851	739,868
	2,527,011	2,811,761	2,936,758

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13

#### TRAVEL EXPENSES

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	Actual	Budget	Actual
Overseas Travel & Subsistence	1,003,782	622,510	474,798
Local Travel & Subsistence	602,612	615,092	461,450
Leave Travel Entitlements	139,957	504,965	51,291
Statutory Travel	533,145	301,298	427,392
	2,279,496	2,043,865	1,414,932

### NOTE 14

#### GRANTS AND SUBSIDIES EXPENSES (incl. Scholarship Support)

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	Actual	Budget	Actual
Grants and Subsidies	6,108,753	3,577,772	4,070,987
Outer Island Projects (SDE)	1,523,797	1,600,000	1,173,349
Scholarships and Support	1,979,359	2,589,777	1,800,429
Contribution to Japan Grant Counterpart Fund	318,378	318,378	0
Overseas Contributions	614,874	623,551	799,500
	10,545,161	8,709,478	7,844,265

### NOTE 15

#### OTHER EXPENSES

	<u>2014</u>	<u>2014</u>	<u>2013</u>
	Actual	Budget	Actual
Advertising and Provisions	899,181	883,750	862,296
Supplies and Equipment	2,058,910	1,709,341	1,870,982
Senior Citizen Scheme / Pension	310,857	310,452	226,693
Land & Property Rent	1,037,158	1,014,353	947,889
	4,306,106	3,917,896	3,907,860

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 31/12/2014

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2014 Opening				2014 Closing
			Balance	Payments	Receipts	Movements	
AUSAID	2009020009	TVET	7,721.20				7,721.20
	2009020010	Upgrading of Accpac Treasury	366.54				366.54
	2011020016	Pre-School & Primary School materials-resources & supplies	2,673.33				2,673.33
	2011020017	WATER TANKS FOR PRIMARY & SECONDARY	117.69				117.69
	2011020018	TK II MTR Forum	445.16				445.16
	2011020019	Tuvalu National Climate Change Summit	401.07				401.07
	2014020022	Tuvalu National Oral Health Survey	-	59,072.52	-64,310.00	-5,237.48	5,237.48
	2014020023	Reimbursement for APTC Tuvalu Graduation Expenses	-	2,736.00	-2,736.00	0.00	-
	2013020020	NAPA 1+	21,200.00	143,154.93	-121,134.37	22,020.56	820.56
	2013020021	Supply of materials & construction of store room (Police)	873.74	0.60	0.00	0.60	873.14
<b>AUSAID Total</b>				<b>204,964.05</b>	<b>-188,180.37</b>	<b>16,783.68</b>	
British High Cc	2009220002	Tuvalu Law Revision	-	20,539.56			20,539.56
<b>British High Commission Total</b>							
CLGP	2010290003	Government Vehicles Shed	12,206.25				12,206.25
<b>CLGP Total</b>							
Commonwealth	2014410002	Minister's and Leaders Retreat	-	5,769.38	-5,772.00	-2.62	2.62
<b>Commonwealth Total</b>				<b>5,769.38</b>	<b>-5,772.00</b>	<b>-2.62</b>	
EU	2014270006	CHARTER OF MATAILI	-	5,342.84	-6,236.63	-893.79	893.79
	2013270005	EU SANITATION PE	10,049.75	74,573.73	-70,741.06	3,832.67	6,217.08
<b>EU Total</b>				<b>79,916.57</b>	<b>-76,977.69</b>	<b>2,938.88</b>	
FFA	2005060036	Vessel Monitoring System Operation (VMS Operation)	5,231.13	8,581.62	-6,428.00	2,153.62	3,077.51
	2005060040	VESSEL MONITORING SYSTEM OPERATION	20.00	3,721.75	-3,701.75	20.00	-
	2009060048	Fisheries Catch Statistics	539.17	559.17	-20.00	539.17	-
	2013060055	Island Council Consultation on Inshore Fisheries	16,636.06	2,978.30	0.00	2,978.30	13,657.76
	2014060056	Upgrading of Government Network System	-	17,238.98	-17,260.00	-21.02	21.02
	2009060044	FISHERIES OBSERVER FEE PROJECT	282,172.00	439,503.71	-412,125.76	27,377.95	254,794.05
	2011060052	Fisheries Programme Activities	23,520.05	24,020.13	-59,360.58	-35,340.45	11,820.40
	2012060053	Western & Central Pacific Fisheries	1,506.05	38,457.99	-37,124.16	1,333.83	172.22
	2013060054	Surveillance Fuel Contribution	53,203.97	11,751.38	0.00	11,751.38	41,452.59
	2014060057	10th Special PNA Meeting 10-14th Nov 2014	-	62,791.50	-77,965.49	-15,173.99	15,173.99
<b>FFA Total</b>				<b>609,604.53</b>	<b>-613,985.74</b>	<b>-4,381.21</b>	
Forum SEC	2010090010	SIS Catalytic Fund for Women	258.16				258.16
	2013090013	Support for Pacific Plain Review- Country Consultation	20.58				20.58
	2013090014	Support to Nukulaelae Local Government	3.50				3.50
	2013090016	To Purchase Office Equipment for Nui Kaupule	1,738.30	1,574.00	0.00	1,574.00	164.30
	2013090017	To Purchase Office Equipment for Nanumaga Kuapule	20.62				20.62
	2014090017	Support for Tuvalu-Talofa Trade Fair	-	20,022.15	-22,890.00	-2,867.85	2,867.85
	2013090015	Funds for Tuna Data Providers	11,193.55	10,500.64	-40.40	10,460.24	733.31
<b>Forum SEC Total</b>				<b>32,096.79</b>	<b>-22,930.40</b>	<b>9,166.39</b>	
India	2009210003	Hospital equipment	13,162.92	10,037.00	-1,236.00	8,801.00	4,361.92
	2013210004	PAYMENT FOR GRASS-CUTTERS	12,052.85				12,052.85
<b>India Total</b>				<b>10,037.00</b>	<b>-1,236.00</b>	<b>8,801.00</b>	
Italy	2009370001	Feasibility Study Energy	6,239.27				6,239.27
	2009370002	Tuvalu Photovoltaic Electricity Network Integration Project	1,212.39				1,212.39
<b>Italy Total</b>							
Japan	2010070018	Nanumea Health Centre	19,369.96				19,369.96
	2010070019	Nanumaga Clinics	27,251.86				27,251.86
	2011070021	NUKULAELAE CLINIC CENTRE	39,094.36	13,900.50	0.00	13,900.50	25,193.86
	2011070022	NUKUFETAU CLINIC CENTRE	44,517.25				44,517.25
	2012070023	Princess Margret Pediatric Ward	54,454.22	54,292.40	0.00	54,292.40	161.82
	2013070024	Improvement of Water Supply System for Nanumea Island	3,994.84				3,994.84
	2014070025	Improvement of Infection Disease Laboratory at PMH	-	107,156.71	-109,305.57	-2,148.86	2,148.86
<b>Japan Total</b>				<b>175,349.61</b>	<b>-109,305.57</b>	<b>66,044.04</b>	
Kazakhstan	2013500001	Travel Support for Foreign Affairs Dept	2,016.91	2,016.90	0.00	2,016.90	0.01
	2013500002	Tourism Marketing and Promotion	66,848.32	66,839.56	0.00	66,839.56	8.76
<b>Kazakhstan Total</b>				<b>68,856.46</b>	<b>0.00</b>	<b>68,856.46</b>	
Korea	2012430001	Korean Support for Foreign Affairs	1,319.73				1,319.73
	2014430002	Office Partitioning Project	-	4,000.00	-106,633.33	-102,633.33	102,633.33
<b>Korea Total</b>				<b>4,000.00</b>	<b>-106,633.33</b>	<b>-102,633.33</b>	
NZAID	2009010038	Ship to Shore	62,039.78				62,039.78
	2009010039	ECCE Summer School Course	2,023.28				2,023.28
	2009010040	Pre School Awareness W/shop	1,290.72				1,290.72
	2009010041	Pre -School Resources	676.23				676.23
	2009010042	Pre-School Council Meeting	211.14				211.14
	2010010044	Nanumaga Guest House	42,042.92				42,042.92
	2010010045	Nui Shredder	24,717.04				24,717.04
	2011010046	Tuvalu Ship to Shore Transport (PWD Works Manager)	12,170.31				12,170.31
	2011010047	TK II MID TERM REVIEW	469.07	319.14	-191.64	127.50	341.57
	2012010048	TEC GRANT	1,040.97				1,040.97
	2013010051	NZ GRANT FOR NIVAGA II	1,161.90				1,161.90
	2013010053	Tuvalu Short Term Technical Assistance for the Tuvalu Equity	626.35				626.35
	2014010055	Oceanic Fisheries	-	0.00	-36,000.00	-36,000.00	36,000.00
	2014010056	Seafarer Training	-	0.00	-91,572.77	-91,572.77	91,572.77
	2014010057	Coastal Fisheries	-	0.00	-36,000.00	-36,000.00	36,000.00
	2014010058	Human Resource Development	-	0.00	-36,000.00	-36,000.00	36,000.00
	2012010050	Cost of 1 year for the Aid Adviser & Budget Adviser	20,376.24	42,708.87	-56,800.94	-14,092.07	34,468.31
	2013010054	FISHERIES ADVISOR TRAVEL	22,823.02	18,356.71	-36,000.00	-17,643.29	40,466.31
<b>NZAID Total</b>				<b>61,384.72</b>	<b>-292,565.35</b>	<b>-231,180.63</b>	
OSSHMM	2009380001	HIV TRAINING IN TUVALU	162.20	0.00	-1,670.30	-1,670.30	1,832.50
<b>OSSHMM Total</b>				<b>0.00</b>	<b>-1,670.30</b>	<b>-1,670.30</b>	
ROC	2006110024	Backwages of Nauru Workers	3,143.80				3,143.80
	2008110036	INTERNATIONAL PRIMARY SCH & SECONDARY SCH GAME	1,407.40				1,407.40
	2012110039	Support to Tuvalu Delegation to the UNFCCC	716.02				716.02
	2012110041	Defects List and Maintenance	4,916.01				4,916.01
	2012110042	Fuel for Charter Vessel and Nivaga II	28,338.13				28,338.13
	2012110043	Victualling for MV Nivaga II & MV Manufofau	74,856.29	0.00	-87,418.14	-87,418.14	12,561.85
	2012110045	Establishment Taipei Mission	44.10				44.10
	2012110046	UNFCCC-COP18	8,270.54	7,984.24	0.00	7,984.24	286.30
	2013110047	Printing of Primary School Textbooks	78,635.20				78,635.20
	2013110048	Establishment of the Tuvalu Mission to Taipei	4,011.24	4,000.00	0.00	4,000.00	11.24
	2013110049	Pediatric Ward in the Princess Margaret Hospital	51.71				51.71
	2013110050	International Women's Day Celebration (4-8 March 2013)	-	8,000.00	-8,000.00	0.00	-
	2013110051	Tuvalu Trade Fair Contribution	140.00				140.00
	2014110053	Funding Support for UNGA Delegation	-	18,802.69	-17,166.00	1,636.69	1,636.69
	2014110054	Attendance for Hon.PM and Delegations to the COP at Lima, Pe	-	10,578.16	-30,000.00	-19,421.84	19,421.84
	2015110055	NCD STEPS SURVEY	-	0.00	-12,000.00	-12,000.00	12,000.00



	2014110052	Tuvalu Participant in Nan Ying Folkore Festival	-	67,111.15	-70,091.95	-2,980.80	2,980.80
<b>ROC Total</b>				<b>116,476.24</b>	<b>-224,676.09</b>	<b>-108,199.85</b>	
Singapore (Shi)	2010310008	Tuvalu Island Leadership Assembly	-	3,378.12			3,378.12
	2011310001	Kaupule Election	-	87.90			87.90
	2012310002	Contribution LEL Rollout	-	113.20			113.20
	2013310003	Unforeseen Expenses-LEL and ISP Training of Trainer's W/S 12		1,160.00			1,160.00
	2013310004	Local Elected Leadership 2013 Roll Out Workshops Activity		38,372.00	33,741.49	0.00	4,630.51
<b>Singapore (Ship Registry) Total</b>				<b>33,741.49</b>	<b>0.00</b>	<b>33,741.49</b>	
SOPAC	2010140010	Water & Sanitation with MOH		2,607.12	147.85	0.00	2,459.27
	2012140011	Advance Payment for PUI-Diasater REduction Program		1,458.00			1,458.00
	2012140012	Disaster Awareness Commemoration Day		2,064.60			2,064.60
<b>SOPAC Total</b>				<b>147.85</b>	<b>0.00</b>	<b>147.85</b>	
SPBEA South F	2011420001	Examination Admin		2,718.95			2,718.95
<b>SPBEA South Pacific Board of Education Assessment Total</b>							
SPC	2011100013	Endangered Cultural Heritage Mapping in Tuvalu		3,412.75			3,412.75
	2012100011	Tuvalu Grant PMH		9,220.20			9,220.20
	2013100015	Funafuti FADS Fishing Skills Workshop Allowances	-	778.09			778.09
	2011100012	Tuvalu National Strategic Plan for NCD 2011-2015		59,731.00	33,243.78	-480.00	26,967.22
	2013100014	International Women's Day Celebration (4-8 Marh 2013)	-	1,639.93	4,181.50	-4,420.00	1,401.43
	2013100016	The Global Cimate Chage Alliance for Pacific Small IS State		20,280.69	34,269.95	-42,234.29	28,245.03
	2013100018	Global Climate Change Alliance(Adaptation Fund)		426,000.00	232,461.78	-2,973.05	196,511.27
	2014100001	Pacific Appliance Labelling Standard Project (PLAs)		-	8,686.54	-19,061.00	10,374.46
	2014100019	Payment of Service for IDDR Project		-	4,799.96	-9,975.00	5,175.04
	2014100020	Niutao Shelter Project - BSRP		-	0.00	-17,263.00	17,263.00
	2014100021	Tuvalu National Steering Committee Project - BSRP		-	0.00	-4,975.00	4,975.00
<b>SPC Total</b>				<b>317,643.51</b>	<b>-101,381.34</b>	<b>216,262.17</b>	
SPREP	2014040016	Support for Tuvalu's Energy Efficiency Demonstration House		17,002.19	16,989.25	0.00	12.94
	2009040013	PACC PROJECT ( LOIA)		93,974.21	209,693.63	-142,977.62	27,258.20
	2013040015	GEF PAS PROJECT		15,282.40	48,340.64	-68,102.81	35,044.57
<b>SPREP Total</b>				<b>275,023.52</b>	<b>-211,080.43</b>	<b>63,943.09</b>	
Turkey	2013360003	Improving of Office Equipments within the Ekalesi Kelisiano		22,910.00	22,910.00	0.00	-
	2014360001	Tuvlau Participation 45th PIF Meeting in Koror		-	27,669.01	-29,307.27	1,638.26
	2014360002	Turkey Funding Assistance for Construction of Kaupule Office		-	191,912.30	-200,000.00	8,087.70
	2014360004	Motufoua Seconday School Truck		-	44,131.30	-56,500.00	12,368.70
	2014360005	Support for Tuvalu's Delegation to COP20 (LIMA PERU)		-	37,363.60	-50,667.75	13,304.15
<b>Tuvalu</b>	2012440001	Disaster Relief Fund		4,434.26	18,789.34	-16,005.70	1,650.62
<b>Tuvalu Total</b>				<b>18,789.34</b>	<b>-16,005.70</b>	<b>2,783.64</b>	
UN Office at G	2012470001	LEG 22nd Workshop	-	319.68			319.68
<b>UN Office at Geneva Total</b>							
UNDP	2002050008	LDC Information Technology Support		19.66	19.66	0.00	-
	2002050009	Office Equipment & Training Attachment		6,401.86			6,401.86
	2005050015	National Biosafety Frame Work		1,318.37			1,318.37
	2006050019	GEF Operational Focal Point Activities	-	155.54			155.54
	2006050027	Support to Local Governance		27,860.90	27,895.92	0.00	35.02
	2008050030	NATIONAL BIODIVERSITY STRATEGIC ACTION		680.25	680.25	0.00	-
	2009050031	TUVALU MGD PROJECT		25,127.52			25,127.52
	2011050033	Parliament Support Project		26.58			26.58
	2013050010	New UN Project to be confirm		5,900.00	13,354.21	-7,454.21	-
	2003050010	National Adaptation Programme of Action (NAPA)	-	61,901.38	322,520.58	-427,302.40	42,880.44
	2013050034	EIF-Tuvalu Trade capacity Development & Institutional Stren		9,351.55	53,686.77	-54,875.37	10,540.15
	2014050035	National Population Policy Social Development & PD Technical		-	54,461.38	-58,829.64	4,368.26
	2014050036	NAPA II		-	9,214.72	-32,500.00	23,285.28
<b>UNDP Total</b>				<b>481,833.49</b>	<b>-580,961.62</b>	<b>-99,128.13</b>	
UNEP ( United	2010390001	Ozone Depleting Substances ( ODS)		7,986.12	33,391.12	-25,628.15	223.15
	2010390002	HCFC Phase - Out Mgmt Plan ( HPMP)		18,432.32	18,393.64	-11,069.25	11,107.93
	2014390003	Support to Tuvalu for the Revision of the NBSAPs & Developmen		-	24,796.33	-54,177.90	29,381.57
<b>UNEP ( United Nation Enviroment Program) Total</b>				<b>76,581.09</b>	<b>-90,875.30</b>	<b>-14,294.21</b>	
UNESCO	2005180015	Tuvalu Children Conference		4,433.23			4,433.23
	2009180031	Cultural Heritage & Identities	-	137.42			137.42
	2011180034	UNESCO TESP II		498.47	258.47	0.00	240.00
	2011180035	UNESCO Activities		1,776.46	301.09	0.00	1,475.37
<b>UNESCO Total</b>				<b>559.56</b>	<b>0.00</b>	<b>559.56</b>	
UNFPA	2012450001	Tuvalu National Population Policy		112.00			112.00
	2012450002	Tuvalu National Census 2012		27,447.16	14,867.72	0.00	12,579.44
	2013450004	Youth AHD Programme		1,085.00	1,085.00	0.00	-
	2013450003	RH & FP PROGRAMME		4,346.00	1,159.50	-1,860.00	5,046.50
<b>UNFPA Total</b>				<b>17,112.22</b>	<b>-1,860.00</b>	<b>15,252.22</b>	
UNICEF	2010130005	Conducive Learning Environment		132.80			132.80
	2011130008	Education Management Information System (EMIS)	-	753.05			753.05
	2012130009	Funding Support for Vaccination		730.00	440.00	0.00	290.00
	2013130010	UNICEF: Implement the MEYS-UNICEF 2012 Cooperation Agreement		107,637.14	409,433.55	-302,474.72	678.31
	2013130011	World Immunization Week 2013		349.28	2,890.00	-4,025.00	1,484.28
	2014130012	Achieving Education for All in Tuvalu		-	285,984.20	-460,305.04	174,320.84
<b>UNICEF Total</b>				<b>698,747.75</b>	<b>-766,804.76</b>	<b>-68,057.01</b>	
UNIFEM	2012260003	Cedaw Report		133.17			133.17
<b>UNIFEM Total</b>							
UNON	2005240002	3rd Installment- National Biosafety Framework		1,411.77			1,411.77
<b>UNON Total</b>							
Unversity of A	2012460001	Climate Change Education for Sustainable Development		6,700.00	5,794.86	0.00	905.14
<b>Unversity of Auckland Total</b>				<b>5,794.86</b>	<b>0.00</b>	<b>5,794.86</b>	
USP	2011150009	Global Monitors POP		6,706.94			6,706.94
	2012150010	Training Fiji School of Medicine (FSMED)		455.00			455.00
<b>USP Total</b>							
WHO	2005080034	DE- Worming Program in Tuvalu		4,561.73			4,561.73
	2010080055	Develop STG to promote & Excess Medicine in Tuvalu		1,195.00	96.00	0.00	1,099.00
	2010080056	National Training W/shop for Strategic Health Community		945.92			945.92
	2010080057	Formulating,printing,Dissemination & piloting of National FB		2,521.98			2,521.98
	2010080058	Improving Stock Control		229.34			229.34
	2010080060	H1N1 Campaign		27.84			27.84
	2010080061	Junior Nurses Refreshing W/shop		12.87			12.87
	2010080062	Infection Control W/shop		232.95	154.70	0.00	78.25
	2010080063	Outter Island Tour		131.00			131.00
	2010080064	Tu8 World Blood day		90.80			90.80
	2010080065	Lymphatic Filaris		93.81			93.81
	2010080066	Developing National Food Standard		5,809.00			5,809.00
	2010080067	Measles Rubella Campaign		49.80			49.80
	2010080069	Workshop on IHR ( Implemented with MOH & Others Agencies)		2,398.23	1,089.25	0.00	1,308.98
	2011080072	In-country Training Workshop	-	299.30			299.30
	2011080074	Supervisory Visit for Pharmacy Staffs to Cenrtal Is.		24.58			24.58
	2011080075	World NO Tobacco Day 2011		233.11	0.00	-3,740.00	3,973.11
	2011080076	EHE's Climate Change & Health Training for Health Workers		1,450.50			1,450.50
	2011080077	Drugs & Therapeutical Committee Training		58.00			58.00
	2011080078	Global School Base Health Survey		1,547.84			1,547.84
	2012080082	Conduct Workshop		580.00	261.50	0.00	318.50
	2012080083	Revising of Standard Treatment Guideline in Tuvalu		113.00	93.96	0.00	19.04

2012080084	Training of Standard Treatment Guideline in Tuvalu	334.75	351.20	-16.45	334.75	-
2012080085	Household Survey for Medicines Use and Access	2,074.00				2,074.00
2012080087	Food REgulations Consultations	750.69				750.69
2012080088	Workshop/Seminar/Presentation of NCCHAP Plan	90.00	45.78	-0.20	45.58	44.42
2012080089	TUV-PEN and Salt Reduction & TUV-Crisis Response	44,612.94	19,055.20	-0.30	19,054.90	25,558.04
2013080091	Health Budget Analysis/Tracking	5,360.00				5,360.00
2013080092	Workshop for Nurses on Managing Drug Supplies & POLHN	8,765.07	321.00	0.00	321.00	8,444.07
2013080093	Data Violence Project-Injury and Prevention	120.00				120.00
2013080094	To Support Purchasing of Supplies & Equipments for Health In	6,318.00	5,424.47	0.00	5,424.47	893.53
2013080095	Local Consultation & Meetings on Draft Legislation Bill	7,725.00				7,725.00
2013080096	Procurement of Equipments for the POLHN Center	11,380.00	8,501.97	0.00	8,501.97	2,878.03
2013080097	To Purchase Computers for the Pharmacy Dept	5,758.00	5,598.09	0.00	5,598.09	159.91
2014080094	WORLD IMMUNIZATION WEEK	-	4,074.01	-4,075.00	-0.99	0.99
2012080081	Human Resources for Health Plan	2,081.76	1,565.20	0.00	1,565.20	516.56
2013080090	Support for Biomedical Technician Salary and Maintenance	18,636.86	13,312.79	-7,612.42	5,700.37	12,936.49
<b>WHO Total</b>			<b>59,945.12</b>	<b>-15,444.37</b>	<b>44,500.75</b>	
<b>International I</b>						
2013490002	1st Payment ILo MLC MTG	1,240.00	300.00	0.00	300.00	940.00
2013490001	Labour Market Survey	562.25	0.00	-2,934.95	-2,934.95	3,497.20
<b>International Labour Organisation Total</b>			<b>300.00</b>	<b>-2,934.95</b>	<b>-2,634.95</b>	
<b>Russia</b>						
2013480001	OFFICE EQUIPMENT FOR FOREIGN AFFAIRS	197.00				197.00
2013480002	Funding Assistance for Delegation to 44th PIF Leader's Meeti	955.96				955.96
<b>Russia Total</b>						
<b>FAO</b>						
2013510001	FOOD & AGRICULTURE ORGANIZATION OF THE UN	8,336.57	1,296.00	0.00	1,296.00	7,040.57
<b>FAO Total</b>			<b>1,296.00</b>	<b>0.00</b>	<b>1,296.00</b>	
<b>France</b>						
2013520001	Workshop on Record Keeping and Information Management	63.64				63.64
<b>France Total</b>						
<b>Pacific Islands</b>						
2013540001	Tuvalu Trade Fair Contribution	1,020.57	279.84	0.00	279.84	740.73
<b>Pacific Islands Trade Total</b>			<b>279.84</b>	<b>0.00</b>	<b>279.84</b>	
<b>SAUDI ARABIA</b>						
2013550001	DSA FOR UNGA DELEGATION	25,523.36				25,523.36
<b>SAUDI ARABIA Total</b>						
<b>ROC - part 2</b>						
2014560001	PV/Hybrid/Generator System Tuvalu Maritime Training Insitute	-	0.00	-86,911.22	-86,911.22	86,911.22
<b>ROC - part 2 Total</b>			<b>0.00</b>	<b>-86,911.22</b>	<b>-86,911.22</b>	
<b>ASCAP</b>						
2014570001	PM's Trip to Bangkok	-	2,123.86	-12,126.82	-10,002.96	10,002.96
<b>ASCAP Total</b>			<b>2,123.86</b>	<b>-12,126.82</b>	<b>-10,002.96</b>	
<b>UN (United Na</b>						
2015580001	Funds for Urban Profiling Activities	-	0.00	-26,415.65	-26,415.65	26,415.65
<b>UN (United Nation) Total</b>			<b>0.00</b>	<b>-26,415.65</b>	<b>-26,415.65</b>	
<b>Grand Total</b>		<b>1,997,484.49</b>	<b>3,682,361.06</b>	<b>-3,893,210.02</b>	<b>-210,848.96</b>	<b>2,208,333.45</b>

<b>Non Project Related:</b>		
Bank Fees, Interest and Charges		733
Unidentified payments and deposits allocated to TDF		58,022
<b>Net Financial Performance of TDF for 2014</b>		<b>2,267,088.45</b>
<b>Reconcile to TDF Cash Movement - Refer to Note 3:</b>		
Development Fund Statement Balance as at 31/1	2220903	
add Unpresented Cheques as at 31/12/2014	51835.32	
<b>Net Financial Performance of TDF plus Unpresented Cheques for 2014</b>		<b>2,318,924</b>

Tuvalu Development Fund Statement Balance as  
Unreconciled Amount 2,268,507  
(50,417)

**TUVALU DEVELOPMENT FUND**  
IBD - Tuvalu Development Fund Balance as at 31/12/2014 188,677  
TUVALU DEVELOPMENT FUND as at 31/12/2014 2,268,507  
Total TUVALU DEVELOPMENT FUND 2,457,184

## **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)



**NOTES 18****STATEMENT OF NON CURRENT ASSETS BY DEPARTMENT**  
**For the Year Ended 31/12/2014**

<b>Department</b>	<b>Department Name</b>	<b>Book value</b>
A01	Office of the Governor General	8,513
B01	Corporate Services - Office of the Prime Minister	20,613,036
B04	Personnel and Training	27,123
B08	Tuvalu Media Department	5,831,899
B10	Department of Women	6,654
B11	Immigration	15,576
C01	Office of the Attorney General	22,449
C02	People's Lawyer	7,718
C03	Office of the Ombudsman Commission	992
D01	Office of the Parliament	39,457
E01	Office of the Auditor General	44,702
F01	Corporate Services - Finance	92,008
F02	Planning and Budget	25,259
F03	Central Statistics Division	15,230
F04	Customs	38,791
F05	Postal	6,968
F06	Treasury	46,258
F07	Inland Revenue	17,934
F08	Public Enterprise Reform and Monitoring Unit	4,854
F09	Industries	5,586
F10	CPU	2,617
G01	Corporate Services - Public Utilities	2,793,992
G03	Public Works Department	132,934
H01	Corporate Service - Health	28,328
H02	Health Administration	6,924,893
H03	Curative	15,462
I01	MNRE Headquarters	21,711
I02	Agriculture	50,563
I03	Fisheries	272,210
I04	Lands and Surveys	166,610
J01	Corporate Services - Home Affairs	6,125
J02	Department of Rural Development	12,537
J03	Community Affairs	3,257
J05	Culture	5,519
J08	Solid Waste Agency of Tuvalu (SWAT)	335,151
K01	Police and Prison Services	382,987
L01	Corporate Services - Communications and Transport	2,086,046
L02	Marine	9,450,992
L03	Aviation	1,290,854
L04	Information, Communication and Technology	14,387
L05	Shipping clerk	1,710
L07	Meteorological Office	81,130
M01	Corporate Services - Educations, Youth and Sports	22,510
M02	Education Department	24,047
M04	EFA Secondary School	4,175,882
M05	Library	23,628
M06	Sports	2,867
M07	Pre-service Scholarships	2,996
M08	Youth	1,531
N01	Judiciary	638
O01	MFAETLT Headquarter	14,388
O03	Suva Mission	118,817
O04	Permanent Mission of Tuvalu to the UN	14,993
O05	Brussels Mission	14,417
O06	Environment	12,496
O07	Tuvalu Consulate in Auckland	94,572
O08	Trade Office	1,718
O09	Tourism	11,074
O10	Labour	3,240
O11	Taipei Mission	9,783
<b>TOTAL NET BOOK VALUE:</b>		<b>55,522,039</b>

**STATEMENT FOR NON CURRENT ASSETS BY CATEGORY**

Assets value at 31/12/2014 by category

<u>Class Code</u>	<u>Class</u>	<u>Values at 31/12/2014</u>	<u>Class Code</u>
BUDI	Building	43,825,028	BUDI
SHIP	Ships and Boats	9,738,232	SHIP
PLAN	Plants and Machinery	197,429	PLAN
EQU	Equipments	648,580	EQU
FFIM	Furnitures and fittings	295,610	FFIM
AUTO	Automobile and Bikes	779,554	AUTO
TECH	Technical Equipments	37,605	TECH
<b>TOTAL NET BOOK VALUE:</b>		<b>55,522,039</b>	

**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-Dec-14  
 Budget Approved on the Cash Basis

				<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>Variance</u>	
				<u>Expense</u>	<u>Accrual</u>	<u>Accrual</u>	<u>Payments</u>	<u>Final</u>	<u>(Bud-Act)</u>	
<u>Head of Expenditure / Government Function</u>					<u>Movement</u>	<u>Journal</u>		<u>Budget</u>		
								<u>Provision</u>		
<b>STATUTORY ALLOCATIONS</b>										
<b>Office of the Governor General</b>										
A01	Office of the Governor General	711210A01ST	Governor General Salary	33,722	0	0	33,722	32,047	(1,675)	
<b>Office of the Prime Minister</b>										
B01	Office of the Prime Minister	711210B01ST	PM's Salary	37,107	0	0	37,107	35,946	(1,161)	
B01	Office of the Prime Minister	712110B01ST	PM's Local Entertainment	0	-96	0	96	0	(96)	
<b>Legal Services</b>										
<b>Parliament</b>										
D01	Parliament Office	711210D01ST	Speaker's Salary	31,442	0	0	31,442	31,121	(321)	
D01	Parliament Office	71121AD01ST	Parliamentarians Salaries	114,878	0	0	114,878	104,190	(10,688)	
D01	Parliament Office	72120BD01ST	Parliamentarians Travel & Subsistence	0	0	2,415	2,415	0	(2,415)	
D01	Parliament Office	723460D01ST	Committee Allowances	0	0	2,310	2,310	0	(2,310)	
<b>Office of the Auditor General</b>										
<b>Finance and Economic Development</b>										
F01	Finance and Economic Development	711210F01ST	Minister's Salary	31,037	0	0	31,037	30,196	(841)	
<b>Public Utilities</b>										
G01	Office of the Public Utilities	711210G01ST	Minister's Salary	32,856	0	0	32,856	30,196	(2,660)	
<b>Health</b>										
H01	Health	711120H01ST	Housemaid's TNPF	1,311	0	0	1,311	0	(1,311)	
<b>Natural Resources</b>										
I01	Natural Resources	711210I01ST	Minister's Salary	30,277	0	0	30,277	30,196	(81)	
<b>Home Affairs</b>										
J01	Home Affairs	711210J01ST	Minister's Salary	30,277	0	0	30,277	30,196	(81)	
<b>Police and Prison Services</b>										
K01	Police and Prison Services	711120K01ST	Allowance	352	0	0	352	0	(352)	
<b>Transport and Communications</b>										
L01	Transport and Communications	711210L01ST	Minister's Salary	30,277	0	0	30,277	30,196	(81)	
<b>Education, Youth and Sports</b>										
M01	Education, Youth and Sports	711250M01ST	Local Entertainment	0	-355	0	355	0	(355)	
<b>Judiciary</b>										
<b>Foreign Affairs, Trade, Tourism, Environment &amp; Labour</b>										
O01	Foreign Affairs, Trade, Tourism, Environment & Labour	711210O01ST	Minister's Salary	31,439	0	0	31,439	30,196	(1,243)	
<b>Total Statutory Spending</b>				<b>642,698</b>	<b>-451</b>	<b>4,725</b>	<b>647,874</b>	<b>668,022</b>	<b>20,148</b>	
<b>NON STATUTORY ALLOCATIONS</b>										
<b>Office of the Governor General</b>										
A01	Office of the Governor General	711110A0100	Housemaids Salaries & Leave Travel	16,804	0	0	16,804	15,414	(1,390)	
A01	Office of the Governor General	719200A0100	TNPF	3,382	0	0	3,382	3,205	(177)	
A01	Office of the Governor General	721100A0101	Overseas Travel & Subsistence	16,813	0	0	16,813	16,500	(313)	
A01	Office of the Governor General	72110AA0101	Local Travel & Subsistence	543	0	0	543	500	(43)	
<b>Office of the Prime Minister</b>										
B01	Corp. Services - Office of the PM	711110B0101	Salaries	315,330	0	0	315,330	305,313	(10,017)	
B01	Corp. Services - Office of the PM	711211B0100	Housemaids Salary (including Laundress and Cook)	20,484	0	0	20,484	15,947	(4,537)	
B01	Corp. Services - Office of the PM	711280B0100	Housemaid's TNPF	2,606	0	0	2,606	2,249	(357)	
B01	Corp. Services - Office of the PM	721100B0101	Overseas Travel & Subsistence	95,000	0	0	95,000	94,127	(872)	
B01	Corp. Services - Office of the PM	721110B0101	Leave Travel Entitlements	1,811	0	0	1,811	1,427	(384)	
B01	Corp. Services - Office of the PM	721200B0100	PM's Statutory Travel (Spouse)	15,339	0	0	15,339	1,000	(14,339)	
B01	Corp. Services - Office of the PM	72120AB0100	PM's Travel	39,630	0	0	39,630	20,000	(19,630)	
B01	Corp. Services - Office of the PM	723250B0101	Improve Parking Area & Road	87,607	0	0	87,607	87,207	(400)	
B01	Corp. Services - Office of the PM	723430B01TG	Independence Celebration	53,063	-500	0	53,563	53,200	(363)	
B01	Corp. Services - Office of the PM	723470B01SD	Bye Election	0	-500	0	500	0	(500)	
B01	Corp. Services - Office of the PM	762100B01TG	Overseas Contribution	16,845	0	0	16,845	16,525	(320)	
B01	Corp. Services - Office of the PM	798100B01SD	PM's Outer Islands Visitation	38,655	-309	0	38,964	38,200	(764)	
B04	Personnel and Training	711110B0401	Salaries	124,342	0	0	124,342	113,642	(10,700)	
B04	Personnel and Training	711120B0402	Allowances	1,692	0	0	1,692	1,392	(299)	
B04	Personnel and Training	712900B0401	Staff Relieving Fund (centr'd)	22,086	0	0	22,086	20,000	(2,086)	
B04	Personnel and Training	72110AB0401	Local Travel & Subsistence	1,317	0	0	1,317	1,250	(67)	
B04	Personnel and Training	752110B0401	Rent Subsidy	354,966	0	0	354,966	354,501	(465)	
B04	Personnel and Training	782410B0402	USP Reimbursement	40,176	0	0	40,176	40,000	(176)	
B08	Tuvalu Media Department	711110B0801	Salaries	243,534	0	0	243,534	236,290	(7,245)	
B08	Tuvalu Media Department	72110AB0801	Local Travel & Subsistence	3,690	0	0	3,690	2,000	(1,690)	
B08	Tuvalu Media Department	723530B0801	Computer Supply	2,035	0	0	2,035	2,000	(35)	
B08	Tuvalu Media Department	723910B0801	Electricity	84,785	0	0	84,785	78,370	(6,415)	
B08	Tuvalu Media Department	762100B08TG	Overseas Contributions (PINA)	683	0	0	683	600	(83)	
B10	Department of Women	711110B1001	Salaries	64,738	0	0	64,738	63,129	(1,609)	
B10	Department of Women	711120B1001	Allowances	1,773	0	0	1,773	1,627	(146)	
B11	Immigration	711110B1101	Salaries	54,014	0	0	54,014	52,229	(1,785)	
<b>Legal Services</b>										
C01	Office of the Attorney General	711110C0102	Salaries	17,971	0	0	17,971	16,555	(1,416)	
C01	Office of the Attorney General	711110C0103	Salaries	11,237	0	0	11,237	11,193	(44)	
C01	Office of the Attorney General	719100C0102	TNPF	1,809	0	0	1,809	1,706	(103)	
C01	Office of the Attorney General	721100C0101	Overseas Travel & Subsistence	10,805	0	0	10,805	10,408	(397)	
C01	Office of the Attorney General	723540C0101	Office Stationery	2,535	0	0	2,535	2,364	(171)	
C02	People's Lawyer	721100C0201	Overseas Travel & Subsistence	463	-170	0	633	298	(335)	
C02	People's Lawyer	721300C0201	Telecom & Internet	907	-200	0	1,107	907	(200)	
C02	People's Lawyer	723540C0201	Office Stationery	1,590	0	0	1,590	700	(890)	
<b>Parliament</b>										
D01	Office of the Parliament	711280D0100	Parliamentarians Local Entertainment	12,052	0	0	12,052	12,000	(52)	
D01	Office of the Parliament	711290D0100	Speaker's Utilities	5,719	0	0	5,719	5,040	(679)	
D01	Office of the Parliament	712110D0100	Speaker's Houseboy Salary & PF	5,884	0	0	5,884	5,048	(836)	
D01	Office of the Parliament	719200D0100	Speaker's TNPF	3,144	0	0	3,144	3,112	(32)	
D01	Office of the Parliament	71920AD0100	MP's TNPF	11,884	0	0	11,884	10,419	(1,465)	
D01	Office of the Parliament	72120AD0100	Speaker's Travel	78,576	0	0	78,576	76,485	(2,092)	
D01	Office of the Parliament	723040D0101	Mats, Boxing of Tables for Parliament Sitting	2,331	-696	0	3,027	3,000	(27)	
D01	Office of the Parliament	723220D0101	Sessions & Committee Refreshm't	11,411	-30	1,580	13,021	11,784	(1,237)	
D01	Office of the Parliament	723460D0100	Committee Allowances	9,445	0	0	9,445	9,000	(445)	
D01	Office of the Parliament	762100D01TG	Overseas Contributions	16,253	0	0	16,253	15,377	(877)	
<b>Office of the Auditor General</b>										
E01	Office of the Auditor General	7.21E+106	Overseas Travel & Subsistence	10,519	0	0	10,519	10,000	(519)	
E01	Office of the Auditor General	7.21E+106	Leave Travel Entitlements	904	0	0	904	272	(632)	
<b>Finance and Economic Development</b>										
F01	Corp. Services - Finance	711110F0101	Salaries	79,411	0	0	79,411	77,503	(1,908)	
F01	Corp. Services - Finance	711110F0102	Salaries	42,978	0	0	42,978	42,699	(279)	
F01	Corp. Services - Finance	711280F0100	Minister's Overseas Entertainment	2,925	0	0	2,925	2,500	(425)	
F01	Corp. Services - Finance	712110F0100	Housemaid Salary, PF and Leave	6,417	0	0	6,417	6,331	(86)	
F01	Corp. Services - Finance	721110F0101	Leave Travel Entitlements	1,650	0	0	1,650	1,380	(270)	
F01	Corp. Services - Finance	723020F0102	Advertisement	4,211	0	0	4,211	3,297	(914)	



F01	Corp. Services - Finance	729991F0101	Bad Debts Expenses	124,513	0	0	124,513	0	(124,513)
F01	Corp. Services - Finance	75121AF01TG	NBT CSO	61,648	0	0	61,648	61,648	(0)
F01	Corp. Services - Finance	75121BF01TG	DBT CSO	393,000	0	0	393,000	393,000	(0)
F01	Corp. Services - Finance	798100F01SD	Outstanding payment to TMTI	286,269	0	0	286,269	286,224	(45)
F01	Corp. Services - Finance	798102F01SD	Support to NAO	44,141	0	0	44,141	42,732	(1,409)
F01	Corp. Services - Finance	729990F0101	Doubtful debts expense	0	0	3,643	3,643	0	(3,643)
F02	Planning and Budget	711110F0201	Salaries	8,057	0	0	8,057	7,662	(395)
F02	Planning and Budget	711120F0203	Allowances	4,117	0	0	4,117	3,471	(646)
F02	Planning and Budget	711120F0204	Allowances	1,197	0	0	1,197	1,172	(25)
F02	Planning and Budget	719100F0203	TNPF	4,763	0	0	4,763	4,068	(694)
F02	Planning and Budget	719100F0204	TNPF	4,615	0	0	4,615	4,091	(524)
F03	Central Statistics Division	711110F0301	Salaries	46,690	0	0	46,690	46,516	(174)
F03	Central Statistics Division	711120F0301	Allowances	1,574	0	0	1,574	1,140	(434)
F03	Central Statistics Division	723320F0301	Petrol & Oil	164	0	0	164	150	(14)
F04	Customs	711110F0402	Salaries	83,289	0	0	83,289	77,804	(5,485)
F04	Customs	711120F0401	Allowances	2,555	0	0	2,555	2,000	(555)
F04	Customs	719100F0402	TNPF	8,363	0	0	8,363	7,930	(433)
F04	Customs	721100F0401	Overseas Travel & Subsistence	2,676	-33	0	2,710	2,500	(210)
F04	Customs	721110F0401	Leave Travel Entitlements	2,151	0	0	2,151	1,842	(309)
F04	Customs	721110F0402	Leave Travel Entitlements	0	0	0	0	0	(0)
F04	Customs	791220F0401	Office Equipment	18,951	0	0	18,951	18,606	(345)
F06	Treasury	721100F0601	Overseas Travel & Subsistence	14,818	-12	0	14,830	13,500	(1,330)
F06	Treasury	742100F0601	Bank Charge & Interests	461,068	0	-20	461,048	56,500	(404,548)
F06	Treasury	742110F0601	Foreign Exchange Cost	46,867	0	0	46,867	10,000	(36,867)
F06	Treasury	742111F0601	Charges on CIF	11,795	0	0	11,795	0	(11,795)
F08	Public Enterprise Reform and Monitoring Unit	711110F0801	Salaries	22,867	0	0	22,867	21,989	(878)
F08	Public Enterprise Reform and Monitoring Unit	711120F0801	Allowances	2,011	0	0	2,011	1,982	(29)
F08	Public Enterprise Reform and Monitoring Unit	721110F0801	Leave Travel Entitlements	0	0	0	0	0	(0)
F09	Industries	711110F0901	Salaries	18,587	0	0	18,587	18,531	(55)
F09	Industries	711110F0902	Salaries	15,881	0	0	15,881	15,837	(44)
F09	Industries	723510F0902	Office Expenses	3,769	0	0	3,769	3,440	(329)
<b>Public Utilities</b>									
G01	Corp. Services - Public Utilities	712110G0100	Housemaid Salary, PF and Leave	4,603	0	0	4,603	4,501	(102)
G01	Corp. Services - Public Utilities	719200G0100	TNPF	3,286	0	0	3,286	3,020	(266)
G01	Corp. Services - Public Utilities	723820G01SD	EU Facility Tuvalu Contribution	95,213	0	0	95,213	95,000	(213)
G02	Energy	721100G0201	Overseas Travel & Subsistence	5,158	0	0	5,158	4,896	(262)
G02	Energy	721101G0203	Local Travel & Subsistence	300	0	0	300	0	(300)
G02	Energy	72110AG0201	Local Travel	2,639	0	0	2,639	2,460	(179)
G03	Public Works Department	711110G0303	Salaries	81,554	0	0	81,554	77,988	(3,566)
G03	Public Works Department	711120G0301	Allowances	5,514	0	0	5,514	5,500	(14)
G03	Public Works Department	711120G0302	Allowances	1,264	0	0	1,264	800	(464)
G03	Public Works Department	711120G0306	Allowances	2,019	0	0	2,019	1,800	(219)
G03	Public Works Department	711120G0308	Allowances	40,864	0	0	40,864	40,500	(364)
G03	Public Works Department	719100G0303	TNPF	8,266	0	0	8,266	7,899	(367)
G03	Public Works Department	719100G0305	TNPF	9,147	0	0	9,147	8,660	(487)
G03	Public Works Department	721110G0301	Leave Travel Entitlements	20,239	-3	0	20,242	20,095	(147)
G03	Public Works Department	722660G0309	Electrical Maintenance / Rewiring	3,188	0	0	3,188	3,000	(188)
<b>Health</b>									
H01	Corporate Service - Health	711110H0101	Salaries	91,389	0	0	91,389	85,096	(6,293)
H01	Corporate Service - Health	712110H0100	Housemaid Salary and Leave	5,758	0	0	5,758	5,435	(323)
H01	Corporate Service - Health	719100H0101	TNPF	10,508	0	0	10,508	10,415	(93)
H01	Corporate Service - Health	721101H0101	Local Travel & Subsistence	15,538	0	0	15,538	14,910	(628)
H01	Corporate Service - Health	723540H0101	Office Stationery	6,178	0	0	6,178	5,000	(1,178)
H01	Corporate Service - Health	725040H01TG	Medical Treatment Scheme	2,504,849	0	204,356	2,709,206	2,301,300	(407,906)
H02	Health Administration	711120H0201	Allowances	7,463	0	0	7,463	6,660	(803)
H03	Curative	711110H0301	Salaries	670,505	0	0	670,505	622,095	(48,410)
H03	Curative	711110H0305	Salaries	12,126	0	0	12,126	11,252	(874)
H03	Curative	711110H0306	Salaries	14,662	0	0	14,662	14,216	(446)
H03	Curative	711120H0301	Allowances	74,992	0	0	74,992	72,947	(2,045)
H03	Curative	712110H0301	Casual Workers	40,948	0	0	40,948	1,500	(39,448)
H03	Curative	712111H03TG	Anesthetist salary	164,483	0	-3,490	160,993	159,200	(1,793)
H03	Curative	712900H0301	Relieving Fund	9,290	0	0	9,290	9,000	(290)
H03	Curative	719100H0301	TNPF	73,519	0	0	73,519	68,904	(4,615)
H03	Curative	719100H0303	TNPF	2,636	0	0	2,636	2,568	(68)
H03	Curative	791200H0304	Medical Oxygen Gas	33,669	0	0	33,669	29,100	(4,569)
H04	Preventative Primary and Health Services	711110H0403	Salaries	71,215	0	0	71,215	71,177	(38)
H04	Preventative Primary and Health Services	711120H0401	Allowances	4,620	0	0	4,620	4,151	(469)
H04	Preventative Primary and Health Services	723750H0404	Dental Supplies	18,220	0	4,245	22,465	22,000	(465)
H04	Preventative Primary and Health Services	725021H0404	Dental Community Outreach	9,670	0	0	9,670	7,370	(2,300)
<b>Natural Resources</b>									
I01	MNRE Headquarters	711110I0101	Salaries	44,003	0	0	44,003	28,994	(15,009)
I01	MNRE Headquarters	712110I0100	Housemaid's Salary and Leave	5,152	0	0	5,152	4,680	(472)
I01	MNRE Headquarters	719100I0101	TNPF	5,033	0	0	5,033	3,966	(1,067)
I01	MNRE Headquarters	719200I0100	TNPF	3,028	0	0	3,028	3,020	(8)
I02	Agriculture	711110I0201	Salaries	42,613	0	0	42,613	41,578	(1,035)
I02	Agriculture	711110I0203	Salaries	81,729	0	0	81,729	80,268	(1,461)
I02	Agriculture	711120I0202	Allowances	1,229	0	0	1,229	1,000	(229)
I02	Agriculture	711120I0203	Allowances	1,988	0	0	1,988	1,046	(942)
I02	Agriculture	712110I0205	ROC Commitment for Labours	37,480	0	0	37,480	33,825	(3,655)
I02	Agriculture	719100I0201	TNPF	4,265	0	0	4,265	4,258	(7)
I02	Agriculture	721100I0201	Overseas Travel & Subsistence	1,481	-124	0	1,605	1,000	(605)
I02	Agriculture	721100I0202	Overseas Travel & Subsistence	354	0	0	354	300	(54)
I02	Agriculture	723910I0205	Electricity	4,665	0	0	4,665	4,000	(665)
I02	Agriculture	724020I0202	Livestock feeds	5,016	0	0	5,016	4,200	(816)
I03	Fisheries	711110I0302	Salaries	124,732	0	0	124,732	119,817	(4,915)
I03	Fisheries	723830I0304	Observer Refresher & De-briefer Course	8,276	0	0	8,276	8,215	(61)
I04	Lands and Surveys	711110I0401	Salaries	26,878	0	0	26,878	26,552	(326)
I04	Lands and Surveys	711110I0404	Salaries	79,473	0	0	79,473	78,128	(1,345)
I04	Lands and Surveys	711120I0402	Allowances	1,534	0	0	1,534	1,500	(34)
I04	Lands and Surveys	711120I0403	Allowances	706	0	0	706	500	(206)
I04	Lands and Surveys	719100I0401	TNPF	2,709	0	0	2,709	2,705	(4)
I04	Lands and Surveys	719100I0404	TNPF	7,963	0	0	7,963	7,863	(100)
<b>Home Affairs</b>									
J01	Corporate Services - Home Affairs	711120J0101	Allowances	9,603	0	0	9,603	9,150	(453)
J01	Corporate Services - Home Affairs	719200J0100	TNPF	3,028	0	0	3,028	3,020	(8)
J01	Corporate Services - Home Affairs	721100J0101	Overseas Travel & Subsistence	6,667	-323	0	6,990	5,500	(1,490)
J01	Corporate Services - Home Affairs	72120AJ0100	Minister's Travel	23,571	-20	0	23,590	22,769	(821)
J02	Department of Rural Development	762100J02TG	Membership CLGF	3,389	0	0	3,389	3,180	(209)
J03	Community Affairs	711110J0301	Salaries	33,091	0	0	33,091	30,868	(2,223)
J03	Community Affairs	719100J0301	TNPF	3,376	0	0	3,376	2,887	(489)
J03	Community Affairs	773210J0301	Senior Citizens Scheme	301,380	0	0	301,380	301,340	(40)
J08	Solid Waste Agency of Tuvalu (SWAT)	719100J0801	TNPF	11,267	0	0	11,267	10,620	(647)
J08	Solid Waste Agency of Tuvalu (SWAT)	723320J0801	Petrol & Oil	21,861	0	0	21,861	21,861	(0)
J08	Solid Waste Agency of Tuvalu (SWAT)	782431J08TG	Support Outer Islands Waste Management	67,813	0	0	67,813	67,781	(32)
<b>Police and Prison Services</b>									
K01	Police and Prison Services	711110K0102	Salaries	487,955	0	0	487,955	431,014	(56,941)
K01	Police and Prison Services	711110K0103	Salaries	218,675	0	0	218,675	206,618	(12,057)
K01	Police and Prison Services	711110K0104	Salaries	47,331	0	0	47,331	44,213	(3,118)
K01	Police and Prison Services	711120K0104	Allowances	6,449	0	0	6,449	5,320	(1,129)
K01	Police and Prison Services	712310K0102	Police Special Allowances	29,151	0	1,608	30,759	29,204	(1,555)
K01	Police and Prison Services	719100K0102	TNPF	54,819	0	0	54,819	49,715	(5,104)

K01	Police and Prison Services	719100K0103	TNPF	26,708	0	0	26,708	25,662	(1,046)	
K01	Police and Prison Services	719100K0104	TNPF	5,378	0	0	5,378	4,953	(425)	
<b>Transport and Communications</b>										
L01	Corp. Services - Comm. and Trans	711110L0101	Salaries	68,131	0	0	68,131	56,772	(11,359)	
L01	Corp. Services - Comm. and Trans	711110L0102	Salaries	30,793	0	0	30,793	30,424	(369)	
L01	Corp. Services - Comm. and Trans	712110L0100	Housemaid Salary, PF & Leave	8,333	0	0	8,333	7,474	(859)	
L01	Corp. Services - Comm. and Trans	719100L0102	TNPF	3,922	0	0	3,922	3,457	(465)	
L01	Corp. Services - Comm. and Trans	719200L0100	TNPF	3,028	0	0	3,028	3,020	(8)	
L01	Corp. Services - Comm. and Trans	72120AL0100	Minister's Travel	53,372	0	0	53,372	52,995	(376)	
L02	Marine	711110L0203	Salaries	254,452	0	0	254,452	252,151	(2,301)	
L02	Marine	711120L0201	Allowances	14,818	0	0	14,818	9,029	(5,789)	
L02	Marine	711120L0202	Allowances	184,228	0	0	184,228	182,223	(2,006)	
L02	Marine	711120L0204	Allowances	27,276	0	0	27,276	26,500	(776)	
L02	Marine	719100L0201	TNPF	11,218	0	0	11,218	5,081	(6,137)	
L02	Marine	719100L0203	TNPF	38,801	0	0	38,801	34,838	(3,963)	
L02	Marine	722550L0202	Vessel Maintenance	192,203	0	72,173	264,376	200,000	(64,376)	
L02	Marine	722550L0203	Vessel Maintenance	98,154	0	11,957	110,110	100,000	(10,110)	
L02	Marine	723010L0201	Advertising & Publication Cost	1,505	0	0	1,505	1,500	(5)	
L02	Marine	723330L0202	Vessel Fuel	487,151	0	0	487,151	450,000	(37,151)	
L02	Marine	723510L0201	Office Expenses	1,333	0	0	1,333	1,250	(83)	
L02	Marine	723910L0204	Electricity	30,527	0	5,624	36,151	30,800	(5,352)	
L03	Aviation	711110L0302	Salaries	19,962	0	0	19,962	19,940	(21)	
L03	Aviation	719100L0302	TNPF	2,753	0	0	2,753	2,394	(359)	
L04	Information, Comm. and Technology	711110L0402	Salaries	40,671	0	0	40,671	37,104	(3,567)	
L04	Information, Comm. and Technology	711110L0403	Salaries	25,594	0	0	25,594	24,956	(638)	
L04	Information, Comm. and Technology	711120L0401	Allowances	394	0	0	394	0	(394)	
L04	Information, Comm. and Technology	791210L0402	Computer Equipments	15,221	0	20,000	35,221	23,405	(11,816)	
L07	Meteorological Office	711110L0701	Salaries	104,513	0	0	104,513	103,098	(1,415)	
L07	Meteorological Office	711120L0702	Allowances	551	0	0	551	500	(51)	
L07	Meteorological Office	721100L0701	Overseas Travel & Subsistence	148	0	0	148	0	(148)	
L07	Meteorological Office	72110AL0701	Local Travel & Subsistence	2,689	0	0	2,689	2,000	(689)	
L07	Meteorological Office	723510L0701	Office Expenses	5,685	0	0	5,685	5,500	(185)	
<b>Education, Youth and Sports</b>										
M01	Corp. Services - Edu., Youth and Sports	711290M0100	Statutory Utilities	4,105	0	0	4,105	4,040	(65)	
M01	Corp. Services - Edu., Youth and Sports	712110M0100	Housemaid Salary, PF and Leave	5,906	0	0	5,906	5,419	(487)	
M01	Corp. Services - Edu., Youth and Sports	719100M0101	TNPF	8,698	0	0	8,698	7,908	(790)	
M01	Corp. Services - Edu., Youth and Sports	72110AM0101	Local Travel & Subsistence	3,234	0	0	3,234	3,019	(215)	
M01	Corp. Services - Edu., Youth and Sports	721200M0100	Statutory Travel (Spouse)	1,132	0	0	1,132	1,000	(132)	
M01	Corp. Services - Edu., Youth and Sports	723510M0101	Office Expenses	11,153	0	0	11,153	11,000	(153)	
M01	Corp. Services - Edu., Youth and Sports	723540M0101	Office Stationery	5,478	-403	0	5,881	5,500	(381)	
M01	Corp. Services - Edu., Youth and Sports	762100M01TG	Overseas Contribution	274,313	0	103,151	377,464	376,870	(594)	
M01	Corp. Services - Edu., Youth and Sports	796120M01TG	TMTI Loan Service Commission	64,876	0	194,576	259,452	258,942	(509)	
M02	Education Department	719100M0203	TNPF	6,336	0	0	6,336	5,980	(356)	
M02	Education Department	782370M0202	Curriculum Development (EU)	23,500	0	0	23,500	22,000	(1,500)	
M02	Education Department	782381M02TG	TVET Support	158,775	-70	0	158,845	155,360	(3,485)	
M03	Primary Education	711110M0303	Salaries	860,116	0	0	860,116	823,641	(36,475)	
M03	Primary Education	711120M0303	Allowances	177	0	0	177	0	(177)	
M03	Primary Education	712210M0303	Contract Teachers	194,896	0	0	194,896	185,000	(9,896)	
M03	Primary Education	712900M0301	Relieving Teachers	34,836	0	0	34,836	33,000	(1,836)	
M03	Primary Education	719100M0303	TNPF	86,413	0	0	86,413	85,864	(549)	
M04	EFA Secondary School	711110M0402	Salaries	607,945	0	0	607,945	542,141	(65,804)	
M04	EFA Secondary School	719100M0402	TNPF	61,486	0	0	61,486	54,589	(6,897)	
M04	EFA Secondary School	72110AM0401	Local Travel & Subsistence	3,199	0	0	3,199	2,000	(1,199)	
M04	EFA Secondary School	72110BM0401	Student's Travel	4,791	0	0	4,791	4,000	(791)	
M04	EFA Secondary School	721110M0401	Leave Travel Entitlements	10,567	0	0	10,567	10,000	(567)	
M04	EFA Secondary School	722100M0401	Motufoua General Maint (EU)	25,583	0	10,364	35,947	18,629	(17,318)	
M04	EFA Secondary School	722500M0401	Vehicle Maintenance	5,986	0	0	5,986	3,500	(2,486)	
M04	EFA Secondary School	723510M0404	Office Expenses	1,073	0	0	1,073	1,000	(73)	
M04	EFA Secondary School	723560M0402	Text Books	17,895	0	2,902	20,797	20,000	(797)	
M04	EFA Secondary School	723750M0402	School Supplies (EU)	21,642	0	2,435	24,077	22,000	(2,078)	
M04	EFA Secondary School	723750M0404	School Supplies	11,775	0	0	11,775	10,000	(1,775)	
M04	EFA Secondary School	752110M0402	Rent	15,690	0	4,000	19,690	18,000	(1,690)	
M05	Library	721101M0501	Local Travel & Subsistence	1,442	0	0	1,442	1,082	(360)	
M05	Library	721110M0501	Leave Travel Entitlements	1,610	0	0	1,610	1,070	(540)	
M06	Sports	711110M0601	Salaries	11,444	0	0	11,444	10,559	(885)	
M06	Sports	719100M0601	TNPF	1,145	0	0	1,145	1,056	(89)	
M06	Sports	722260M0601	Maintenance of Sports Ground	4,185	0	0	4,185	3,700	(485)	
M06	Sports	791350M06SD	IPSSG	61,659	0	0	61,659	60,000	(1,659)	
M06	Sports	798100M06SD	Sports Ground Maintenance	100,095	0	0	100,095	100,000	(95)	
M07	Pre-service Scholarships	711110M0701	Salaries	33,172	0	0	33,172	32,170	(1,002)	
M07	Pre-service Scholarships	721100M0701	Overseas Travel & Subsistence	4,971	-384	0	5,355	3,600	(1,755)	
M07	Pre-service Scholarships	722250M0701	Equipment Maintenance	93,282	0	0	93,282	87,500	(5,782)	
M07	Pre-service Scholarships	782510M0701	Scholarship Students-new award	221,007	0	0	221,007	215,833	(5,175)	
M07	Pre-service Scholarships	782520M0701	Pre Service Training Attachment	14,412	0	0	14,412	14,350	(62)	
M07	Pre-service Scholarships	782530M0701	Scholarship Students - Ongoing	695,854	0	22,260	718,114	673,157	(44,957)	
M07	Pre-service Scholarships	782540M07TG	TMTI Scholarship	421,883	0	0	421,883	415,030	(6,853)	
M07	Pre-service Scholarships	782551M0701	Scholarship Students - Form Seven	66,467	0	0	66,467	66,200	(267)	
M08	Youth	72110AM0801	Local Travel & Subsistence	480	0	0	480	0	(480)	
M09	Early Childhood Care and Education	711110M0901	Salaries	18,166	0	0	18,166	18,117	(49)	
M09	Early Childhood Care and Education	719100M0901	TNPF	1,817	0	0	1,817	1,812	(5)	
<b>Judiciary</b>										
N01	Judiciary	711120N01TG	Island Magistrate Gratuity	7,332	0	0	7,332	7,332	(0)	
N01	Judiciary	719100N0101	TNPF	3,561	0	0	3,561	3,323	(238)	
N01	Judiciary	722250N0101	Equipment Maintenance	2,814	0	0	2,814	2,377	(437)	
N01	Judiciary	723540N0101	Office Stationery	7,117	-14	0	7,131	7,000	(130)	
<b>Foreign Affairs, Trade, Tourism, Environment &amp; Labour</b>										
O01	MFAETLT Headquarter	711110O0101	Salaries	135,179	0	0	135,179	111,519	(23,660)	
O01	MFAETLT Headquarter	711290O0100	Statutory Utilities	3,577	0	0	3,577	3,540	(37)	
O01	MFAETLT Headquarter	712110O0100	Housemaid Salary and Leave	6,402	0	0	6,402	4,403	(1,999)	
O01	MFAETLT Headquarter	712130O0100	Housemaid's TNPF	650	0	0	650	441	(209)	
O01	MFAETLT Headquarter	719100O0101	TNPF	14,477	0	0	14,477	12,712	(1,765)	
O01	MFAETLT Headquarter	719200O0100	TNPF	3,134	0	0	3,134	3,020	(114)	
O01	MFAETLT Headquarter	721100O0101	Overseas Travel & Subsistence	117,950	0	0	117,950	21,801	(96,149)	
O01	MFAETLT Headquarter	72120AO0100	Minister's Travel	26,717	0	0	26,717	21,500	(5,216)	
O02	Labour	711110O0201	Salaries	57,833	0	0	57,833	53,375	(4,458)	
O02	Labour	719100O0201	TNPF	5,881	0	0	5,881	5,619	(262)	
O02	Labour	723540O0201	Office Stationery	2,299	0	0	2,299	1,972	(327)	
O03	Suva Mission	711120O0301	Allowances	11,307	0	0	11,307	10,330	(977)	
O03	Suva Mission	711120O0302	Allowances	13,511	0	0	13,511	7,015	(6,496)	
O03	Suva Mission	711160O0301	Overseas allowances	71,294	0	0	71,294	58,663	(12,631)	
O03	Suva Mission	721100O0301	Overseas Travel & Subsistence	42,905	0	0	42,905	36,609	(6,295)	
O03	Suva Mission	721300O0301	Telecom & Internet	11,017	0	0	11,017	7,861	(3,156)	
O03	Suva Mission	722350O0301	Building & Office Maintenance	17,969	0	0	17,969	16,000	(1,969)	
O03	Suva Mission	722360O03SD	Renovation of Mariko Street Flats	249	0	0	249	0	(249)	
O03	Suva Mission	722500O0301	Vehicle Maintenance	14,045	0	0	14,045	14,000	(45)	
O03	Suva Mission	723110O0301	Office/Residence/Vehicle Insurance	14,507	0	0	14,507	14,000	(507)	
O03	Suva Mission	723320O0301	Petrol & Oil	15,551	0	0	15,551	14,127	(1,424)	
O03	Suva Mission	723420O0301	Hospitality	12,826	0	0	12,826	10,000	(2,826)	
O03	Suva Mission	723510O0301	Office Expenses	10,234	0	0	10,234	10,224	(11)	
O03	Suva Mission	723910O0301	Electricity	7,051	0	0	7,051	6,496	(555)	
O03	Suva Mission	725040O0301	Medical Treatment	4,565	0	0	4,565	4,000	(565)	



O04	Permanent Mission of Tuvalu to the UN	71111000401	Salaries	51,695	0	0	51,695	48,974	(2,721)
O04	Permanent Mission of Tuvalu to the UN	71114000401	Clothing Allowances	3,361	0	0	3,361	3,334	(28)
O04	Permanent Mission of Tuvalu to the UN	71116000401	Foreign Service Allowances	117,921	0	0	117,921	116,190	(1,731)
O04	Permanent Mission of Tuvalu to the UN	71118000401	Ambassador Entertainment	10,952	0	0	10,952	10,000	(952)
O04	Permanent Mission of Tuvalu to the UN	72110000401	Overseas Travel & Subsistence	29,129	0	0	29,129	18,270	(10,859)
O04	Permanent Mission of Tuvalu to the UN	72344000401	Representation	1,749	0	0	1,749	1,730	(19)
O04	Permanent Mission of Tuvalu to the UN	72355000401	Photocopy & Printing	233	0	0	233	216	(17)
O04	Permanent Mission of Tuvalu to the UN	74210000401	Financial Institution Fees	4,042	0	0	4,042	3,858	(184)
O04	Permanent Mission of Tuvalu to the UN	762100004TG	UN Membership Contributions	40,300	0	0	40,300	38,571	(1,729)
O04	Permanent Mission of Tuvalu to the UN	78110000401	UN Accommodation	77,325	0	0	77,325	71,803	(5,522)
O04	Permanent Mission of Tuvalu to the UN	78120000401	Office Lease	35,762	0	0	35,762	33,354	(2,408)
O04	Permanent Mission of Tuvalu to the UN	79122000401	Office Equipment	5,852	0	0	5,852	5,408	(444)
O05	Brussels Mission	71123000501	Household Furniture Allowance	5,095	0	0	5,095	583	(4,512)
O05	Brussels Mission	72110000501	Overseas Travel & Subsistence	25,418	0	0	25,418	9,564	(15,854)
O05	Brussels Mission	72130000501	Telecom & Internet	10,580	0	2,291	12,871	9,112	(3,759)
O05	Brussels Mission	72250000501	Vehicle Maintenance	2,643	0	0	2,643	1,456	(1,187)
O05	Brussels Mission	72351000501	Office Expenses	2,914	0	0	2,914	2,914	(1)
O05	Brussels Mission	72374000501	Household Items	1,037	0	0	1,037	728	(309)
O05	Brussels Mission	78110000501	Rent for Ambassador's Residence	60,011	0	0	60,011	34,954	(25,057)
O06	Environment	71111000603	Salaries	10,588	0	0	10,588	10,559	(29)
O06	Environment	71112000601	Allowances	1,166	0	0	1,166	500	(666)
O06	Environment	71910000603	TNPF	1,403	0	0	1,403	1,056	(347)
O06	Environment	72225000601	Equipment Maintenance	126	0	0	126	100	(26)
O07	Tuvalu Consulate in Auckland	71111000701	Salaries	37,594	0	0	37,594	31,922	(5,672)
O07	Tuvalu Consulate in Auckland	71112100701	Children Allowance	1,013	0	0	1,013	838	(175)
O07	Tuvalu Consulate in Auckland	71260000701	COLA	78,824	0	0	78,824	46,078	(32,746)
O07	Tuvalu Consulate in Auckland	71910000701	TNPF	4,311	0	0	4,311	4,263	(47)
O07	Tuvalu Consulate in Auckland	72110000701	Overseas Travel & Subsistence	26,493	0	0	26,493	5,000	(21,493)
O07	Tuvalu Consulate in Auckland	72110100701	Local Travel & Subsistence	17,820	0	0	17,820	4,000	(13,820)
O07	Tuvalu Consulate in Auckland	72130000701	Telecom & Internet	3,941	0	0	3,941	3,500	(441)
O07	Tuvalu Consulate in Auckland	72215000701	Vehicle Insurance	13,338	0	0	13,338	1,520	(11,818)
O07	Tuvalu Consulate in Auckland	72250000701	Vehicle Maintenance	15	0	0	15	0	(15)
O07	Tuvalu Consulate in Auckland	72332000701	Petrol & Oil	5,422	0	0	5,422	4,800	(622)
O07	Tuvalu Consulate in Auckland	72351000701	Office Expenses	4,966	0	0	4,966	3,524	(1,442)
O07	Tuvalu Consulate in Auckland	72365000701	Legal Fees	4,641	0	0	4,641	1,200	(3,441)
O07	Tuvalu Consulate in Auckland	72392000701	Water	784	0	0	784	610	(174)
O07	Tuvalu Consulate in Auckland	72505000701	Health Insurance	37,530	0	0	37,530	4,190	(33,339)
O07	Tuvalu Consulate in Auckland	78110000701	Rent for Ambassador's Residence	34,755	0	0	34,755	25,138	(9,618)
O07	Tuvalu Consulate in Auckland	79122000701	Office Equipment	2,890	0	0	2,890	1,930	(960)
O09	Tourism	71111000901	Salaries	20,261	0	0	20,261	15,806	(4,455)
O09	Tourism	71112000901	Allowances	3,012	0	0	3,012	2,900	(112)
O09	Tourism	71910000901	TNPF	2,327	0	0	2,327	1,871	(456)
O09	Tourism	762100009TG	Overseas Contribution	11,313	0	-3,274	8,039	8,000	(39)
O10	Labour	71111001002	Salaries	38,786	0	0	38,786	36,785	(2,001)
O10	Labour	71290001002	Relieving Fund	0	0	0	0	0	(0)
O11	Labour	71112AO1101	Education Allowances	26,310	0	0	26,310	10,481	(15,828)
O11	Labour	71118001101	Entertainment Allowance	3,182	0	0	3,182	3,000	(182)
O11	Labour	72111001101	Leave Travel Entitlements	7,420	0	0	7,420	0	(7,420)
O11	Labour	72250001101	Vehicle Maintenance	3,868	0	0	3,868	1,520	(2,348)
O11	Labour	72332001101	Fuel	11,992	0	0	11,992	4,500	(7,492)
O11	Labour	72351001101	Office Expenses	8,310	0	0	8,310	2,140	(6,171)
O11	Labour	72365001101	Legal Fees	3,617	0	0	3,617	1,500	(2,117)
O11	Labour	72374001101	Household Items	1,086	0	0	1,086	1,000	(86)
O11	Labour	72391001101	Electricity	4,806	0	0	4,806	3,000	(1,806)
O11	Labour	72505001101	Health Insurance	4,293	0	0	4,293	4,190	(103)
O11	Labour	78110001101	Rent for Ambassador's Residence	61,801	0	0	61,801	36,528	(25,273)
O11	Labour	79122001101	Office Equipment	6,216	0	0	6,216	2,000	(4,216)
O11	Labour	79124001101	Vehicle	112,107	0	0	112,107	49,950	(62,157)
O11	Labour	79132001101	Furnish Office and residence	7,864	0	0	7,864	3,000	(4,864)
<b>Total Non Statutory Spending</b>				<b>40,866,591</b>	<b>33,254</b>	<b>950,074</b>	<b>41,783,411</b>	<b>43,579,054</b>	<b>1,795,643</b>
<b>GRAND TOTAL</b>				<b>41,509,289</b>	<b>32,803</b>	<b>954,799</b>	<b>42,431,285</b>	<b>44,247,076</b>	<b>1,815,791</b>