

REPORT OF THE AUDITOR-GENERAL



ON THE FINANCIAL STATEMENTS OF THE TUVALU WHOLE OF GOVERNMENT for the year ended 31 December 2015

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

Year ended 31 December 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.

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

Year ended 31 December 2015

Statutory Audit Report

Tuvalu Whole of Government Audit

For the year ended 31 December 2015

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 2015, 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 2015, together with the Tuvalu Whole of Government's financial reports in Appendix 3.**

Audit Result 2015

I expressed a qualified (disclaimer) opinion on the Tuvalu Whole of Government's financial report for the year ended 31 December 2015. 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 assets in the Financial Statements. Property Plant and Equipment was written on via an equity adjustment in 2013 using estimates of their value. This practice has continued for assets which are included in the Property Plant and Equipment balance in 2014 and 2015. 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 2015, however due to lack of robust supervision, the timing of the stock count extending into mid-2016 and lack of 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 2015 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.

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

Year ended 31 December 2015

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 2014 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2014 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, TPL and TMTI

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) 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. TPL has never produced Financial Statements. Without the consolidation of NAFICOT Financial Statements (which include the joint venture operations), the TPL Financial Statements and the 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, TPL and NAFICOT (including NAFICOT's 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, Fishing Licences and Wharfage revenues not being recognised as Receivables in the Financial Statements. The Accounts Receivable balances relating to Taxation, Customs, Fishing Licences 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.

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

Year ended 31 December 2015

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 2015 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.

Movement of Statement of Receipts and Payments by Heads unable to be reconciled to Cash balances

The movement in the Cash Balance in the Statement of Receipts and Payments by heads was unable to be reconciled to the in Cash balances as per the Statement of Assets and Liabilities. The adjustments made to the accrual balance to remove the non-cash entries were incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the figures in the Statement of Receipts and Payments, and the Statement of Unauthorised Expenditure.

Report on Other Legal and Regulatory Requirements

In auditing the Financial Statements of the Tuvalu Whole of Government for the year ended 31 December 2015, 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 2015 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 2016, Funafuti Tuvalu

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

Year ended 31 December 2015

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 2015. 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, TPL 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
- movement of Statement of Receipts and Payments by Heads unable to be reconciled to Cash balances.

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 2014 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, TPL and TMTI into the Financial Statements;
 - non-inclusion of Inventory in the Financial Statements;

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

Year ended 31 December 2015

- lack of evidence to support Accounts Receivable and Revenue; and
- limitation of scope surrounding Cabinet minutes and decisions.
- there has been an effort to resolve issues raised in prior years with 14 issues marked as closed during the 2014 audit;
- the Financial Statements were largely in compliance with the Public Finance Act in terms of presentation, however were not in compliance with GAAP in 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.
- financial statement supporting documentation was presented, however, further improvements are recommended;
- there is a draft fraud policy and the Financial Instructions surrounding fraud were updated;
- 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 and the management of TC Pam assistance;
- the Procurement Act and Regulations are in place, with an issue surrounding the non-submission of Procurement plans;
- the Property Plant and Equipment accounting process was reviewed, with issues noted in the Qualification;
- the implementation of the revised Financial Instructions was reviewed and breaches were noted surrounding virements, delegations and special imprests;
- TC Pam relief expenditure was reviewed and issues were noted surrounding having multiple bank accounts, lack of rules surrounding expenditure, and follow up of pledges from development partners;
- the SELF scheme was reviewed and the accounting treatment was found to be inadequate; and
- the Tuvalu Development Fund (TDF) was tested and issues were noted surrounding transfers out of the TDF, warrants issues inappropriately, non-reconciliation, the accountability of the fund and the non-production of estimates of expenditure.

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 performing procurement planning;
- non-compliance with the Public Finance Act in terms of issuing warrants and virements incorrectly; 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 2015 audit:

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

Year ended 31 December 2015

- Disaster relief expenditure rules are not present;
- Disaster relief bank accounts are not controlled by Treasury;
- Limited follow up of pledged funds from Development Partners;
- Virement Warrants not being issued;
- \$3m loan out of the Tuvalu Development Fund without Development Warrant. Over expenditure of budget heads;

The significant matters outstanding from the previous audits are:

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

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

Year ended 31 December 2015

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 2015. 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	12
Introduction	13
The Format and Mandate of this Report	13
Auditing Standards Used	13
Compliance with ISSAI Auditing Standards.....	13
Performance, Waste and Probity	13
Subsequent Events.....	13
Changes in Accounting Policy	13
Unusual Accounting Policies	14
Statement of Auditor Independence.....	14
Independence.....	14
Unresolved Disagreements.....	14
Status of Areas of Audit Emphasis	14
Issues Surrounding the Prior Year (31 December 2014) Qualification	14
Issues Raised in Previous Management Reports	15
Financial Statement Compilation and Compliance with GAAP	15
Financial Statement Supporting Documentation	16
Fraud Policy	16
Management Control Environment	16
Legislative Compliance	17
Performance, waste and probity issues	17
Travel and Medical Scheme Expenditures.....	17
Implementation of Procurement Act and Regulations	18
Property Plant and Equipment.....	18
Implementation of the revised Financial Instructions.....	18
TC PAM and Disaster Relief Fund Expenditures.....	19
Scholarship Educational Loan Scheme (SELF)	19
Tuvalu Development Fund (TDF).....	19
Salaries	20
Minister's spouse travel expense.....	20
Compliance with Legislative Requirements.....	20
Legislative Compliance (LC) Systems	20
Breaches of Significant Legislation.....	20
Significant Matters Arising From the Audit.....	21
1.2015 Disaster Relief Bank Account to be controlled by Treasury	21
2.2015 Disaster relief accounts are consolidated into one account, managed by Treasury	22

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

Year ended 31 December 2015

3.2015 Unpaid pledges from Development Partners for TC Pam assistance are followed up and system to track pledges, payments, conditions and reporting requirements is developed.	23
4.2015 Rules on appropriate expenditure to be funded under the TWOG Disaster relief accounts are developed	23
5.2015 Procurement of goods after the conclusion of an extreme urgency period are performed within the requirements of the Public Procurement Act and Regulations	24
6.2015 Annual budget for the Disaster Relief Unit is established for annual operating expenses	25
7.2015 Transshipment Revenue not reconciling to Financial Statements.	25
8.2015 Virement Warrants not issued in 2015 for Virements	26
9.2015 Advances improperly accounted for in 2015	26
10.2015 Payments out of Coin Security Fund without proper declaration under the Currency Act.....	27
11.2015 Cash only reconciled at year end, causing budget expenditure reporting to be inaccurate	28
12.2015 Interim Expenditure Warrants used inappropriately over two years.....	28
13.2015 Written delegations register to be created and submitted to Auditor-General....	29
14.2015 Custom receivables	30
15.2015 Virements process to updated to include approval and Warrant on same form..	30
16.2015 Transfer of \$3 million from Tuvalu Development Fund not in compliance with Public Finance Act.....	31
17.2015 Minister's spouse travel entitlements not clear in the policies and laws	32
18.2015 Local purchase orders and transfers to be taken into account when deriving cash movement	32
Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2015 ..	33
1.2014 Over Expenditure of Budget Heads	33
2.2014 Incorrect accounting for acquisitions, disposals and depreciation of assets	34
3.2014 Records Management System monitoring tax revenue (RMS) not updated in 2014 and 2015	35
7.2014 Strategic planning for the TWOG to be improved, including linking Corporate Plans to the TKIII.....	36
8.2014 Loan to SELF (Student Educational Loan Fund) awardees and RSE workers being treated as expense and repayments treated as revenue.....	38
9.2014 Terminated scholarship students approved to continue studying under the Student Education Loan Fund (SELF) scheme	40
10.2014 No recording of annual leave and sick leave balances by TWOG	40
11.2014 Observer's fund accountability.	41
12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.	41
13.2014 Information and Communications Technology Weaknesses	42
14.2014 Publication and approval of the Finance Circulars.....	45
15.2014 Promotion and education of stakeholders of the revised financial instructions ..	45
16.2014 Fraud policy implementation	46
18.2014 Bank accounts not controlled by the Chief Accountant	46
19.2014 Reconciliation of Aged Purchase Order listing to the General Ledger	47
20.2014 Monitoring of upper air space revenue.....	48
21.2014 Lack of Procurement Planning.....	48
22.2014 Goods receipting process not being followed	49
24.2014 Timely reconciliation of Imprest.....	50
26.2014 Grants and Subsidy Weaknesses	51
28.2014 Lack of Internal audit function.....	52

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

Year ended 31 December 2015

29.2014 Monthly analysis between bank reconciliation module and General ledger is performed.	53
32.2014 Payroll committee record of minutes	53
Appendix 2: Audit Issues Closed during the 2015 Audit.....	72
4.2014 Expenditure not in Compliance with Requirements of the Procurement System .	72
5.2014 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure	72
6.2014 Virements and Warrants not being Performed Correctly	72
17.2014 Creation of special fund and rules for maintenance and replacement of assets funding	72
23.2014 Timely submission of Brussel mission monthly accounts	72
25.2014 Strengthening of the Ombudsman Commission.....	72
30.2014 Bank reconciliations are printed at the end of each month.	72
31.2014 Elements of Financial Statements not provided to audit within Public Finance Act deadline	72
Appendix 3: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2015.....	73

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

TC: Tropical Cyclone

TDF: Tuvalu Development Fund

TMTI: Tuvalu Maritime Training Institute

TMTS: Tuvalu Medical Treatment Scheme

TPL: Tuvalu Post Limited

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

Year ended 31 December 2015

TWOG: Tuvalu Whole of Government

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.

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

Year ended 31 December 2015

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 2015 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 2015.

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.

Performance, waste and probity issues were noted as part of the financial statement audit and are detailed in the Status of Areas of Audit Emphasis. 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 2015 audit.

Changes in Accounting Policy

There have been no changes to the accounting policies of the Tuvalu Whole of Government in 2015.

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

Year ended 31 December 2015

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 2015 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 2015. 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 2014) Qualification

A disclaimer of audit opinion was issued for the year ended 31 December 2014 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 2015 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.

The 2014 issues which are considered to be unresolved are:

- valuation, completeness and existence of Property Plant and Equipment in the Financial Statements;

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

Year ended 31 December 2015

- lack of evidence to support prior year comparatives;
- non-consolidation of NAFICOT and its joint ventures, TPL and TMTI into the Financial Statements;
- non-inclusion of Inventory in the Financial Statements;
- lack of evidence to support Accounts Receivable and Revenue; and
- limitation of scope surrounding Cabinet minutes and decisions.

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 2014 management report issues has been commented on at the at Appendix 1 and Appendix 2.

Financial Statement Compilation and Compliance with GAAP

The TWOG's 2015 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. 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 and 2015 by accounting for movements in assets through equity. This 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 on hand is required under GAAP.

The TWOG Financial Statements are not considered by the Auditor-General to be in compliance with GAAP.

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

Year ended 31 December 2015

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 2015, 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 plans that will help the entity perform. Controls also deter and prevent people from doing things their own way, and from committing fraud.

With a strong control environment in place, it is possible to carry out effective accounting over the assets, liabilities, income and expenses of the entity. We have completed a management control environment (MCE) assessment of the Tuvalu Whole of Government (TWOG) 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 continued usage of Purchase Orders to decrease the likelihood of overspent budgets;

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

Year ended 31 December 2015

- the implementation of a procurement system;
- 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 future 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.

- 1.2015 Disaster Relief Bank Account to be controlled by Treasury
- 3.2015 Unpaid pledges from Development Partners for TC Pam assistance are followed up and system to track pledges, payments, conditions and reporting requirements is developed
- 15.2015 Virements process to updated to include approval and Warrant on same form
- 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
- 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 and Medical Scheme Expenditures

The process surrounding the incurring of travel expenses was reviewed and audit testing was performed. Some issues were noted surrounding the lack of detailed policies and guidance in place, see issue 17.2015 for details.

Medical Scheme expenditures will be reviewed as part of the 2016 audit.

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

Year ended 31 December 2015

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 were submitted for the 2015 year. This has been raised as audit issue 21.2014.

An audit issue recommending the procurement of goods after the conclusion of an extreme urgency period are performed within the requirements of the Public Procurement Act and Regulations has been raised at 2.2015.

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.

A compliance audit on Procurement is due to be finalised by the end of 2016. This will provide additional detail on the TWOG's compliance with the Procurement Act and Regulations.

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 2015 Financial Statements and raised as audit issue 2.2014. Additionally the following audit issues have been raised surrounding Property Plant and Equipment.

- 2.2014 Incorrect accounting for acquisitions, disposals and depreciation of assets
- 3.2013 Incomplete disclosures for Property Plant and Equipment as per Tuvalu GAAP
- 4.2013 No depreciation charge for Property Plant and Equipment
- 5.2013 Lack of Assets management plan
- 6.2013 Management of Property Plant and Equipment and Inventory
- 7.2013 Review of in year purchases for Property Plant and Equipment
- 8.2013 Portable and Attractive Assets register to be kept

Implementation of the revised Financial Instructions

The revised Financial Instructions came into effect on 1 January 2015. We reviewed 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:

- 8.2015 Virement Warrants not issued in 2015 for Virements
- 13.2015 Written delegations register to be created and submitted to Auditor-General
- 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
- 17.2012 Follow up of Special Imprests

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

Year ended 31 December 2015

The Finance Circulars which provide additional guidance to the Financial Instructions remained in draft form in 2015; however, some have been approved in mid-2016. These are yet to be implemented. See audit issue 14.2014 Publication and approval of the Finance Circulars.

TC PAM and Disaster Relief Fund Expenditures

The relief efforts and the administration of the TC Pam recovery efforts by the TWOG were reviewed. The following audit issues were noted:

- 1.2015 Disaster Relief Bank Account to be controlled by Treasury
- 2.2015 Disaster relief accounts are consolidated into one account, managed by Treasury
- 3.2015 Unpaid pledges from Development Partners for TC Pam assistance are followed up and system to track pledges, payments, conditions and reporting requirements is developed.
- 4.2015 Rules on appropriate expenditure to be funded under the TWOG Disaster relief accounts are developed
- 5.2015 Procurement of goods after the conclusion of an extreme urgency period are performed within the requirements of the Public Procurement Act and Regulations
- 6.2015 Annual budget for the Disaster Relief Unit is established for annual operating expenses

See the audit issues for further details.

Scholarship Educational Loan Scheme (SELF)

Documentation of the SELF scheme was performed and audit issues were noted. Further improvement is required surrounding the accounting and management of the SELF Scheme.

- 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

See the audit issues for further details.

Tuvalu Development Fund (TDF)

Documentation and audit testing of the TDF payments and receipts process was performed. The following audit issues were noted surrounding the TDF.

- 16.2015 Transfer of \$3 million from Tuvalu Development Fund not in compliance with Public Finance Act
- 12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.
- LC 2013.1 Schedule to the Public Finance Act – Estimates of Expenditure
- 11.2013 Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account
- 3.2012 Tuvalu Development Fund (TDF) Opening and Closing Balances and Budget Estimates

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

Year ended 31 December 2015

- 4.2012 Tuvalu Development Fund Accountability

See the audit issues for further details.

Salaries

Documentation and walkthrough of the Salaries payment process was performed. Audit will further focus on Salaries in 2016 as a new payroll system has been implemented.

- 10.2014 No recording of annual leave and sick leave balances by TWOG
- 32.2014 Payroll committee record of minutes
- 9.2008 Employee Entitlements

See the audit issues for further details.

Minister's spouse travel expense

This will be focussed on as part of the 2016 audit. Issues were noted surrounding the implementation of the travel policy. See 17.2015 for details.

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
- Currency Act Section 7 and Section 5, reporting of the Commissioner of Currency and declarations.
 - LC 2013.3 Section 7 of the Currency Act
 - 10.2015 Payments out of Coin Security Fund without proper declaration under the Currency Act
- Procurement Act and Procurement Regulations
 - 21.2014 Lack of Procurement Planning
- Public Finance Act Section 15
 - 12.2015 Interim Expenditure Warrants used inappropriately over two years
- Public Finance Act Section 17
 - 8.2015 Virement Warrants not issued in 2015 for Virements

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

Year ended 31 December 2015

- Public Finance Act Schedule rule 1 and Financial Instructions Section 249
 - 12.2014 TDF development warrant issued inappropriately and Development Fund accounts overspent.
 - 16.2015 Transfer of \$3 million from Tuvalu Development Fund not in compliance with Public Finance Act
- 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 20
 - 13.2015 Written delegations register to be created and submitted to Auditor-General
- Financial Instructions Section 193
 - 9.2015 Advances improperly accounted for
- Financial Instructions Section 235
 - 18.2014 Bank accounts not controlled by the Chief Accountant
 - 1.2015 Disaster Relief Bank Account to be controlled by Treasury
- Financial Instructions Section 135
 - 22.2014 Goods receipting process not being followed.
- Financial Instructions Section 74, overspend of budget allocations
 - LC 2013.2 Section 74 of the Financial Instructions
- Financial Instructions Section 201
 - 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

1.2015 Disaster Relief Bank Account to be controlled by Treasury

Findings and Analysis

During TC Pam, payments were made out of the Disaster Relief Bank Account (DRBA). These payments were not made through Treasury or ACCPAC. This is required by section 235 of the Financial Instructions.

Audit was unable to verify the transactions out of the DRBA or that the proper approval for expenditure had occurred.

No documentation was able to be presented on the expenditure from the DRBA, nor is the DRBA included in the financial statements of the TWOG.

Implication

Without oversight by Treasury and the payment process detailed in the Financial Instructions being followed, there is limited oversight of the expenditure from the DRBA.

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

Year ended 31 December 2015

There is an increased risk that expenditure out of the DRBA was for fraudulent purposes, as there is no oversight or approval process.

The TWOG financial statements are incomplete.

Recommendation

The DRBA account is handed over to Treasury, with acquittal of all transactions and documentation of approval of expenditure.

In future any payments out of the DRBA are performed via ACCPAC and through the Payment Voucher and Purchase Order process detailed by the Financial Instructions.

Management Comment

- To obtain comment from Disaster Unit, Finance not aware that payment not made out of DRBA. Agree that payment should be made through Treasury or ACCPAC.
- Agree that DRBA account to be handed over to Treasury with acquittal of all transactions and documentation of approval of expenditure.

2.2015 Disaster relief accounts are consolidated into one account, managed by Treasury

Findings and Analysis

During TC Pam there were payments made out of numerous bank accounts and sources. These included:

1. The TC Pam Fund in the Tuvalu Development Fund.
2. The Disaster Relief Fund in the Tuvalu Development Fund.
3. The TC Pam Supplementary expense account within the Consolidated Revenue Fund.
4. The Disaster Relief Bank Account which is not included in the Consolidated Revenue Fund.

These different sources have different procedures for the payment of funds, and the levels of accountability are varied. Expenditure out of the Disaster Relief Bank Account was not managed by Treasury and there has been limited accountability of the funds paid out.

Implication

Having multiple sources of funding within the TWOG increases the risk of mismanagement, fraud, incorrect reporting and inappropriate expenditure. Additionally the administrative burden of reporting and using multiple accounts is increased.

Recommendation

The above accounts are consolidated into one single Disaster Relief Fund within the Tuvalu Development Fund. Alternatively, a Special Fund is established.

Going forward the projects module within the Tuvalu Development Fund is used to budget, track donations and separate funds which are provided for different purposes.

The payment function out of the Disaster Relief Fund is managed by Treasury.

Management Comment

- Disaster Relief – Disaster Relief established prior to TC Pam, for all disaster relief activity.
- TC PAM Fund – established for in order to easily report on expenditures for TC Pam

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

Year ended 31 December 2015

- TC Pam Supp Expenses – established under the mini budget, with the remaining balance transfer to the TDF before end of financial year 2015, because funds cannot roll over under the CIF but there still pending payment.
- Disaster Relief Bank Account – same issue with no. 1.2015 (bank account manage by Disaster Unit).
- Project module has been install for this purposes for ease of budget tracking and agree with recommendation.

3.2015 Unpaid pledges from Development Partners for TC Pam assistance are followed up and system to track pledges, payments, conditions and reporting requirements is developed.

Findings and Analysis

During TC Pam, Development Partners pledged funding for assistance to Tuvalu. While some of these pledges have been paid and have been put to use, there is a significant amount of pledges which are yet to be paid.

The tracking of these pledges and the follow-up of unpaid pledges was not performed adequately. Additionally there was limited information documented surrounding any conditions of the payments which were made by Development Partners and if these conditions had been met.

Implication

These pledges which are unpaid represent funding which could be used to mitigate the effects of TC Pam. Without these pledges, the re-building efforts may be significantly reduced.

Even though a considerable period of time has passed between TC Pam and now, these monies could be used to further strengthen Tuvalu's resistance to natural disasters.

Without tracking the pledges, payments and conditions of the Development Partner assistance there is an increased risk that Tuvalu is not compliant with the requirements of the funding provided and that the Development Partners will not provide assistance in the future.

Recommendation

A record of all pledges is established and all un-paid pledges are followed up and payment requested.

Going forward a tracking system of the pledges made, payments made, any conditions and reporting requirements is developed. This could be a partnership between the existing Aid co-ordination unit and the Disaster Relief Unit and using the Tuvalu Development Fund Projects Module of ACCPAC

Management Comment

- MFED agrees to the recommendation & currently work on a tracking system of the pledges made. This is through the new established ACCPAC Project Module which has recently installed in August 2016.do support to monitor under the new system Project Module to track pledges was not involved.

4.2015 Rules on appropriate expenditure to be funded under the TWOG Disaster relief accounts are developed

Findings and Analysis

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

Year ended 31 December 2015

During TC Pam, there was over expenditure on food relief and purchases of non-essential items such as cigarettes. This caused wastage of food and funds to be misused on inappropriate expenditure.

There was no guidance for the Disaster Relief Unit to follow in terms of what was appropriate to be expended from the Disaster Relief Fund during TC Pam.

Implication

Without rules surrounding eligible expenditure:

- the risk of inappropriate expenditure being performed is significantly increased. This inappropriate expenditure means that funds are mis-directed to activities/ goods which may not provide maximum benefit to the victims of the disaster; and
- Development partners are more likely to place conditions and reporting requirements on their assistance, rather than providing direct budget support.

Recommendation

- An approved list of items to be included in food relief packages should be developed and presented to Cabinet for endorsement.
- Clear guidelines on procedures for procurement and payment/reimbursement are added to the list and communicated to all stakeholders involved in disaster response and relief.
- The Disaster Relief Unit is made responsible for overseeing compliance with the guidelines.

Management Comment

- MFED agree with the recommendations specified.

5.2015 Procurement of goods after the conclusion of an extreme urgency period are performed within the requirements of the Public Procurement Act and Regulations

Findings and Analysis

According to Section 21(1)(c) of the 2014 Public Procurement Regulations, direct contracting is permitted in an event of a natural disaster when a response of extreme urgency is required, and is subject to prior approval of the Finance Minister. At all other times the procurement of goods and services should be in accordance with the public procurement regulations.

During the TC Pam response direct contracting or no procurement process was followed in most situations, even well after the extreme urgency period had concluded. Once the immediate assistance had been delivered and there were less urgent, however, still important procurements to be performed, these procurements should have followed the procurement requirements.

Implication

Large procurements internationally were made without the proper procurement process. Without these being followed, the risk of getting poor value for money, corruption, fraud and receiving poor quality goods is increased.

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

Year ended 31 December 2015

Additionally the level of transparency of the entire relief process is decreased, increasing the risk of more stringent conditions by development partners in the provision of funds into the future.

Recommendation

The Public Procurement Regulations should be adhered to when procuring goods, works and services associated with disaster relief and recovery; to maximize economy and efficiency, promote supplier competition and achieve transparency.

Direct contracting should only be used during periods where extreme urgency is required.

Management Comment

- MFED agree to the recommendation.
- CPU agree with the recommendation. The procurement process should be followed when procuring goods, works, and services except there is an extremely urgent case where a Direct Contract method should only be used.
- In a case of a natural disaster such as the TC PAM, direct contracting should be used during the extreme urgency period otherwise all procurement to be followed the proper procurement process. It is encouraged that proper contracts should be prepared by procuring entities with assistance from CPU soon after an approval from Minister of Finance to execute procurement under the Direct Contracting method.

6.2015 Annual budget for the Disaster Relief Unit is established for annual operating expenses

Findings and Analysis

Operating expenses such as the Disaster Relief Unit staff, catering, travel, stationery, team and committee costs are being paid as part out of the Disaster Relief Fund, rather than the recurrent budget. The Disaster Relief Fund should be only used for disaster management, not the recurrent expenses of the Disaster Relief Unit.

Implication

The Disaster Relief Fund is depleted due to the operating expenses of the Disaster Relief Unit being taken from it.

Recommendation

Operating expenses such as the Disaster Relief Unit staff, catering, travel, stationery, team and committee costs should be budgeted for as part of the Disaster Relief Unit budget line and funded through the annual budget process.

The responsibility of budget preparation and submission rests with the Disaster Relief Unit.

Management Comment

- MFED agreed with the recommendation & to transfer this account to manage by Treasury.

7.2015 Transshipment Revenue not reconciling to Financial Statements.

Findings and Analysis

The listing of the transshipment revenue as recorded by the Ministry of Natural Resources – Fisheries department was unable to be reconciled to the amount of revenue in ACCPAC for the 2015 year. The variance between ACCPAC and the fisheries department listing was \$74k.

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

Year ended 31 December 2015

No reconciliations have taken place for this revenue which is monitored and recorded by the Fisheries Department.

Implication

Without the reconciliation, the transshipment revenue is mis-stated in the financial statements by \$74k.

Recommendation

Monthly reconciliations between the transshipment revenue listing and ACCPAC is completed. Consideration is given to using ACCPAC to monitor the transshipment revenues, reducing the need for reconciliations and other systems.

Management Comment

- MFED not aware of revenue issues & will agreed to the recommendations.

8.2015 Virement Warrants not issued in 2015 for Virements

Findings and Analysis

A Virement is the process in which the Minister for Finance approves the movement of funds between budget allocation item within the same expenditure Head. The process for approving Virements is noted in the Financial Instructions.

During our testing of the Virements and the budget process, it was noted that:

- No Virement Warrants were issued.
- There was no evidence of approval of the Virement Application by the Director of Planning and Budget or the Secretary for Finance and Economic Development, when required.

Implication

Without the issuing of Virement Warrants, the Virement Process is contrary to Section 17(2) of the Public Finance Act, which requires that all Virement Warrants are presented before Parliament and requires that a Virement Warrant is approved before the re-allocation occurs.

Recommendation

Virement Warrants are issued for all Virements which have been approved, in accordance with the requirements of the Financial Instructions.

Management Comment

- There was a misunderstanding in the revised Financial Instruction 2015, with the thought that no need to issue any warrant.
- This issue was addressed in this financial year 2016, which currently issuing warrant as stipulated under the revised Financial Instructions.

9.2015 Advances improperly accounted for in 2015

Findings and Analysis

The Minister for Finance under section 193 of the Financial Instructions can approve an advance out of the consolidated revenue fund. The advances in 2015 were not registered as an advance, rather as an expenditure and then if there was a subsequent repayment, a decrease in the expense.

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

Year ended 31 December 2015

Implication

Without accounting for advances as a receivable, the amount and who the advance is to be collected from is not able to be easily monitored in ACCPAC. This increases the risk that advances issued which are due for repayment are not followed up or a listing is easily able to be obtained from ACCPAC.

Additionally, with the payment out of a Ministries budget, even if the advance is repaid to that expenditure account, the amount cannot be expended, given the legislation surrounding payments from the consolidated revenue fund.

Additionally, the advances are considered to be receivable assets from the entity who has made the commitment, the financial statements are understating the receivables and overstating expenses.

Recommendation

Advances are entered into ACCPAC as a receivable and then after a certain period of time, taken out of the appropriate ministries budget.

Regular monitoring of the repayment of advances is completed and follow up with parties who committed to making payment is performed.

Management Comment

No response received from Management.

10.2015 Payments out of Coin Security Fund without proper declaration under the Currency Act

Findings and Analysis

The Coin Security Fund Special Account has been established under the Currency Act. A payment of \$400,000AUD was made from the Coin Security Fund to the General Current Account.

Royalties of the sales of Tuvaluan commemorative coins are paid into the Coin Security Fund. It is unclear whether these payments are required to be paid into the Coin Security Fund.

Section 5(4) and 5(5) of the Currency Act requires:

(4) The net profits of the [Coin Security] Fund in any financial year shall be determined after meeting or providing for all expenditure for that year and making such provision for contingencies as the Commissioner may consider desirable.

(5) Any net profits of the Fund as determined in accordance with subsection (4) shall be transferred to and form part of the Consolidated Fund.

There was no determination of net profits by the Fund in 2015.

Implication

The transfer of funds out of the Coin Security Fund is contrary to the requirements of the Currency Act.

Recommendation

In future, all payments out of the Coinage Security Fund are made in accordance with the Currency Act.

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

Year ended 31 December 2015

Investigation is performed by the TWOG into the purpose of the Coin Security Fund. If sales of commemorative coins are not required to be deposited into the Coin Security Fund, than they are deposited into the Consolidated Revenue Fund.

Management Comment

- There are no costs associated with the management of the Coin Security Fund and hence all funds in the fund are considered to be net profits.

11.2015 Cash only reconciled at year end, causing budget expenditure reporting to be inaccurate

Findings and Analysis

ACCPAC uses the accrual basis for accounting, including for expenditure. The expenditure reported includes non-cash transactions for example expenses incurred by not paid. This is the correct practice for financial reporting, however, when reporting against appropriation expenditure and budget, the non-cash items should be excluded, as the budget is approved and monitored on the cash basis.

The Treasury uses the cash basis to perform the reporting of the Receipts and Payments, and the Statement of Unauthorised Expenditure at the end of the year, however, no cash reporting is performed during the year, in order to monitor budget expenditure.

Implication

- Without performing the cash reporting during the year, the controls over the payments made will not be effective. There will be no controls preventing expenditure from occurring.

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

- Agree with Audit recommendation, we will comply what have been informed by Auditors and we will action in future all the movements of assets balance and also assets purchases.

12.2015 Interim Expenditure Warrants used inappropriately over two years

Findings and Analysis

The Minister for Finance under section 15 of the Public Finance Act approved a Contingencies Warrant for urgent and unforeseen expenditures at the end of 2015. Two Contingency Warrants approved in late 2015 were carried over into the 2016 year. This is not permitted under the Public Finance Act as the Contingency Warrants are to be in “*respect of any financial year*”, they are not to be carried over.

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

Year ended 31 December 2015

The expenditure approved within the Interim Expenditure Warrant was for expenses which were invoiced to the Government of Tuvalu before October 2015, which given proper planning and budgeting would not be considered urgent or unforeseen.

Implication

In 2016, the Contingency Warrants issued in 2015 are not valid, making the expenditure without an appropriation, assuming that the Appropriation Act is overspent.

The usage of these Contingency Warrants for non-urgent and foreseen expenditures is against the section 15 of the Public Finance Act.

Recommendation

In future if a Contingency Warrant is not all expended during the year it was approved, another Contingency Warrant is issued for the remaining amount in the next year, or the amount is included in the next year's budget.

Consideration is given to passing Supplementary Appropriation Acts instead of using Contingency Expenditure warrants, given Parliament was sitting in December 2015 and significant amounts of the expenditure within the Contingency Expenditure Warrants were incurred before Parliament sat.

An interim expenditure warrant is issued for the carried over expenditure in 2016 or a supplementary appropriation is passed.

Management Comment

- An oversight from staff, MFED was with the understanding that balances for supplementary can be move forward to the next financial year, which report in the next parliament sitting. Support the recommendation provided.

13.2015 Written delegations register to be created and submitted to Auditor-General

Findings and Analysis

Section 20 of the 2015 Financial Instructions which applied from 1 January 2015 require that delegations are either completed through the Financial Instructions or in writing.

20. The Minister may delegate through these Instructions, or in writing, that the exercising of powers may be carried out through the Secretary (except where any written law specifically provides otherwise).

a. The Secretary [for Finance and Economic Development] shall maintain a register of all delegations of authority issued by the Minister, and shall provide copies of written delegations to the Office of the Auditor General.

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 written delegation documentation was unable to be produced.

Implication

Staff performing functions on behalf of the Minister for Finance may not have the formal delegation to do so. This means that they are not permitted to perform the function.

Recommendation

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

Year ended 31 December 2015

A review of the current delegations and the required delegations is completed. This includes the payments process. Any differences noted are amended by formal written delegation. These delegations are kept on record and are presented to Audit annually.

Management Comment

No response received from Management.

14.2015 Custom receivables

Findings and Analysis

The Custom has its own system where it records revenues collected by the department. The receipting is done manually and then the system is updated. Currently the system is being used to reconcile bill of entries posted into the system to the manifest listing. This enables the department to identify imported goods which have not been cleared and still outstanding in the manifest.

The system however could not identify entries posted in the system which have not been paid as the recording of payments is not performed in the system. The department is unable to reconcile entries paid in the receipt book to entries posted in the system.

Implication

Without performing the reconciliation from the system to the amount collected, Customs are unable to determine any amounts which are yet to be paid. This increases the risk of Bills of entry not being paid and also understates the amount of receivables for the TWOG.

Recommendation

A process is developed to ensure that the system is reconciled to the cash receipted and revenue in ACCPAC. This could be through the usage of ACCPAC directly by the Customs Department, and using unique identifiers (such as Bill of Entry numbers) to reconcile the system to the cash received.

Management Comment

- Well the PC Trade framework itself couldn't accommodate as there is no module work inside PC Trade for such capacity. Thusly this capacity did physically. The unpaid bills of replenishing done amid the end of show. On the off chance that any unpaid bills of filling then we did issued a charge note to the representative of the bills. The greater part of extraordinary uncleared bills is having a place with venture and government.
- A transaction continuing for Customs to utilize APPAC framework for receipt as opposed to doing physically. We are attempting to arrange with PC exchange proprietor to consolidate a module that can help us discount show with receipt.
- A negotiation going on for Customs to use APPAC system for receipt rather than doing manually. We are trying to negotiate with PC trade owner to incorporate a module that can assisted us write off manifest with receipt.

15.2015 Virements process to updated to include approval and Warrant on same form

Findings and Analysis

For the approval of a Virement to occur, the Financial Instructions require that a Virement Warrant be issued by the Accounting Officer, the Head of Planning and Budgeting or the

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

Year ended 31 December 2015

Secretary for Finance and Economic Development, depending on whether the movement of the funds are between sub heads or expenditure heads.

The current process is that a Virement application is lodged with the Ministry of Finance and a separate Virement Warrant is approved by the Ministry of Finance. The Virement application does not indicate what level of approval is required and is often approved by levels above the required delegation.

Implication

This process is inefficient as a Virement Application and then a subsequent Virement Warrant are required to be drafted and submitted.

Recommendation

The Virement application form:

- is revised to include a Virement Warrant approval at the bottom;
- once approved becomes the Virement Warrant;
- includes detail on what level of approval is required for the Virement Warrant; and
- defines what a sub-program activity and a program activity is.

Management Comment

- MFED support the recommendations and to be effective in the beginning of the next financial year 2017

16.2015 Transfer of \$3 million from Tuvalu Development Fund not in compliance with Public Finance Act

Findings and Analysis

At 31 December 2015, a transfer of \$3 million from the Tuvalu Development Fund to the Tuvalu Government General Account was made.

No documentation was able to be provided surrounding the reason for the transfer except for a letter from the Secretary for Finance and Economic Development requesting the transfer.

The Schedule to the Public Finance Act section 1(1) states:

“No moneys shall be issued from the Development Fund (hereinafter called “the Fund”) for the purpose of meeting any expenditure except in accordance with a Development Warrant under the hand of the Minister.”

No development warrant was presented to audit. We acknowledge that the funds were re-deposited into the Tuvalu Development Fund in early 2016.

Implication

Without a Development Warrant under the hand of the Minister, the transfer of funds from the Tuvalu Development Fund is not in compliance with the Public Finance Act.

Recommendation

Going forward payments out of the Tuvalu Development Fund are made with a Development Warrant and in compliance with the Public Finance Act. Proposed payments without a Development Warrant are not approved by Treasury.

The reasons are provided for the transfer of these funds.

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

Year ended 31 December 2015

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.

17.2015 Minister's spouse travel entitlements not clear in the policies and laws

Findings and Analysis

The Prescription of Salaries (Amendment) Act, schedule 2 details additional allowances and privileges of Ministers, including Ministers being entitled to bring their spouse on 1 trip for Ministers and 2 trips for the Prime Minister and Governor General.

In the Travel Policy Part B, Civil Servant Travel Guide section 8.1 it was noted that the Spouses' trips are to be funded under the recurrent budget.

During our testing it was noted that Ministers spouse accompanying ministers on official trips more that the approved amount in the prescription of salaries Act. The reason for the spouses exceeding the number of trips was due to donor funded travel where the spouse was considered to be part of the delegation.

It is unclear if partially funded trips claimed by spouses are considered to funded trips under the Travel Guide.

Implication:

Given the Travel Guide and the Prescription of Salaries Act is unclear surrounding partially funded donor trips, there is increased risk of abuse of the privileges.

Recommendation:

Make the travel policy clear on the number of trips spouses are entitled with respect to fully funded and partially funded trips to avoid ambiguity.

Define what a trip is.

Any refunds by donors for overseas travel should indicate if they agree to fully or partially cover travelling expenses of the spouse.

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.

18.2015 Local purchase orders and transfers to be taken into account when deriving cash movement

Findings and Analysis

Local purchase orders are used to acquire goods and services from within the TWOG, by the TWOG. Some examples are travel on the passenger vessels and the ICT department fixing a computer.

These are entered into ACCPAC as an expense for the receiving department and revenue for the provider. These transactions are not removed when deriving the cash movement in the Statement of Receipts and Payments and the Statement of Unauthorised Expenditure.

Implication:

The receipts and payments in the Statement of Receipts and Payments are overstated.

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

Year ended 31 December 2015

The payments calculated in the Statement of Unauthorised Expenditure are overstated.

Recommendation:

Going forward, local purchase orders are taken into account when calculating the cash movements in the Statement of Receipts and Payments and Statement of Unauthorised Expenditure.

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.

Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2015

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 2015. 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
A	Office of the Governor General	151,886.19	140,345.07	11,541.12
B	Office of the Prime Minister	9,561,529.04	9,578,990.49	-17,461.45
C	Legal Service	359,918.53	315,320.35	44,598.18
D	Parliament	437,996.33	371,261.31	66,735.02
E	Office of the Auditor General	300,643.00	283,413.11	17,229.89
F	Finance and Economic Development	7,200,193.52	5,975,720.21	1,224,473.31
G	Public Utilities	6,014,283.94	5,850,473.60	163,810.34
H	Health	6,960,051.53	7,911,425.87	-951,374.34
I	Natural Resources	3,056,104.73	2,961,849.06	94,255.67
J	Home Affairs	5,710,450.32	5,612,130.85	98,319.47
K	Police & Prison Services	1,608,669.34	1,477,049.01	131,620.33
L	Transport & Communication	6,750,803.28	6,133,003.78	617,799.50
M	Education, Youth and Sports	12,589,773.95	6,508,309.23	6,081,464.72
N	Judiciary	189,855.50	185,167.18	4,688.32
O	Foreign Affairs	3,343,544.82	3,124,987.95	218,556.87
Total		64,235,704.02	56,429,447.07	7,806,256.95

It was noted that the payments made for the Office of the Prime Minister and the Ministry of Health was greater than the amount appropriated.

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

Year ended 31 December 2015

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

No response received from Management.

2.2014 Incorrect accounting for acquisitions, disposals and depreciation of assets

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 and 2015. The movement in Property Plant and Equipment from 2014 to 2015, (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 2015 onwards.

Implication

- Suppliers Expense for 2014 and 2015 is over stated as assets purchased in year have been expensed rather than capitalised (put on the Statement of Assets and Liabilities).
- Depreciation Expense for 2014 and 2015 is understated as no depreciation calculations have been performed.
- 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.

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

Year ended 31 December 2015

- Assets provided by Development partners in 2015 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

- All asset to be under this budget but to include in the recurrent budget, Treasury request if could create expenditure budget to cater for asset.
- Request for a Technical Assistance to assist to deal with this issue and agreed with Auditor's recommendation.

3.2014 Records Management System monitoring tax revenue (RMS) not updated in 2014 and 2015

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 and 2015.

Implication

- The database was unable to be reconciled to ACCPAC at the end of 2014 and 2015.
- There is limited comfort that the tax receivable and revenue figures in 2014 and 2015 are materially stated.
- Taxpayers who have not lodged a return for 2014/2015 or who have lodged a return for 2014/2015, however, not made payment may not be able to be identified and followed up, given the data is incomplete.

Recommendation

- Continue updating RMS in 2016. Ensure that the 2015 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.
- Discontinue usage of manual excel based recording to account for tax returns.
- Consider directly entering into ACCPAC the taxation revenue identified by the IRD staff, for ease of reconciliation to RMS.

Management Comment

- Treasury Department have not yet agreed to this and it may require by reprogramming by ACCPAC. It is propose that this issue is discussed between ACCPAC and RMS

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

Year ended 31 December 2015

Suppliers, who are both based in Wellington, to determine the most effective inter-relationship between the two systems in this area. The system can generate reports if Management requests but cannot identify individually. All returns for four tax types from 2009 – 2015 have now been posted into the Revenue Management System except Personal Income.

- Debt Management work commenced in 2014 with the setting up of a Debt Management Unit and the recruitment of a Debt Management Officer. The initial work focussed on the reconciliation of taxpayer ledger in the Revenue Management System. The other major task was to clear the backlog in posting of returns outstanding since 2009.
- It must be noted that the Debt Management Unit is a very new unit.
- With the backlog in posting now being cleared and taxpayer ledgers being reconciled the Debt Management Unit has taken on further important roles of risk profiling and case selection. Cases are now selected for audit based on risks such as non-lodgement of returns and no-payment of taxes.
- RMS – The work of DMU is greatly assisted by the RMS. The proper maintenance of RMS is critical in the management of tax debts. A key exercise that is continually being carried out by the DMU Officer is data cleansing of tax ledgers by tax types within RMS, reconciliation and separation of active taxpayers from dormant ones.
- Determine Future PFTAC Technical Assistance needs – updated Version. (IRD still using the old version – RMS 1 while most Pacific Island Countries are using the new version which is RMS 7)
- IRD don't agree to discontinue usage of manual excel based recording to account for tax returns. There is a need to maintain or continue usage of manual excel in case the system is down or damage the Hard -drive will cause the loss of data and we can have another way of storing our data.

7.2014 Strategic planning for the TWOG to be improved, including linking Corporate Plans to the TKIII

Findings and Analysis

The TKIII (National Strategy for Sustainable Development) has been prepared and is the document which states the TWOG's development priorities. Underneath this document should be the Corporate Plans for each of the TWOG's Ministries and Departments which detail how they plan to implement the TKIII strategies.

Currently there are Corporate Plans for most Ministries and Departments; however, they are not well linked to the TKIII. 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 2015. There has been limited reporting on the effectiveness of the programs administered each year. The Finance Ministry in 2015 had responsibility for the monitoring of progress against the program budget, the TKIII or the Corporate Plans. This is performed on a quarterly basis with limited annual reporting.

In April 2016 the Evaluation and Co-ordination Unit (ECU) was established under the Office of the Prime Minister to monitor the progress against the TKIII. A TKIII Progress Report is

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

Year ended 31 December 2015

in use to review progress against the TKIII, however, the detail was limited and the ECU was not monitoring the progress against Ministries' Corporate Plans.

Implication

- There is limited accountability of the Ministries and Departments surrounding their Corporate Plans.
- 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 TKIII progress is performed by the Headquarters of each Ministry.
- Emphasis is placed on performance of the functions required to achieve the goals in the TKIII and any goals identified in Corporate Plans which are not aligned to the TKII, are not considered a high priority.
- Performance of a review of the Corporate Plans of each Ministry and Department by the ECU to ensure that the strategies contained within the plans are aiming to achieve the goals of the TKIII. If they are not, the ECU works with the Ministry to update their Corporate Plan.
- If there is a priority goal not identified in the TKIII, than the ECU recommends that the TKIII is updated with that goal.
- Identify 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. Include these risks in the TKIII Progress Report Updates.
- Further detail is provided in the TKIII Progress Report Updates including any likely risks to the milestones not being implemented, milestones identified for the future, reference to Corporate Plan in which the goal is included, summary of steps to be completed, links to more detail, likelihood of completion within timeframe, any issues causing delays, contact details of responsible staff.
- The ECU continues the practice of monitoring the Special Development Expenditure (SDE), links the SDE expenditure to the TKIII milestones and provides more detail in the SDE sheet similar to the TKIII Progress Report.

Management Comment

- The ECU is monitoring the TKIII on quarterly basis just like MFED have done in the past, and report to DCC and Cabinet.
- So far the monitoring for the 1st and 2nd qtrs. Have been done and the 3rd qtr report will be tabled in DCC on the 11/10. However, line Ministries will monitor their own activities themselves. Under the TOR of the ECU the TKIII will be monitored quarterly.
- Moreover, the TKIII was implemented in Apr this yr and therefore ECU will work closely with line Ministries in regards with their progress updates.
- With the linkages of CPs to TKIII I do not know how this has come into light because there are no CPs in place now except for MFED and MoH. Line Ministries are still

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

Year ended 31 December 2015

working on their CPs in the meantime. Furthermore, ECU is monitoring CPs and there are updates on the 1st and 2nd qtrs. for some of the CPs from line Ministries. These were the 2014 – 2016 CPs. In regards with the new CPs 2016 – 2018 MFED and MoH were aligned with their TKIII milestones.

- Besides the 2014 – 2016 CPs were produced when TKII lifespan is about to end. Therefore, there are gaps there, otherwise some of the activities in line Ministries CPs linked with TKII and TKIII activities.
- That is exactly happening now TKIII updates are done by HQ and report to ECU quarterly, as it is ECU mandate to report to DCC and Cabinet, as mentioned before line Ministries will monitor their own milestones in their own capacity except for the quarterly progress reports.
- As already mentioned most line Ministries are still working on their new CPs otherwise ECU is monitoring all CPs except for MFATTEL as they have no CP (2014-2016).
- That's exactly what ECU will do otherwise DCC and Cabinet will have the final say.
- ECU have report to DCC and Cabinet the risk in some of TKIII activities, like the delay from procurement dept, the shortage in the lands dept, to do survey on the o/islands for projects, etc
- ECU will advice line Ministries on this point, however ECU will not be able to work closely with line Ministries on their CPs as that is not in our TOR. So far most of the line Ministries are working hard on their 2016 milestones and during the review to TKIII in 2018 then there will be a more clear pathway for those milestones will not be achieve by 2020 and what will be the new activities to be included for the future, and not now in 2016.
- All Ministries have completed their Corporate Plan with clear linkages to Te Kakeega III. Currently through the ECU, all line Ministries have to submit their progress reports on the implementation of their TKIII and Corporate Plan activities to DCC and Cabinet for their information.

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 Tuvalu Whole of Government not made any actions to recover these loans.

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

Year ended 31 December 2015

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 TWOG 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

- MFED support the recommendations.
- Treasury comment
 - Regional Seasonal employment (RSE) has to effect now to input their amount in-order to capture individual debtors into the system but we have to gather information for past years for accurate accpac information
 - SELF we could not create AR for individual student's as there's no policy implemented so that we could gather information into the system.

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

Year ended 31 December 2015

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

- MFED support the recommendations & will work closely with HRM.

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.

We acknowledge that a new payroll module within ACCPAC has been installed in 2016 and testing on the recording of annual and sick leave balances will be tested as part of the 2016 audit.

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.

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

Year ended 31 December 2015

- 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

- This has been addressed through the new Payroll System set up under the ACCPAC Module.

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 in 2014 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

- MFED support the recommendations except overdue imprest to be deducted from the final payment for observer fees.

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.

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

Year ended 31 December 2015

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

- Agreed with recommendation, has to strengthen policy to secure types of direction.

13.2014 Information and Communications Technology Weaknesses

Findings and Analysis

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

Year ended 31 December 2015

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, and presented to the DCC for approval, however, is yet to be approved by Cabinet or implemented.
3. No ICT security policy is in place, ensuring that ICT security is appropriate. The standardisation policy does provide some detail, however, this needs to be expanded to cover security.
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. This is included in the Standardisation policy, however, further effort is required to implement.
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 documented backup processes and lack of offsite backups performed.
10. No disaster recovery plan and procedures are in place.
11. Lack of user access control policies and processes, apart from the Standardisation Policy.
12. Lack of consistent framework of IT platforms. We acknowledge that the Standardisation Policy is attempting to implement this.

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 not approved and distributed, it is unable to be implemented.
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.

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

Year ended 31 December 2015

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. The Antivirus software defined in the Standardisation policy is rolled out to all computers.
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.

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

Year ended 31 December 2015

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 response received from Management.

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 in 2016.

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

- Have been actioned, financial circular have been approve & are distributed for use.

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.

No further progress has been assessed by during 2016.

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.

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

Year ended 31 December 2015

- Feedback on the implementation of the revised Financial Instructions is obtained and considered for the next revision of the Financial Instructions.

Management Comment

- Ongoing

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.

We acknowledge that in 2016, the Fraud Policy Financial Instructions and Finance Circular have been updated, however, are yet to be circulated and staff educated.

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

- Draft policy has been approved and will be circulated on the 28th Sept, 2016.

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. In 2015 these accounts included:

- 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 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".

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

Year ended 31 December 2015

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

- Concern department have been request numerous time to hand over bank account to Chief Accountant. Solar account has been now hand over, except Disaster Relief – currently follow up with this account.

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 \$6,147.14 (2014 \$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 2015.
- Due to the account not reconciling, audit was unable to gain assurance surrounding the accounts payable figure for 2015.
- 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

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

Year ended 31 December 2015

- Monthly reconciliation has to undertake immediately in future to solve problems arises, we agreed with Auditors recommendation.

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

- MFED follow up on a feasibility study on the upper space. NZ is now work closely with GoT to determine on revenues received from upper space.

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 for 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

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

Year ended 31 December 2015

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

This finding was re-included 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.

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 it 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.

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

Year ended 31 December 2015

- 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

- To strengthen all Permanent Secretaries to comply to the process of Purchase Order and Suppliers has to support our process not to release goods when no PO submitted by varies department
- Agreed with Auditors recommendation

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

- Agree with recommendation timely reconciliation of Imprest, Officer concern has to reconcile on a timely basis to ensure in-order to solve this problems.

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

Year ended 31 December 2015

- On weekpay Friday officer concern has to update AR base on the list of imprest deduction to solve this problems being overpaid and underpaid.

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 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.

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

Year ended 31 December 2015

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

No response received from Management.

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.

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.

We acknowledge that work has been performed during 2016 to create an internal audit unit and we recommend that work it continues until the internal audit is functional.

Management Comment

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

Year ended 31 December 2015

- Internal Audit has been established, interview will be expected to conduct in mid-October.

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

Findings and analysis

At 31 December 2015, 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 \$64k.

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

Implication

The Cash balance presented in the Financial Statements is misstated by \$64k.

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 \$64k from 2015, however, the variance should not differ from this amount. If there are unexplained movements in the variance (as in the variance is not \$64k) occur, than investigation of the reason for the movement should occur.

Management Comment

- Has to undertake reconciliation on a monthly basis between bank reconciliation module and General Ledger, we agreed Auditor's recommendation.

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

- Minutes is now available.

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>LC 2013.1 Schedule to the Public Finance Act – Estimates of Expenditure</p> <ul style="list-style-type: none"> 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. 	<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"> The expenditure made out of the TDF is considered to be unlawful because there has been non-compliance with the Public Finance Act requirements. 	<p>No response received from Management.</p>
<p>LC 2013.2 Section 74 of the Financial Instructions</p> <ul style="list-style-type: none"> Further investigation into the reason for the overspending is performed. Further emphasis is placed on the implementation of the purchasing controls designed to prevent the overspending. 	<p>Section 74 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 74 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>	<p>No response received from Management.</p>
<p>LC 2013.3 Section 7 of the Currency Act</p> <ul style="list-style-type: none"> The Currency Act should be amended to make clear the purpose of the Fund. 	<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</i></p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<ul style="list-style-type: none"> The Commissioner of Currency should begin reporting on annual basis the financial position of the Fund. This could be incorporated into the TWOG Report for ease of reporting. 	<p><i>preceding financial year together with an account of all 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>3.2013 Incomplete disclosures for Property Plant and Equipment as per Tuvalu GAAP</p> <ul style="list-style-type: none"> A comprehensive disclosure of Property Plant and Equipment in compliance with the accounting policies is performed in the Financial Statements. 	<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"> Disclosure of Property Plant and Equipment in the Financial Statements by defined classes (e.g. Property, motor vehicles, boats, office equipment etc.) Disclosure of accumulated depreciation Disclosure of the comparative period asset values and accumulated depreciation Disclosure of deferred income relating to donated assets. 	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
	<p>The implications are that:</p> <ul style="list-style-type: none"> • Assets are not appropriately disclosed as per Tuvalu GAAP. • 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. 	
<p>4.2013 No depreciation charge for Property Plant and Equipment</p> <ul style="list-style-type: none"> • In future, depreciation charges are calculated and included in the Statement of Income and Expenditure. • Assets purchased in the future are identified and included as assets, rather than being initially expensed and then written on through an equity adjustment. 	<p>In the TWOG Financial Statements, there is no depreciation expense recognised for Property Plant and Equipment.</p> <p>The depreciation expense for 2015 is understated.</p>	<p>No response received from Management.</p>
<p>5.2013 Lack of Assets management plan</p> <p>An assets management plan is developed which details for major assets:</p> <ul style="list-style-type: none"> • planned replacement dates; • planned maintenance and repair schedules, including resources and skills required to perform maintenance; • estimated costs of replacement and repairs, along with timelines for the replacement/repair work so it can be budgeted for; • if asset is planned to be replaced or not; • contingency plan if asset becomes unusable; and • if a spare/ replacement asset needs to be held. 	<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"> • In the event that these assets become unusable, there would be quite a disruption to the performance of the TWOG's activities. • 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. • We acknowledge that in 2015 a Deferred Maintenance Fund has been established within the Tuvalu Development Fund, however, there has been no documentation detailing the plans for these funds. 	<p>No response received from Management.</p>
<p>6.2013 Management of Property Plant and Equipment</p>	<p>TWOG begun accounting for Property Plant and Equipment in 2013. There is no asset management policy in 2015 and the</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>and Inventory</p> <ul style="list-style-type: none"> • Assets are added to the asset register as soon as they are purchased, rather than being added at the year-end stock count. • Instructions are documented on how to perform the stock count for both Assets and Inventory. • The name and date of the staff member who performed the count is documented. • Sign-off on the accuracy of the count by two staff members is performed. • 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. • 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. • The stock take is performed with representatives of the OAG being observers. • The Property Plant and Equipment register is updated with the results of the stock count. • Labels are used on assets to ensure ease of identification. • Assets located during the stock count which were not on the register are written onto the register and their value is estimated. 	<p>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. Additionally, we acknowledge that the Finance Circulars approved in September 2016 contain guidance on asset management, however, these were not used for the 2015 audit and the Finance Circular still requires major drafting efforts for it to be user friendly, compliant with the Financial Instructions and able to be implemented.</p> <ul style="list-style-type: none"> • Without a strong process in managing assets, the risk of assets being stolen, used for personal gain and used inappropriately is increased. • Without a Fixed Asset management policy, there is an increased risk of assets being managed inconsistently. 	
<p>7.2013 Review of in year purchases for Property Plant</p>	<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</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>and Equipment</p> <ul style="list-style-type: none"> • 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. • Repairs and Maintenance expenditure should be reviewed for improvements which have been incorrectly booked as repairs and maintenance which should be capitalised. • 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. 	<p>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"> • This method of capitalising assets is not in line with Tuvalu GAAP and the TWOG's accounting policies. • Expenses in 2014 are overstated by the amount of assets which should have been capitalised, as is the movement in equity. 	
<p>8.2013 Portable and Attractive Assets register to be kept</p> <ul style="list-style-type: none"> • A portable and attractive register is maintained and rules surrounding the addition of assets to this register are developed. • Office expenses transactions are reviewed to ensure that all portable and attractive items are entered on the register and are properly managed. • 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. • There should be frequent counting of Portable and Attractive items to ensure they remain in the possession of the TWOG. 	<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 misuse.</p> <p>Without active management, there is an increased risk that portable and attractive items are stolen, pilfered and misused</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<ul style="list-style-type: none"> A policy of clearly marking Portable and Attractive items as the TWOG's property should be developed and introduced. If a fraud plan is developed, there could be some commentary surrounding management of Portable and Attractive items. 		
<p>11.2013 Non-reconciliation of the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund bank account</p> <ul style="list-style-type: none"> 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. 	<p>The movement in cash in 2015 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"> There are unexplained movements within the Tuvalu Development Fund. There are either incomplete receipts balances or incorrect accounting for expenditure. 	<p>No response received from Management.</p>
<p>12.2013 Non-inclusion of Inventory in the Financial Statements</p> <ul style="list-style-type: none"> Similar to the assets write on process undertaken in the 2014 Financial Statements, Inventories are documented and counted on a regular basis. Inventory is included in the Financial Statements and the accounting policy note in the Financial Statements is updated. Additional detail is provided in the draft finance circular surrounding Inventories, to ensure that they are accounted for correctly. 	<ul style="list-style-type: none"> 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. Assets in the Financial Statements of the TWOG are understated by the value of Inventory on hand at 31/12/15 Expenses are overstated and retained earnings understated in the Financial Statements of the TWOG by the value of Inventory 	<p>No response received from Management.</p>
<p>13.2013 Financial Statements for PEs not included as they have not been compiled</p>	<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</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<ul style="list-style-type: none"> That the Public Enterprises ensure that they submit Financial Statements for audit and consolidation before 30 June the following year. 	<p>Post Limited (TPL), Pacific Forum Lines, and the Tuvalu Maritime Training Institute (TMTI) had not finalised their 2015 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>	
<p>15.2013 Payment of Honorarium Allowances to Civil Servants</p> <ul style="list-style-type: none"> In future, no payments of Honorarium allowances are made to civil servants. Any Payment Voucher requesting allowance payments should be rejected by the Secretary for Finance. 	<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"> These payments are not in compliance with the Policy developed surrounding payments to civil servants, and should not have been made. 	<p>No response received from Management.</p>
<p>16.2013 Non-inclusion of donated services in the Financial Statements</p> <ul style="list-style-type: none"> In the future, TWOG should record the services being provided by Development Partners and include these costs in the Financial Statements. 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. 	<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"> 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. 	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>18.2013 Monthly votebook reconciliation process to include assets reporting and counting</p> <ul style="list-style-type: none"> The votekeepers and accountable officers on a regular basis in accordance with the Financial 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>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"> 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. 	<p>No response received from Management.</p>
<p>20.2013 Settlement of purchases to Overseas Suppliers</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 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. 	<p>No response received from Management.</p>
<p>21.2013 Establishment of the TMTS Liaison Officer</p> <ul style="list-style-type: none"> The TMTS Liaison Officer post should be established and filled so that the Clerk/Registry Officer can perform their duties. 	<ul style="list-style-type: none"> 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. 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 	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>25.2013 Non reconciliation of Undelivered Cargo List to the warehousing file</p> <ul style="list-style-type: none"> The UCL continues to be updated until all goods are either cleared by Customs or are seized by Customs and auctioned. 	<p>affecting communication links between the THC and line ministries, communications with other embassies and the day to day functions of the THC.</p> <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"> 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. 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. 	<p>No response received from Management.</p>
<p>1.2012 Non Consolidation of NAFICOT and its Joint Ventures</p> <ul style="list-style-type: none"> The Joint Ventures are consolidated into the Financial Statements of the TWOG in the future; Proper monitoring of the Joint Ventures' performance occurs through NAFICOT; and The TWOG requests that NAFICOT produce Financial Statements and present them to the Office of the Auditor-General for audit as required by the PE Act. 	<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 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</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
	<p>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>3.2012 Tuvalu Development Fund (TDF) Opening and Closing Balances and Budget Estimates</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"> • 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. 	<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>	<p>No response received from Management.</p>
<p>4.2012 Tuvalu Development Fund Accountability</p> <p>Amend the Public Finance Act to make the Schedule part of the Public Finance Act, so that it can only then be changed by an Act of Parliament. Additionally, include further rules surrounding the expenditure from the TDF, to ensure that expenditure is for the purpose of the funds provided and made with Parliamentary approval.</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 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>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>5.2012 Cabinet Minutes and Records of Decisions</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 2015 and into 2016 to review the critical decisions made to ensure that there was executive approval. The majority of minutes requested were able to be provided, however, there were some minutes 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, than there will be no evidence to demonstrate what should have been done.</p>	<p>No response received from Management.</p>
<p>7.2012 Observer Fund Expenditure</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.</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. Without any rules surrounding the usage of the Observer's Fund, there is no accountability surrounding the expenditure out of the fund.</p>	<p>No response received from Management.</p>
<p>8.2012 Management of .TV Contract</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 with 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 response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>11.2012 Special Funds Rules and Governance</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 no expenditure from the funds except for a transfer to the consolidated fund from the Coinage Security Special Fund.</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 response received from Management.</p>
<p>12.2012 Review of Financial Statements Reconciliations and Provision of Supporting Documentation</p> <p>We recommend that supporting documentation, calculations and analytical review are attached to the working papers and they are evidenced as reviewed.</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> <ul style="list-style-type: none"> • The reconciliations to the balance sheet accounts were completed, but limited supporting documentation was attached. • No analytical review of movements to budget and the prior year was completed. • No evidence of review on most of the documentation presented to the Auditor-General. • No documentation of the payroll fortnightly reconciliation and payroll analysis of movements in the pays. <p>Compiling supporting documentation and performance of</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
	<p>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>13.2012 Improper Consolidation of Public Enterprises.</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.</p> <p>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 Generally Accepted Accounting Principles (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; 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>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>17.2012 Follow up of Special Imprests</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"> No reminder letters were sent to officers with outstanding special imprests to remind them to continue settling amounts owed. Interest which should be charged on overdue imprests as per Section 201 of the Financial Instructions is not being charged. <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>No response received from Management.</p>
<p>8.2011 Tax Reconciliation Issues</p> <p>Monthly or more frequent reconciliation between ACCPAC and RMS is recommended. The audit team can provide an Excel template for the reconciliation. The purpose of the reconciliation is to identify mis-posting errors, payments received that are not in ACCPAC but recorded, arrears of tax which are recorded in RMS but not in ACCPAC, and payments received that appear in ACCPAC but are not recorded with IRD. Additionally we recommend the IRD document the reconciliation as audit evidence and to keep a record of variances.</p>	<p>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 able to tell who has paid their tax or not, there have been posting errors into ACCPAC, that payment of tax has been made but is not recorded, unpaid taxes are unable to be detected and other concealed fraudulent activities are occurring. Even though Tax and Customs have their own cashier, reconciliation with ACCPAC is essential.</p>	<p>No response received from Management.</p>
<p>16.2011 No Reconciliation Between Fisheries and</p>	<p>Fishing license Fees and Access Fees are collected by the TWOG. Payment confirmation is sent to the Treasury</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>Treasury Records.</p> <p>The Audit recommends that the Fisheries department and Treasury department to perform a regular reconciliation of their fishing license revenue and fines to ensure that all amounts due are paid and that all payments are recorded in the Fisheries Management System (TUFMAN).</p>	<p>Department and sometimes copied to the Tuvalu Fisheries Department to update their records of payments received. No reconciliation of fishing licenses between Treasury records and the Fisheries Department records is performed. The Fisheries Department needs to know if payment has been made in order to determine if a vessel is fishing illegally in Tuvalu's Exclusive Economic Zone.</p> <p>Vessels that are found to be illegally fishing in Tuvalu's waters are normally fined in accordance with the laws of Tuvalu. The monitoring of the fines imposed and payment of the fines is not performed by the Fisheries Department. There is no follow up on fines payment, nor any method to record all fines which are due to be paid.</p> <p>As treasury records and fisheries records are not reconciled, it makes it difficult for the fisheries department to trace whether a particular fishing vessel has paid for their fees and fines and also for Treasury to ensure that all revenues of the TWOG are completely collected. This reconciliation would also assist in identifying payments which relate to multiple financial years.</p>	
<p>17.2011 Fisheries to Keep Minutes of Negotiation on File</p> <ul style="list-style-type: none"> • Official records and minutes of negotiating to approve fishing licenses discussed via email should be filed for transparency. • The secretary for the Access Agreement and Licensing committee should file official records of decisions made (including printing or saving emails), to ensure transparency and accountability of the Access Agreement and Licensing committee. 	<p>Fishing nations/companies interested in fishing in Tuvalu's waters will firstly negotiate with the Fisheries Department through the Permanent Secretary and Director for Fisheries. The negotiation is surrounding the terms and condition of the Access Agreements. We noted that the fisheries staff are using their personal email addresses for negotiation purposes and that there are no written minutes to confirm the negotiation outcomes.</p> <p>If negotiation records including emails and minutes are not kept properly the process becomes more vulnerable to fraudulent activities which can lead to decreased revenues from fishing or increased exploitation of Tuvalu's limited fisheries resource.</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<p>8.2009 Reconciliation Between Customs and ACCPAC</p> <p>Develop a reconciliation which is performed monthly, to ensure that all transactions in the Customs database are accounted for in ACCPAC.</p> <p>Initially the monthly movements could be reconciled in order to simplify the reconciliation process.</p>	<p>Currently there is no reconciliation process between the Customs revenue collection system and ACCPAC. The amount of revenue noted in the Customs database does not agree to the amount collected in ACCPAC.</p> <p>The implication is that payments recorded by ACCPAC may not agree to the Customs revenue collection database. This may cause either issues surrounding the release of goods without payment or the refusal to release goods, even though payment has been made.</p>	<p>No response received from Management.</p>
<p>1.2008 Guarantees and Commitments Issued by Government</p> <p>Perform due diligence to identify the risks, exposure, likelihood of recovery of outlay and alternative options prior to issuing any guarantee or other financial commitments to any local or overseas institutions.</p> <p>Involve the Attorney General's office to provide a legal opinion as to the correct level of approval authority required before the TWOG commits financial or other obligations both locally and overseas.</p> <p>Formally notify and provide supporting documentation to Treasury when such guarantees are issued after proper approval and due diligence so that the nature and extent of the TWOG's commitments can be correctly recorded and reported.</p> <p>When a commitment is made, Purchase Orders are raised equivalent to the payments schedule, with the amounts and timings, to ensure that funds are available.</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 response received from Management.</p>
<p>5.2008 Debt Management Policy</p>	<p>That all debts which are owed to the TWOG are not</p>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Recommendation	Risk	Management response
<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>collected. We acknowledge that the <i>Accounts Receivable</i> and <i>Advances</i> finance circular has been approved in September 2016 and covers the issue of debt management. The implementation of this Finance Circular will be reviewed as part of the 2016 audit.</p>	
<p>9.2008 Employee Entitlements The Human Resources Management Department maintains a record of leave entitlement liabilities and provide this information at least quarterly to Treasury to include in the Financial Statements. Reconcile the leave entitlements of staff to their leave records on an annual basis.</p>	<p>Liabilities for leave and sick leave may accrue without finance being able to forecast resultant cash flows. Leave may be taken, however, not recorded in the system. We acknowledge that within ACCPAC, the payroll module is in use in 2016, however, further work is required to ensure that the leave balances entered into the system are accurate and complete.</p>	<p>No response received from Management.</p>
<p>4.2007 Unauthorised Expenditure That all expenditure is processed only within the approved vote appropriation. Any irregular expenditure should be drawn to the immediate attention of the Auditor-General.</p>	<p>Unauthorised expenditure is processed without appropriate authority i.e. through the initial budget process, virements or supplementary funding.</p>	<p>No response received from Management.</p>
<p>18.2007 Government Policy Register Compile a TWOG policy register to log all TWOG policies to ensure easy access and consistent application for all TWOG employees. Once compiled the listing of all policies should be reviewed to ensure that any duplication of policies are addressed. The TWOG policy register and corresponding policies are placed on the intranet site, for ease of access.</p>	<p>TWOG officials apply TWOG policy inconsistently giving rise to inconsistent practices across ministries and functions.</p>	<p>No response received from Management.</p>

Report of the Auditor-General on the Tuvalu Whole of Government Financial Statements:
Year ended 31 December 2015

Recommendation	Risk	Management response
<p>19.2007 Government Contracts Register</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.</p> <p>It is understood that the Central Procurement Unit will have a role in the creation of this register going forward.</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>	<p>No response received from Management.</p>

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

Year ended 31 December 2015

Appendix 2: Audit Issues Closed during the 2015 Audit

4.2014 Expenditure not in Compliance with Requirements of the Procurement System
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
17.2014 Creation of special fund and rules for maintenance and replacement of assets funding
23.2014 Timely submission of Brussel mission monthly accounts
25.2014 Strengthening of the Ombudsman Commission
27.2014 No delegations register in place for 2014 and 2015 as required by s.206 of the 2014 Financial Instructions (FIs) for signing of PVs and chapter 2 of the 2015 FIs
30.2014 Bank reconciliations are printed at the end of each month.
31.2014 Elements of Financial Statements not provided to audit within Public Finance Act deadline
10.2013 Accounting for in-kind assets
14.2013 Tuvalu Post and Travel Limited revenues being incorrectly accounted for and retained by the TWOG
17.2013 Usage and review of Miscellaneous Revenue account for sales of assets and fisheries pay-ins
19.2013 TDF reconciliation and banking
5.2011 Fraud

Appendix 3: Tuvalu Whole of Government Financial Statements and Independent Audit Report for 2015



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

Year ended 31 December 2015

Tuvalu Whole of Government Independent Audit Report for the year ended 31 December 2015

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 2015; 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 assets in the Financial Statements. Property Plant and Equipment was written on via an equity adjustment in 2013 using estimates of their value. This practice has continued for assets which are included in the Property Plant and Equipment balance in 2014 and 2015. 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 2015, however due to lack of robust supervision, the timing of the stock count extending into mid-2016 and lack of 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 2015 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.

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

Year ended 31 December 2015

Lack of evidence to support prior year comparatives

My audit report on the Financial Statements for the period ended 31 December 2014 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2014 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, TPL and TMTI

The Tuvalu Whole of Government controls the National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) 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. TPL has never produced Financial Statements. Without the consolidation of NAFICOT Financial Statements (which include the joint venture operations), the TPL Financial Statements and the 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, TPL and NAFICOT (including NAFICOT's 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, Fishing Licences and Wharfage revenues not being recognised as Receivables in the Financial Statements. The Accounts Receivable balances relating to Taxation, Customs, Fishing Licences 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.

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

Year ended 31 December 2015

Limitation of scope surrounding Cabinet minutes and decisions

All Cabinet minutes and key decisions made in Cabinet for 2015 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.

Movement of Statement of Receipts and Payments by Heads unable to be reconciled to Cash balances

The movement in the Cash Balance in the Statement of Receipts and Payments by heads was unable to be reconciled to the in Cash balances as per the Statement of Assets and Liabilities. The adjustments made to the accrual balance to remove the non-cash entries were incomplete.

I have not been able to obtain sufficient appropriate audit evidence to support the figures in the Statement of Receipts and Payments, and the Statement of Unauthorised Expenditure.

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 2015.

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 2015 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

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

Year ended 31 December 2015

my opinion. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

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

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

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

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

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

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

Audit Independence

The 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 2015

STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2015

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 2015

The Financial Statements were authorised for issue by the Minister of Finance on 30 June 2016



Hon. Maatia Toafa
Minister of Finance & Economic
Development



Mr Letasi Iulai
Permanent Secretary for Finance and
Economic Development

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31-Dec-15

The accompanying notes form part of these financial statements.

	Notes	2015 Actual	2015 Budget	2014 Actual
INCOME				
Taxation	9	8,598,454	8,735,000	5,922,957
Interest, Dividends and Rent	10	6,482,016	2,355,653	3,671,560
Fisheries Licenses		24,211,463	17,074,127	13,626,652
.TV		6,273,625	5,450,000	5,514,159
External Assistance and Grants	11	16,085,619	11,656,000	11,628,551
Other Income	12	2,762,402	2,934,340	2,527,011
Distribution from Tuvalu Trust Fund		4,782,567	8,700,000	10,711,398
TOTAL INCOME		69,196,145	56,905,120	53,602,287
EXPENDITURE				
Wages, Salaries, and Allowances		15,062,275	16,456,925	13,923,859
Contributions to Tuvalu National Provident Fund		1,234,303	1,454,083	1,165,388
Travel	13	3,661,191	2,402,523	2,279,496
Fuel, Electricity and Communications		1,975,407	2,258,394	2,219,287
Maintenance		5,013,107	5,606,246	1,629,714
Bank Charges and Fees		294,728	736,966	650,465
Grants and Subsidies (incl. Scholarships Support)	14	18,973,719	14,548,615	10,545,161
Tuvalu Medical Treatment Scheme		3,661,527	1,804,000	2,509,414
Other Expenses	15	5,383,333	5,648,328	4,218,499
Special Development Expenditures		3,382,275	5,303,377	2,368,005
TOTAL EXPENDITURE		58,641,864	56,219,457	41,509,289
RECURRENT SURPLUS / (DEFICIT)		10,554,281	685,664	12,092,998
OTHER GAIN AND LOSS				
Unrealised Gain (Loss) on Trust Fund Investment	4	3,258,321		516,955
Unrealised Gain (Loss) on Investment in Corporations	5	2,484,779		(411,726)
Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	8	(522,233)		(202,176)
Movement on Tuvalu Development Fund Operation	16	4,441,644		43,105
Doubtful Debts (Expense)	6	(861,181)		(5,664)
TOTAL OTHER REVENUE AND EXPENDITURE		8,801,330		(59,507)
TOTAL SURPLUS / (DEFICIT)		19,355,611		12,033,492

STATEMENT OF ASSETS AND LIABILITIES

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

For the Year Ended 31-Dec-15

The accompanying notes form part of these financial statements.

	Notes	<u>2015</u>	<u>2014</u>
<u>GOVERNMENT EQUITY</u>			
Surplus / (Deficit)		19,355,611	12,033,492
Retained Earnings		169,075,327	131,623,615
TOTAL GOVERNMENT EQUITY		<u>188,430,938</u>	<u>143,657,107</u>
REPRESENTED BY:			
<u>ASSETS</u>			
Current Assets			
Cash & Cash Equivalents	1	510,610	4,999,058
Special Funds	2	1,236,522	1,403,660
Cash Investments	3	25,660,908	24,690,987
Debtors	6	5,514,212	1,550,612
Total current assets		<u>32,922,252</u>	<u>32,644,318</u>
Non-Current Assets			
Tuvalu Trust Fund	3 & 4	65,106,670	54,065,782
Tuvalu Development Fund	3 & 16	6,903,589	2,457,184
Investments in Corporations	3 & 5	15,295,664	12,810,885
Property, Plant and Equipment	18	78,683,952	55,522,039
Total Non-Current Assets		<u>165,989,876</u>	<u>124,855,891</u>
TOTAL ASSETS		<u>198,912,128</u>	<u>157,500,208</u>
<u>LIABILITIES</u>			
Less Current Liabilities			
Accounts Payable		579,512	944,072
Unearned Revenue	7	1,628,217	4,168,332
Accounts Payable - Tuvalu Provident Fund		380,984	376,947
Other	7	2,222	1,872
Total current liabilities		<u>2,590,936</u>	<u>5,491,223</u>
Less Non-Current Liabilities			
Offshore Loans	8	6,969,761	6,988,147
Domestic Loans	8	920,493	1,363,731
Total non-current liabilities		<u>7,890,254</u>	<u>8,351,878</u>
TOTAL LIABILITIES		<u>10,481,190</u>	<u>13,843,101</u>
TOTAL NET ASSETS		<u>188,430,938</u>	<u>143,657,107</u>

STATEMENT OF CHANGES IN EQUITY**For the Year Ended 31-Dec-15**

The accompanying notes form part of these financial statements.

	Notes	<u>2015</u>	<u>2014</u>
Retained Earnings as at 1 January		143,677,371	135,410,762
Movements reflected on Income Statement			
Net Surplus/(Deficit) for the period		10,554,281	12,092,998
Other Gain (Loss) for the period		8,801,330	(59,507)
Movements not reflected on Income Statement			
Introduction of Property, Plant & Equipment	18	23,161,914	(2,784,658)
Write off of Nukufetau Cash Book Prior Year Error	Acc Pol 2.5	0	(48,967)
Accounts Receivable Prior Year Error	Acc Pol 2.5	0	(429,787)
Accounts Payable Prior Year Error	Acc Pol 2.5	0	(503,471)
Revenue Prior Year Error	Acc Pol 2.5	2,236,042	0
Accumulated Funds as at 31 December		<u>188,430,938</u>	<u>143,677,371</u>

STATEMENT OF REVENUE AND EXPENDITURE BY HEADS

For the Year Ended 31-Dec-15

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>2015 Actual</u>	<u>2015 Original Budget</u>	<u>Variance (Bud - Act)</u>
RECURRENT REVENUE				
A	Office of the Governer General	0	0	0
B	Office of the Prime Minister	259,646	278,350	(18,704)
C	Legal Services	99,418	74,050	25,368
D	Parliament	0	0	0
E	Office of the Auditor General	37,733	64,500	(26,767)
F	Finance and Economic Development	31,185,429	20,993,041	10,192,388
G	Public Utilities	153,404	115,800	37,604
H	Health	11,430	15,000	(3,571)
I	Natural Resources	24,338,154	18,704,119	5,634,035
J	Home Affairs	56,157	16,300	39,857
K	Police and Prison Services	31,828	50,400	(18,572)
L	Transport and Communications	8,117,478	7,521,420	596,058
M	Education, Youth and Sports	36,983	80,000	(43,017)
N	Judiciary	6,237	5,750	486
O	Foreign Affairs, Trade, Tourism, Environment & Labour	79,683	286,391	(206,708)
	Distribution from Tuvalu Trust Fund	4,782,567	8,700,000	(3,917,433)
	TOTAL RECURRENT REVENUE	69,196,145	56,905,120	(12,291,025)
RECURRENT EXPENDITURE				
A	Office of the Governer General	179,674	177,960	(1,714)
B	Office of the Prime Minister	9,633,265	5,205,084	(4,428,180)
C	Legal Services	357,195	390,815	33,620
D	Parliament	551,182	594,845	43,663
E	Office of the Auditor General	312,078	329,270	17,192
F	Finance and Economic Development	3,556,035	6,975,514	419,479
G	Public Utilities	5,871,119	3,158,859	(2,712,259)
H	Health	7,566,814	6,192,720	(1,374,094)
I	Natural Resources	3,012,410	3,086,301	73,891
J	Home Affairs	5,665,006	5,733,725	68,719
K	Police and Prison Services	1,507,406	1,627,297	119,890
L	Transport and Communications	6,360,244	6,781,000	420,756
M	Education, Youth and Sports	10,765,770	12,519,971	1,754,201
N	Judiciary	202,473	209,856	7,383
O	Foreign Affairs, Trade, Tourism, Environment & Labour	3,101,195	3,234,741	135,046
	TOTAL RECURRENT EXPENDITURE	58,641,864	56,219,457	(5,422,408)
	RECURRENT SURPLUS / (DEFICIT)	10,554,281	685,664	(6,868,618)
OTHER GAIN AND LOSS				
	Unrealised Gain (Loss) on Trust Fund Investment	3,258,321		
	Unrealised Gain (Loss) on Investment in Corporations	2,484,779		
	Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	(522,233)		
	Movement on Tuvalu Development Fund Operation	4,441,644		
	Doubtful Debts (Expense)	(861,181)		
	TOTAL OTHER REVENUE AND EXPENDITURE	8,801,330		
	TOTAL SURPLUS / (DEFECIT)	19,355,611		

STATEMENT OF RECEIPTS AND PAYMENTS BY HEADS
Prepared in accordance with Public Finance Act s31(1)(ii)
For the Year Ended 31-Dec-15

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head</u>	<u>Head / Government Function</u>	<u>2015 Expense & Revenue</u>	<u>Adjust for Movement of AP/AR accrual balance</u>	<u>2014/2015 Accrual Journals</u>	<u>2015 Accrual Movement</u>	<u>2015 Receipts & Payments</u>	<u>2015 Final Budget Provision</u>	<u>Variance (Bud - Act)</u>
RECURRENT RECEIPTS								
A	Office of the Governer General	0	0	0	0	0	0	0
B	Office of the Prime Minister	259,646	0	0	0	259,646	278,350	18,704
C	Legal Services	99,418	0	0	0	99,418	74,050	(25,368)
D	Parliament	0	0	0	0	0	0	0
E	Office of the Auditor General	37,733	0	31,027	31,027	68,759	64,500	(4,259)
F	Finance and Economic Development	31,185,429	(239)	(9,640,960)	(9,641,199)	21,544,230	20,993,041	(551,189)
G	Public Utilities	153,404	0	0	0	153,404	115,800	(37,604)
H	Health	11,430	0	0	0	11,430	15,000	3,571
I	Natural Resources	24,338,154	0	815,569	815,569	25,153,723	18,704,119	(6,449,604)
J	Home Affairs	56,157	0	0	0	56,157	16,300	(39,857)
K	Police and Prison Services	31,828	0	0	0	31,828	50,400	18,572
L	Transport and Communications	8,117,478	0	(1,262,203)	(1,262,203)	6,855,275	7,521,420	666,145
M	Education, Youth and Sports	36,983	0	0	0	36,983	80,000	43,017
N	Judiciary	6,237	0	0	0	6,237	5,750	(486)
O	Foreign Affairs, Trade, Tourism, Env. & Labour	79,683	0	0	0	79,683	286,391	206,708
	Drawdown from the Tuvalu Trust Fund	4,782,567	0	0	0	4,782,567	8,700,000	3,917,433
	TOTAL RECEIPTS by heads	69,196,145	(239)	(10,056,567)	(10,056,806)	59,139,340	56,905,120	(2,234,219)
RECURRENT PAYMENTS								
A	Office of the Governer General	179,674	0	7,296	7,296	186,969	183,933	(3,036)
B	Office of the Prime Minister	9,633,265	(20,887)	0	20,887	9,654,152	9,677,433	23,281
C	Legal Services	357,195	156	0	(156)	357,039	390,815	33,776
D	Parliament	551,182	91	1,090	999	552,181	646,645	94,464
E	Office of the Auditor General	312,078	(39)	0	39	312,117	329,270	17,152
F	Finance and Economic Development	6,555,885	(554)	1,410,943	1,411,497	7,967,382	7,230,240	(737,142)
G	Public Utilities	5,871,119	(144)	1,456	1,600	5,872,718	6,044,480	171,762
H	Health	7,566,814	989	(71,119)	(72,108)	7,494,706	6,990,247	(504,458)
I	Natural Resources	3,012,410	341	19,908	19,568	3,031,978	3,086,301	54,323
J	Home Affairs	5,665,006	13,749	8,930	(4,819)	5,660,187	5,740,646	80,459
K	Police and Prison Services	1,507,406	2	2,259	2,258	1,509,664	1,637,296	127,633
L	Transport and Communications	6,360,244	3,697	2,700	(997)	6,359,247	6,780,999	421,752
M	Education, Youth and Sports	10,765,770	516	(49,963)	(50,478)	10,715,291	12,619,970	1,904,679
N	Judiciary	202,473	14	2,034	2,020	204,493	209,856	5,363
O	Foreign Affairs, Trade, Tourism, Env. & Labour	3,101,195	457	(73,951)	(74,409)	3,026,786	3,375,241	348,455
	TOTAL PAYMENTS by heads	61,641,714	(1,613)	1,261,583	1,263,196	62,904,910	64,942,064	2,038,462
	TOTAL CASH MOVEMENT					(3,765,571)		

	Note	<u>Movement</u>	<u>Balance as at</u>	
			<u>31/12/2015</u>	<u>31/12/2014</u>
Cash movement reconciled to:				
Movement in Balance of Deposit Accounts	1	(4,508,714)	490,345	4,999,058
Movement in Special Fund Balances	2	(167,137)	1,236,522	1,403,660
Movement in Cash Investments	3	969,920	25,660,908	24,690,987
Interest on Tuvalu Development Fund IBD	3	4,761	193,438	188,677
CASH ACCOUNT MOVEMENT		(3,701,170)		
UNRECONCILED MOVEMENT		64,401		

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-15

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

Head of Revenue / Government Function	2015 Actual	2015 Budget	Variance (Act - Bud)
RECURRENT REVENUE			
Office of the Prime Minister			
B01 Corporate Services - Office of the Prime Minister	1,069	1,350	(281)
B04 Personnel and Training	109,713	127,000	(17,287)
B08 Tuvalu Media Department	41,534	87,000	(45,466)
B11 Immigration	107,330	63,000	44,330
Legal Services			
C01 Office of the Attorney General	99,418	71,050	28,368
C02 People's Lawyer	0	3,000	(3,000)
Office of the Auditor General			
E01 Office of the Auditor General	37,733	64,500	(26,767)
Finance and Economic Development			
F01 Corporate Services - Finance	11,542,324	12,113,596	(571,272)
F02 Planning and Budget	0	810	(810)
F03 Central Statistics Division	60	50	10
F04 Customs	3,256,873	3,750,000	(493,128)
F06 Treasury	10,855,983	0	10,855,983
F07 Inland Revenue	5,520,739	5,119,484	401,254
F09 Industries	9,450	9,100	350
Public Utilities			
G01 Corporate Services - Public Utilities	560	0	560
G02 Energy	4,485	5,000	(515)
G03 Public Works Department	148,359	110,800	37,559
Health			
H03 Curative	11,430	11,000	429
H04 Preventative Primary and Preventative Health Services	0	4,000	(4,000)
Natural Resources			
I01 Corporate Service - Natural Resources	1,405	0	1,405
I02 Agriculture	9,813	12,280	(2,467)
I03 Fisheries	24,248,984	18,640,489	5,608,495
I04 Lands and Surveys	77,953	51,350	26,603
Home Affairs			
J01 Corporate Services - Home Affairs	40,270	16,300	23,970
J08 Solid Waste Agency of Tuvalu (SWAT)	15,887	0	15,887
Police and Prison Services			
K01 Police and Prison Services	31,828	50,400	(18,572)
Transport and Communications			
L01 Corporate Services - Communications and Transport	6,273,625	5,450,000	823,625
L02 Marine	1,626,315	1,774,000	(147,685)
L03 Aviation	217,124	296,820	(79,696)
L04 Information, Communication and Technology	200	500	(300)
L07 Meteorological Office	214	100	114
Education, Youth and Sports			
M04 EFA Secondary School	34,180	80,000	(45,820)
M05 Library	2,803	0	2,803
Judiciary			
N01 Judiciary	6,237	5,750	486
Foreign Affairs, Trade, Tourism, Environment & Labour			
O01 Corporate Services - Foreign Affairs, Trade, Tourism, Environ	640	0	640
O03 Suva Mission	52,809	25,191	27,618
O04 Permanent Mission of Tuvalu to the UN	0	100	(100)
O08 Trade Office	1,605	0	1,605
O10 Labour	24,629	81,000	(56,371)
O11 Taipei Mission	0	180,100	(180,100)
TTF Distribution to CIF	4,782,567	8,700,000	(3,917,433)
TOTAL RECURRENT REVENUE	69,196,145	56,905,120	(12,291,025)

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-15

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

Head of Expenditure / Government Function		2015 Actual	2015 Original Budget	Variance (Bud - Act)
RECURRENT EXPENDITURE				
Office of the Governor General				
A01	Office of the Governor General	179,674	177,960	(1,714)
Office of the Prime Minister				
B01	Corporate Services - Office of the Prime Minister	6,736,673	2,965,036	(3,771,637)
B04	Personnel and Training	2,156,348	1,204,295	(952,053)
B08	Tuvalu Media Department	385,393	437,736	52,343
B10	Department of Women	134,499	114,268	(20,231)
B11	Immigration	220,352	483,750	263,398
Legal Services				
C01	Office of the Attorney General	246,874	258,691	11,818
C02	People's Lawyer	64,508	69,478	4,970
C03	Office of the Ombudsman	45,813	62,645	16,832
Parliament				
D01	Office of the Parliament	551,182	594,845	43,663
Office of the Auditor General				
E01	Office of the Auditor General	312,078	329,270	17,192
Finance and Economic Development				
F01	Corporate Services - Finance	1,933,574	5,414,862	481,288
F02	Planning and Budget	374,024	304,466	(69,558)
F03	Central Statistics Division	165,346	209,008	43,662
F04	Customs	292,765	241,320	(51,445)
F06	Treasury	493,667	456,349	(37,318)
F07	Inland Revenue	195,161	202,852	7,692
F08	Public Enterprise Reform and Monitoring Unit	35,883	45,962	10,079
F09	Industries	65,615	100,695	35,081
Public Utilities				
G01	Corporate Services - Public Utilities	3,311,638	632,365	(2,679,273)
G02	Energy	109,154	107,665	(1,489)
G03	Public Works Department	2,450,327	2,418,829	(31,498)
Health				
H01	Corporate Service - Health	4,020,548	2,220,080	(1,800,468)
H02	Health Administration	400,142	456,618	56,476
H03	Curative	2,716,276	2,950,515	234,239
H04	Preventative Primary and Preventative Health Services	429,847	565,506	135,659
Natural Resources				
I01	Corporate Services - Natural Resources	295,028	304,192	9,164
I02	Agriculture	658,750	667,555	8,805
I03	Fisheries	822,586	883,117	60,532
I04	Lands and Surveys	1,236,047	1,231,436	(4,611)
Home Affairs				
J01	Corporate Services - Home Affairs	226,160	223,488	(2,673)
J02	Department of Rural Development	4,634,671	4,622,226	(12,445)
J03	Community Affairs	365,732	459,060	93,328
J05	Culture	9,343	14,463	5,120
J08	Solid Waste Agency of Tuvalu (SWAT)	429,100	414,489	(14,612)

<u>Head of Expenditure / Government Function</u>	<u>2015 Actual</u>	<u>2015 Original Budget</u>	<u>Variance between Actual and Budget</u>
Police and Prison Services			
K01 Police and Prison Services	1,507,406	1,627,297	119,890
Transport and Communications			
L01 Corporate Services - Communications and Transport	551,372	578,149	26,777
L02 Marine	4,942,719	5,289,497	346,778
L03 Aviation	231,006	218,869	(12,137)
L04 Information, Communication and Technology	390,605	431,377	40,772
L07 Meteorological Office	244,541	263,107	18,565
Education, Youth and Sports			
M01 Corporate Services - Educations, Youth and Sports	1,322,205	1,402,300	80,096
M02 Education Department	508,498	516,164	7,666
M03 Primary Education	3,924,124	5,363,633	1,439,510
M04 EFA Secondary School	1,984,711	2,242,159	257,447
M05 Library	83,828	130,667	46,839
M06 Sports	480,075	289,073	(191,002)
M07 Pre-service Scholarships	1,967,611	2,021,692	54,080
M08 Youth	18,781	36,440	17,659
M09 Early Childhood Care and Education	475,938	517,843	41,905
Judiciary			
N01 Judiciary	202,473	209,856	7,383
Foreign Affairs, Trade, Tourism, Environment & Labour			
O01 Corporate Services - Foreign Affair	701,207	612,780	(88,428)
O02 Labour	134,957	114,861	(20,095)
O03 Suva Mission	371,978	364,331	(7,647)
O04 Permanent Mission of Tuvalu to the UN	453,351	404,004	(49,347)
O05 Brussels Mission	360,779	381,027	20,248
O06 Environment	111,856	168,927	57,071
O07 Tuvalu Consulate in Auckland	325,566	541,907	216,341
O08 Trade Office	69,889	58,214	(11,675)
O09 Tourism	52,378	72,364	19,986
O10 Labour	134,345	185,620	51,275
O11 Taipei Mission	384,889	332,206	(52,683)
TOTAL RECURRENT EXPENDITURE	58,641,864	56,219,457	(5,422,408)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2015

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

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2015

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 consolidated into the Tuvalu Government Accounts by using the equity method.

2 BASIS OF PREPARATION

The Statement of Income and Expenditure, Statement of Assets and Liabilities and all the other statements 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 2014 accounts did not include the Fishing licence revenue for a amount of \$2,236,042.00. This revenue was understated in 2014 as it was recognised as revenue in 2015. To correct this error the Retained Earnings balance for 2015 has been increased and the Revenue for fishing licence in year 2015 decreased.

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) Distribution Revenue

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 from Investment and are not recognised as 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 insurance plus freight, placed on imports to Tuvalu and levied at the port of entry.

Excise Duties – Special taxes on 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 & Nivaga III), 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 agencies for specific purposes is recognised in the Tuvalu Development Fund as revenue, distinctly separate to the Government Consolidated Fund at time of receipt.

Grants in Kind

Tuvalu Government 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 performance of service.

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 are accrue to employees.

Loan repayments, bank and interest fees

Loan 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 of Tuvalu 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.

Tuvalu Medical Treatment Scheme

Expenditure incurred in the operation of the Government's overseas medical referral scheme are 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 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 Equivalents

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

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.

Dividend are recognised as revenue. Negative Net Asset of a Public Enterprise are not recognised.

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

Depreciation is not recognised in the Statement of Income & Expenditure rather as a movement in Equity

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 TTF 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 portion of 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 is yet to be recorded.

Unearned Revenue

Revenue received in advance of provision of goods and services 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.

Exchange rate used at the end of the year are from the Reserve bank of Australia.

4 CHANGES IN ACCOUNT POLICIES

There have been no changes in accounting policies for the year ended 31st December 2015.

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-15

	Financial Year Ending	
	31/12/2015	31/12/2014
Consolidated Fund Accounts		
General Current Account	(737,556)	4,220,583
Intellectual Property Account	100,814	99,365
IBD - Housing Repurchasing	269,316	262,674
IBD - Tuvalu Parliament Building	81,780	79,767
IBD - Investment in Education Office	158,478	154,577
<i>Total Consolidated Fund Cash account balances</i>	(127,167)	4,816,967
Foreign Mission Accounts		
Cash on Hand - UN Mission	353,679	58,611
Cash on Hand - Brussel Mission	23,848	28,977
Cash on hand - Suva Embassy	42,102	23,571
Cash in transit - Suva Embassy	4,073	0
Cash on Hand - New Zealand Consulate Office	201,604	62,960
Cash in transit - New Zealand Consulate Office	(20)	0
Cash on hand - Taiwan Embassy	9,102	0
<i>Total Foreign Mission Cash account balances</i>	634,390	174,119
Outer Island General Accounts		
Cash on Hand Nanumaga	15	35
Cash on Hand Nanumea	150	150
Cash on Hand Niutao	194	150
Cash on Hand Nui	270	160
Cash on Hand Nukufetau	1,706	278
Cash on Hand Nukulaelae	62	50
Cash on Hand Vaitupu	150	4,650
Cash in Transist - Vaitupu	840	2,500
<i>Total Outer Island Cash account balances</i>	3,386	7,973
Total Cash Balances as at 31-Dec-15	510,609	4,999,058

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-15

	Financial Year Ending	
	<u>31-Dec-15</u>	<u>31/12/2014</u>
Special Funds		
IBD - Coinage Security		
<i>[Refer to s5(1)-Currency Act]</i>		
Opening Balance	343,236	195,230
Proceeds of sales of coins & royalties	206,068	148,006
Transfer - Government General Account	-400,000	
Closing Balance	149,304	343,236
IBD - Rehabilitation		
<i>[Refer to Order 2 of the Community Rehabilitation Fund (Special Fund) Order]</i>		
Opening Balance	18,495	18,039
Interest Earnings	468	456
Closing Balance	18,963	18,495
IBD - Insurance Fund		
<i>[Refer to s20(3)(c) of Public Finance Act]</i>		
Opening Balance	415,860	405,624
Interest Earnings	10,494	10,236
Closing Balance	426,354	415,860
IBD - NBT Insurance		
<i>[Refer to s4-NBT(Insurance Fund)Act]</i>		
Opening Balance	626,069	610,627
Interest Earnings	15,832	15,442
Closing Balance	641,902	626,069
Total Special Funds balance as at 31-Dec	1,236,522	1,403,660

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-15

	Notes	Financial Year Ending	
		31/12/2015	31/12/2014
Cash Investments			
Consolidated Investment Fund		25,612,243	24,643,524
Government Air Pacific Bank Guarantee		48,664	47,464
Total Cash Investments as at 31-Dec		25,660,908	24,690,987
Investment			
Tuvalu Trust Fund - Government of Tuvalu Contribution	4	65,106,670	54,065,782
Capital in Corporations (total)	5	15,295,664	12,810,885
Sub total		80,402,334	66,876,667
Tuvalu Development Fund		6,710,151	2,268,507
IBD - Tuvalu Development Fund		193,438	188,677
Sub total Tuvalu Development Fund		6,903,589	2,457,184
Total Non-current Investments as at 31-Dec		87,305,924	69,333,851
Total Investments of Government as at 31-Dec		112,966,831	94,024,839

NOTE 4

STATEMENT OF CONTINGENT ASSETS

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

For the Year Ended 31/12/2015

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

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%	\$ 42,084.34	\$ 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
2014 Closing Balance	\$ 143,606	\$ 84,696	\$ 31,885	38%	\$ 54,062	\$ 89,544
2015 Closing Balance	\$ 151,787	\$ 92,478	\$ 39,667	43%	\$ 65,107	\$ 86,680

Tuvalu Trust Fund Contribution Balances

\$'000	2008	2009	2010	2011	2012	2013	2014	2015
Government of Tuvalu	31885	31,885	31,885	31,885	31,885	31,885	31,885	39,667
UK	8450	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Australia	18319	19,570	22,901	26,901	28,901	30,071	30,599	30,599
New Zealand	12579	12,579	12,579	12,579	12,579	12,579	12,935	12,935
Japan	695	695	695	695	695	695	695	695
Turkey							31	31
South Korea	69	101	101	101	101	101	101	101
Total Contributions		73,279	76,611	80,611	82,611	83,781	84,696	92,478

Australia contribution in 2014 was overstated by \$351,000 and New Zealand contribution was understated by \$356,000. These were updated in the Comparatives in 2015 Financial Statement.

NOTE 5

GOVERNMENT INVESTMENT IN CORPORATIONS

For the Year Ended 31/12/2015

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.

<u>Corporation</u>	2013		2014		2015	
	<u>Net Assets of corporation</u>	<u>GOT share of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOT share of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOT share of Net Assets</u>
Tuvalu Maritime Training Institute ²	2,914,420	2,914,420	1,380,244	1,380,244	1,380,244	1,380,244
National Fisheries Corporation of Tuvalu ¹	0	0	0	0	0	0
Development Bank of Tuvalu	887,345	887,345	1,045,847	1,045,847	1,109,620	1,109,620
Vaiaku Lagi Hotel	-49,043	0	326,160	326,160	455,676	455,676
National Bank of Tuvalu	9,420,846	9,420,846	9,644,306	9,644,306	10,523,666	10,523,666
Tuvalu Electricity Corporation	-901,153	0	-192,158	0	1,454,518	1,454,518
Tuvalu Telecommunications Corporation	-700,731	0	414,328	414,328	371,940	371,940
Tuvalu Post Limited ³	0	0	0	0	0	0
		<u>13,222,611</u>		<u>12,810,885</u>		<u>15,295,664</u>

Unrealised Gain (Loss) on Investment in Corporations

-411,726

2,484,779

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.

¹ The National Fisheries Corporation of Tuvalu has not prepared its accounts since 1999.

² Tuvalu Maritime Training Institute (TMTI) did not provide financial statements for 2014, therefore Net Assets figures for 2013 are used.

³ The Tuvalu Postal Office, Tuvalu Philatelic Bureau and 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-15

	Notes	Financial Year Ending	
		<u>2015</u>	<u>2014</u>
Classification			
Claimed Debts Control Account		938,117	782,216
Other Debtors Control Account		86,720	86,480
Personal Loan Control Account		19,390	28,610
Special Imprest Control Account		41,021	67,513
Standing and Working Imprest Control Account		(48)	(48)
	ARREARS OF REVENUE	<u>1,085,200</u>	<u>964,771</u>
Accrued Revenue		5,277,898	605,365
Other Debtors NBT		45,892	14,072
	TOTAL DEBTORS	<u>6,408,989</u>	<u>1,584,207</u>
Less Provision for Doubtful Debts			
Provision for Doubtful Debts		(894,777)	(33,595)
	NET DEBTORS	<u>5,514,212</u>	<u>1,550,612</u>

NOTE 6(a)

STATEMENT OF BALANCES ON ADVANCES ACCOUNT FROM THE CONSOLIDATED FUND

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

For the Year Ended 31-Dec-15

CATEGORIES OF s13 (1) PFA	Advance Description	Financial Year Ending	
		<u>2015</u>	<u>2014</u>
(a) <i>issued on behalf of, and recoverable from, any other Government.</i>	PM Delegation to the SIDs in Samoa	86,480	86,480
	Sub-total	<u>86,480</u>	<u>86,480</u>
	TOTAL ADVANCES	<u>86,480</u>	<u>86,480</u>

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-15

The accompanying notes form part of these financial statements.

<u>Head of Revenue / Government Function</u>	<u>Total Arrears of Revenue</u>
Office of the Governor General	
A01 Office of the Governor General	3,064
Office of the Prime Minister	
B01 Corporate Services - Office of the Prime Minister	(71)
C01 Office of the Attorney General	(13)
Office of the Auditor General	
E01 Office of the Auditor General	(39)
Finance and Economic Development	
F01 Corporate Services - Finance	2,316
F03 Central Statistics Division	(18)
F06 Treasury	95,124
F07 Inland Revenue	775,514
Public Utilities	
G02 Energy	(146)
Natural Resources	
I01 MNRE Headquarters	(138)
I02 Agriculture	(42)
I03 Fisheries	(90)
Home Affairs	
J01 Corporate Services - Home Affairs	(243)
Police and Prison Services	
K01 Police and Prison Services	(170)
Transport and Communications	
L02 Marine	(48)
L07 Meteorological Office	(10)
Arrears not related to Sub-Head (clearing)	51,729
TOTAL ARREARS OF REVENUE	<u><u>926,718</u></u>

NOTE 7**Prepared in accordance with Public Finance Act s31(1)(i)
For the Year Ended 31-Dec-15**

The accompanying notes form part of these financial statements.

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts Payable	44,909	549,652
Accrued Expenses	534,603	394,420
Accounts Payable - Tuvalu Provident Fund	380,984	376,947
TOTAL	<u>960,496</u>	<u>1,321,019</u>
OTHER RECURRENT LIABILITIES		
Unearned Revenue	1,628,217	4,168,332
Police Fund	1,822	1,402
Overseas Civil Servants Deductions to NBT-Clearing	400	470
TOTAL	<u>1,630,440</u>	<u>4,170,204</u>

NOTE 8

STATEMENT OF PUBLIC DEBT

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

For the Year Ended 31/12/2015

	<u>Agency</u>	<u>Original debt</u>	<u>2007 Closing Debt</u>	<u>2008 Debt Balance</u>	<u>2009 Debt Balance</u>	<u>2010 Debt Balance</u>	<u>2011 Debt Balance</u>	<u>2012 Debt Balance</u>	<u>2013 Debt Balance</u>	<u>2014 Debt Balance</u>	<u>2015 Debt Balance</u>	<u>Start</u>	<u>Term</u>	<u>Grace period</u>	<u>Interest Rate</u>	<u>Principle repayments</u>	
Government Offshore Loans																	
Falekaupule Trust Fund	300200	ADB - LN1693	US3.972m	4,535,627	5,034,568	3,874,715	3,175,245	2,933,016	2,629,566	2,774,152	2,577,727	2,463,059	Nov-99	24yrs, 16 yrs repayment	8 yrs - start Feb 2008	1% in grace, then 1.5%	USD124,115 semi annual
<i>Interest Payment</i>	741110-J01-TG					76,539	36,757	53,731	28,679	32,327	42,013	35,236					
<i>Principal Repayment</i>	741110-J01-TG					359,611	293,758	248,230	248,543	259,728	328,795	325,234					
<i>Movement due to Currency fluctuation</i>						800,243	405,712	-6,001	54,908	-404,314.31	-132,370	-210,566					
TMTI Original Loan	300200	ADB - LN1921	SDR1.394m	2,552,052	2,522,824	2,120,079	1,873,844	1,789,948	1,674,530	1,884,709.07	1,853,185.35	1,892,486	Nov-02	32yrs, 24 yrs repayment	8 yrs - start Feb 2011	1% in grace, then 1.5%	SDR29,041 Semi annual
<i>Interest Payment</i>	741120-M01-TG							26,843	27,699	12,810	29,375	26,545					
<i>Principal Repayment</i>	796120-M01-TG							39,271	81,152	73,592	94,482	103,646					
<i>Movement due to Currency fluctuation</i>						402,745	246,236	44,625	34,265	-283,770.37	-62,958	-142,946					
TMTI Supplementary Loan	300200	ADB - LN2088	SDR1.353m	2,476,993	2,448,624	2,280,858	2,012,892	2,014,279	1,929,009	2,141,324	2,112,527	2,165,249	Aug-04	32yrs, 24 yrs repayment	8 yrs - start Feb 2012	1% in grace, then 1.5%	SDR28,186 Semi annual
<i>Interest Payment</i>										21,216	46,126	32,403					
<i>Principal Repayment</i>										42,340	111,181	53,544					
<i>Movement due to Currency fluctuation</i>						167,765	267,967	-1,387	42,930	-323,496.65	-24,746	-164,462					
DBT Equity Injection	300200	EIB	EURO.3m	503,609	612,690	480,692	392,311	382,312	381,291	462,606	444,708	448,967	Jan-03	15 yrs	1 repayment 2018	2%	Eur0.3m in 2018
<i>Movement due to Currency fluctuation</i>						131,998	88,381	9,999	1,020	81,314.71	-17,898	4,259					
Air Fiji O/D G'teed by Govt	300200	Bank of Baroda		0	361,841	0	0	0	0	0	0	0					In 2010 \$361,841 paid to Mauror & Co for legal proceedings. Following sale of Air Fiji Assets, \$134,041 was returned to GOT
<i>Principal Repayment</i>	796130-L01-01					361,841	-134,041	-134,041	-134,041								
<i>Call on Government Gaurantee Expense</i>																	
Air Fiji O/D G'teed by Govt	300200	FDB		0	290,858	0	0	0	0	0	0	0					Full payment of debt July 2010
<i>Principal Repayment</i>	796140-L01-01					290,858											
<i>Call on Government Gaurantee Expense</i>																	
TOTAL GOVERNMENT OFFSHORE DEBT				10,068,281	10,618,706	9,409,044	7,454,291	7,119,555	6,614,397	7,262,792	6,988,147	6,969,761					
	<u>Agency</u>	<u>Original debt</u>	<u>2007 Closing Debt</u>	<u>2008 Debt Balance</u>	<u>2009 Debt Balance</u>	<u>2010 Debt Balance</u>	<u>2011 Debt Balance</u>	<u>2012 Debt Balance</u>	<u>2013 Debt Balance</u>	<u>2014 Debt Balance</u>	<u>2015 Debt Balance</u>	<u>Start</u>	<u>Term</u>	<u>Grace period</u>	<u>Interest Rate</u>	<u>Principle repayments</u>	
Government Domestic Debt																	
Air Fiji Equity	300100	NBT	FJD2.0m	59,725	0	0	0	0	0	0	0	0	Jun-01	5 yrs	None	10.50% monthly	AUD25,000
Air Fiji O/D G'teed by Govt	300210	NBT			604,295	690,984	774,985	895,290	920,486	920,486	920,493	920,497					
<i>Call on Government Gaurantee Expense</i>					604,295												
<i>Interest & Service Expense</i>						86,689	84,000	120,305	25,196		7	4					
NAFICOT Loan Gauranteed by Government	300120	NBT	AUD1.308m	1,308,100	1,308,100	1,308,100	1,308,100	1,308,100	1,203,568	1,260,738	443,238	0	Nov-03	129 months from Aug 07		8% from 1st repayment	
<i>Interest Expense</i>									10,436	57,170	443,238						
<i>Principal Repayment</i>					0	0	0	0	114,969		1,260,738	0					
Outer Island Suspense Account	301900	NBT	AUD4.923m	4,923,734	3,584,787	2,071,370	2,071,391	298,763	299,187	0	0	0	Aug-07			No interest	
TMC - Tuvalu Media Corporation Loan absorbed by	300110	NBT	AUD0.127m	126,919	130,117	130,117	130,117	130,117	130,117	0	0	0	Dec-07			No interest	
<i>Principal Repayment</i>											130,117						
TOTAL GOVERNMENT DOMESTIC DEBT				6,418,478	5,627,299	4,200,571	4,284,593	2,632,270	2,553,358	2,181,224	1,363,731	920,497					
TOTAL PUBLIC DEBT				16,486,759	16,246,005	13,609,615	11,738,884	9,751,825	9,167,755	9,444,015	8,351,878	7,890,258					

NOTE 8 (a)

STATEMENT OF CONTINGENT LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(x)
For the Year Ended 31/12/2015

	<u>Agency</u>	<u>Original Guarantee</u>	<u>2007 Closing Debt</u>	<u>2008 Debt Balance</u>	<u>2009 Debt Balance</u>	<u>2010 Debt Balance</u>	<u>2011 Debt Balance</u>	<u>2012 Debt Balance</u>	<u>2013 Debt Balance</u>	<u>2014 Debt Balance</u>	<u>2015 Debt Balance</u>
TCS Guarantee	TCS Suppliers	AUD500000			0	500,000	500,000	0	0	0	0
Air Pacific Guarantee (NBT Guarantee on Travel Office operations)*	NBT	AUD40000		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
DBT Global Loan 2 - Guarantee	EIB	EURO.7m	1,175,088	1,220,309	1,118,794	696,976	161,861	532,607	542,948	414,400	315,056
National Bank of Tuvalu Deposits-Guarantee	NBT	n/a					21,206,446	22,500,408	30,149,190	33,903,636	34,361,838
			2,014,436	2,091,959	1,118,794	1,236,976	21,908,307	23,073,015	30,732,138	34,358,036	34,716,894

The Government of Tuvalu guarantee with this amount of money Tuvalu Travel Office operations on behalf of Air Pacific Ltd
The Government of Tuvalu guarantee this loan made to the DBT by the European Investment Bank
s 21(1) - National Bank of Tuvalu Act - Government of Tuvalu Guarantees all Deposits held at the National Bank of Tuvalu

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

<u>CURRENCY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
AUD - EU	0.4896	0.6241	0.7647	0.7847	0.7847	0.7868	0.6485	0.6746	0.6682
AUD - USD	0.6903	0.8969	1.0163	1.0156	1.0156	1.0384	0.8948	0.8202	0.7306
AUD - SDR		0.5742	0.6599	0.6636	0.6636	1.2694	0.5811	0.5663	0.5268

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

TAXATION

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Income Tax	2,177,783	1,825,000	2,519,409
Company Tax	2,963,425	2,700,000	469,492
Tuvalu Consumption Tax	339,972	339,500	151,460
Import Duty	2,491,543	2,970,000	2,356,514
Import Levy & Excise	587,463	700,000	353,132
Other Taxes	38,267	200,500	72,950
	8,598,454	8,735,000	5,922,957

NOTE 10

INTEREST, DIVIDENDS & RENT

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Interest and Dividends	6,051,681	2,003,862	3,411,208
Lease, rent and hire	430,334	351,791	260,352
	6,482,016	2,355,653	3,671,560

NOTE 11

EXTERNAL ASSISTANCE & GRANTS

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Republic of China (Taiwan)	3,220,240	8,355,000	5,000,000
AusAID	0	1,500,000	2,000,000
New Zealand	0	0	543,755
World Bank, IMF, ADB	2,015,023	1,645,000	3,335,378
Project Development Fund (PDF)	0	156,000	0
Other Donors	10,850,356	0	749,418
	16,085,619	11,656,000	11,628,551

NOTE 12

OTHER INCOME

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Vessel Registrations	507,775	850,000	808,915
Marine Services (Nivaga III, Nivaga II & Manu Folau)	534,838	490,000	593,547
Stevedoring and Wharfage	522,484	365,500	171,311
Provision of Goods and Services	830,545	741,240	557,299
Foreign Exchange Gain	6,187	0	138,970
Regional Seasonal Employment Workers Repayment	24,629	80,000	50,146
Other Charges	335,943	405,600	206,823
	2,762,402	2,932,340	2,527,011

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13

TRAVEL EXPENSES

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Overseas Travel & Subsistence	2,302,058	969,639	1,003,782
Local Travel & Subsistence	729,924	546,446	602,612
Leave Travel Entitlements	187,163	577,635	139,957
Statutory Travel	442,046	308,804	533,145
	3,661,191	2,402,523	2,279,496

NOTE 14

GRANTS AND SUBSIDIES EXPENSES (incl. Scholarship Support)

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Grants and Subsidies	4,720,468	4,659,437	6,108,753
Outer Island Projects (SDE)	2,852,721	2,880,000	1,523,797
Scholarships and Support	10,279,995	5,887,855	1,979,359
Contribution to Japan Grant Counterpart Fund	293,980	0	318,378
Overseas Contributions	826,554	1,121,324	614,874
	18,973,719	14,548,615	10,545,161

NOTE 15

OTHER EXPENSES

	<u>2015</u> Actual	<u>2015</u> Budget	<u>2014</u> Actual
Advertising and Provisions	1,039,947	1,062,011	811,574
Supplies and Equipment	2,927,781	3,036,315	2,058,910
Senior Citizen Scheme / Pension	314,752	406,878	310,857
Land & Property Rent	1,100,854	1,143,125	1,037,158
	5,383,333	5,648,328	4,218,499

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 31/12/2015

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2015 Opening Balance	Payments	Receipts	Movements	2015 Closing Balance
ASCAP	2014570001	PM's Trip to Bangkok	10002.96	-10022.96	0	-10,022.96	20.00
ASCAP Total			10,002.96	-10,022.96	0.00	-10,022.96	-20.00
AUSAID	2009020009	TVET	7721.2	-6,126.04	0.00	-6,126.04	1,595.16
	2009020010	Upgrading of Accpac Treasury	366.54	0.00	0.00	0.00	366.54
	2011020016	Pre School & Primary School materials	-2673.33	0.00	0.00	0.00	2,673.33
	2011020017	Water tanks for Primary & Secc	-117.69	0.00	0.00	0.00	117.69
	2011020018	TKII MTR Forum	445.16	-3,698.84	10,000.00	6,301.16	6,746.32
	2011020019	Tuvalu National Climate Change Summit	-401.07	0.00	0.00	0.00	401.07
	2013020021	Supply of material & construction of st	873.14	0.00	0.00	0.00	873.14
	2013020020	NAPA 1+	-820.56	0.00	200.00	200.00	620.56
	2014020022	Tuvalu National Oral Health Survey	5237.48	-100.00	567.00	467.00	5,704.48
	2015020024	Funafuti classroom Building Project	0	0.00	2,000,000.00	2,000,000.00	2,000,000.00
	2015020025	Australia Contribution to Tuvalu NDP	0	-80,240.00	80,000.00	-240.00	240.00
	2015020026	Tuvalu Early Human Capacity Index	0	-14,157.66	44,944.10	30,786.44	30,786.44
AUSAID Total			10,630.87	-104,322.54	2,135,711.10	2,031,388.56	2,042,019.43
Commonwealth	2014410002	Minister's and Leaders Retreat	2.62	0	0	0.00	2.62
Commonwealth Total			2.62	0.00	0.00	0.00	2.62
British High Commissi	2009220002	Tuvalu Law Revision	-20539.56	0	0	0.00	20,539.56
British High Commission Total			-20,539.56	0.00	0.00	0.00	-20,539.56
EU	2013270005	EU Sanitation PE	6217.08	0	0	0.00	6,217.08
	2014270006	Charter of Mataili	893.79	0	0	0.00	893.79
EU Total			6,217.08	0.00	0.00	0.00	6,217.08
FFA	2009060044	FISHERIES OBSERVER FEE PROJECT	254794.05	-589,873.83	348,457.34	-241,416.49	13,377.56
	2005060036	Vessel Monitoring System Operation (VMS Operation)	3077.51	-3,077.51	3,077.51	0.00	3,077.51
	2011060052	Fisheries Programme Activities	11820.4	-33,382.30	31,060.21	-2,322.09	9,498.31
	2012060053	Western & Central pacific Fisheries	172.22	-20,210.51	21,477.76	1,267.25	1,439.47
	2014060057	10th Special PNA Meeting 10-14th Nov 2014	15173.99	-19,752.37	5,000.01	-14,752.36	421.63
	2015060058	Minister and Delegation Travel Costs to Ethiopia	0	-21,905.00	21,905.00	0.00	-
	2013060055	Island Council Consultation on Inshore	13657.76	0.00	1,000.00	1,000.00	14,657.76
	2014060056	Upgrading of Government Network System	21.02	0.00	0.00	0.00	21.02
	2015060059	Tuna Data Collectors	0	-4,681.60	15,669.95	10,988.35	10,988.35
	2013060054	Surveillance Fuel Contribution	41452.59	0.00	0.00	0.00	41,452.59
FFA Total			340,169.54	-692,883.12	447,647.78	-245,235.34	94,934.20
FAO	2013510001	Food & Agriculture Organisation of the UN	7040.57	0	0	0.00	7,040.57
FAO Total			7,040.57	0.00	0.00	0.00	7,040.57
Forum SEC	2014090017	Support for Tuvalu-Talofa Trade Fair	2867.85	-2,450.00	618.30	-1,831.70	1,036.15
	2010090010	SIS Catalytic Fund for Women	258.16	0.00	0.00	0.00	258.16
	2013090013	Support for Pacific Plain Review-Count	20.58	0.00	0.00	0.00	20.58
	2013090014	Support to Nukulaelae local government	-3.5	0.00	0.00	0.00	3.50
	2013090015	Funds for Tuna Data Providers	733.31	0.00	0.00	0.00	733.31
	2013090016	To purchase office equipment for Nui Kaupule	164.3	0.00	0.00	0.00	164.30
	2013090017	To purchase office equipment for Nanumaga Kaupule	20.62	0.00	0.00	0.00	20.62
	2015090018	Services Assistances for National Disability	0	0.00	4,975.00	4,975.00	4,975.00
Forum SEC Total			4061.32	-2450	5593.3	3143.3	7,204.62
France	2013520001	Workshop on Record Keeping and Information Management	63.64	0	0	0.00	63.64
France Total			63.64	0	0	0	63.64
International Labour C	2013490001	Labour Market Survey	3497.2	-734.94	0	-734.94	2,762.26
	2013490002	1st Payment ILO MLC mtg	940	0	0	0.00	940.00
International Labour Organisation Total			8621.11	-3184.94	10568.3	7383.36	16,004.47
India	2009210003	Hospital equipment	4361.92	-3,510.46	0.00	-3,510.46	851.46
	2015210001	Medical Equipment for Princess Margaret Hospital (PMH)	525888.82	-179,756.28	0.00	-179,756.28	346,102.54
	2015210002	New Ambulance for Princess Margaret Hospital(PMH)	0	-10.00	51,105.77	51,095.77	51,095.77
	2015210003	YOGA International Day of India	0	-963.13	1,201.18	238.05	238.05
	2013210004	Payment for Grass-Cutters	12052.85	0.00	6,217.00	6,217.00	18,269.85
India Total			542273.59	-184239.87	58523.95	-125715.92	416,557.67
Italy	2015370003	PV Standalone Home system (SHS) and cooling Storage Facility	25218.09	-571.50	0.00	-571.50	24,646.59
	2009370001	Feasibility Study Energy	6239.27	0.00	0.00	0.00	6,239.27
	2009370002	Tuvalu Photovoltaic Electricity network	1212.39	0.00	0.00	0.00	1,212.39
Italy Total			32669.75	-571.5	0	-571.5	32,098.25
Japan	2014070025	Improvement of Infection Disease Laboratory at PMH	2148.86	-84.48	0.00	-84.48	2,064.38
	2010070018	Nanumea Health Centre	19369.96	0.00	0.00	0.00	19,369.96
	2015070026	The Project for Improvement of Water Supply System for Nui I	0	-54,508.77	97,982.43	43,473.66	43,473.66
	2015070027	The Project for Improvement of water	0	-58,195.80	97,982.43	39,786.63	39,786.63
	2010070019	Nanumaga Clinics	27251.86	0.00	0.00	0.00	27,251.86
	2011070021	Nukulaelae Clinic Centre	25193.86	0.00	0.00	0.00	25,193.86
	2011070022	Nukufetau Clinic Centre	44517.25	0.00	0.00	0.00	44,517.25
	2012070023	Princess Margret Pediatric Ward	161.82	0.00	0.00	0.00	161.82
	2013070024	Improvement of water supply system for Nanumea Island	3994.84	0.00	0.00	0.00	3,994.84
Japan Total			122638.45	-112789.05	195964.86	83175.81	205,814.26
Kazakhstan	2013500002	Tourism Marketing and Promotion	8.76	-706.89	0.00	-706.89	698.13
	2013500001	Travel Support for Foreign Affairs Dept	0.01	0.00	0.00	0.00	0.01
	2015500003	Contribution to COP21	0	-39,921.35	40,397.31	475.96	475.96
Kazakhstan Total			8.77	-40628.24	40397.31	-230.93	222.16
Korea	2014430002	Office Partitioning Project	102633.33	-29,599.07	227.45	-29,371.62	73,261.71
	2015430003	Renovation & Maintenance of Electric Pillar Boxes Project	17640.55	-11,805.00	5,885.00	-5,920.00	11,720.55
	2012430001	Korean Support for Foreign Affairs	1319.73	-1,319.73	0.00	-1,319.73	-
Korea Total			121593.61	-42723.8	6112.45	-36611.35	84,982.26
NZAID	2012010050	Cost of 1 year for the Aid Adviser & Budget Adviser	34468.31	-33,945.71	0.00	-33,945.71	522.60
	2009010038	Ship to Shore	62039.78	0.00	0.00	0.00	62,039.78
	2009010039	ECCE Summer School course	2023.28	0.00	0.00	0.00	2,023.28
	2009010040	Pre School Awareness Workshop	1290.72	0.00	0.00	0.00	1,290.72
	2009010041	Pre School Resources	-676.23	0.00	0.00	0.00	676.23
	2009010042	Pre School Council Meeting	211.14	0.00	0.00	0.00	211.14
	2010010044	Nanumaga Guest House	42042.92	0.00	0.00	0.00	42,042.92
	2010010045	Nui Shredder	24717.04	0.00	0.00	0.00	24,717.04
	2011010046	Tuvalu Ship to Shore Transport	12170.31	0.00	0.00	0.00	12,170.31
	2011010047	TK II MID TERM REVIEW	341.57	0.00	0.00	0.00	341.57
	2012010048	TEC GRANT	1040.97	0.00	0.00	0.00	1,040.97
	2013010051	NZ GRANT FOR NIVAGA II	1161.9	0.00	0.00	0.00	1,161.90
	2013010053	Tuvalu Short term technical assistance	626.35	0.00	0.00	0.00	626.35
	2013010054	FISHERIES ADVISOR TRAVEL	40466.31	-44,285.28	60,868.03	16,582.75	57,049.06
	2014010055	Oceanic Fisheries	36000	-30,883.55	5,663.62	-25,219.93	10,780.07
	2014010056	Seafarer Training	91572.77	-140,076.36	48,503.59	-91,572.77	-
	2014010057	Coastal Fisheries	36000	-31,557.70	5,785.05	-25,772.65	10,227.35
	2014010058	Human Resource Development	36000	-57,715.43	26,804.59	-30,910.84	5,089.16
	2015010059	Roof Top Solar Project (Local Wages)	0	-25,783.89	25,785.00	1.11	1.11
	2015010060	TC PAM Fishery Related Infrastructure	0	-66,462.08	343,500.20	277,038.12	277,038.12
	2015010061	Tropical Cyclone PAM and Recovery and Vulnerability Reductio	0	0.00	370,709.00	370,709.00	370,709.00
	2015010064	Reimbursement for Invoice	0	-600.00	600.00	0.00	-
NZAID Total			421497.14	-431310	888219.08	456909.08	878,406.22
OSSHMM	2009380001	HIV Training in Tuvalu	1832.5	0	0	0.00	1,832.50

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 31/12/2015

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2015 Opening Balance	Payments	Receipts	Movements	2015 Closing Balance
OSSHIM Total			1832.5	0	0	0	1832.5
Pacific Islands Trade	2013540001	Tuvalu Trade Fair Contribution	740.73	0	0	0.00	740.73
Pacific Islands Trade Total			740.73	0	0	0	740.73

NOTE 16

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For the Year Ended 31/12/2015

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2015 Opening Balance	Payments	Receipts	Movements	2015 Closing Balance
ROC	2013110047	Printing of Primary School Textbooks	78635.2	-45,949.74	3,600.00	-42,349.74	36,285.46
	2006110024	Backwages of Nauru Workers	3143.8	0.00	0.00	0.00	3,143.80
	2008110036	INTERNATIONAL PRIMARY SCH & SECONDARY	1407.4	0.00	0.00	0.00	1,407.40
	2012110039	Support to Tuvalu Delegation to the UNFCCC	716.02	0.00	0.00	0.00	716.02
	2012110041	Defects List and Maintenance	-4916.01	0.00	0.00	0.00	4,916.01
	2012110042	Fuel for Charter vessel and Nivaga II	28338.13	0.00	0.00	0.00	28,338.13
	2012110043	Victualing for MV Nivaga II & MV Manufolau	12561.85	0.00	0.00	0.00	12,561.85
	2012110045	Establishment Taipei Mission	44.1	0.00	0.00	0.00	44.10
	2012110046	UNFCCC-COP18	286.3	-28,481.21	30,000.00	1,518.79	1,805.09
	2013110048	Establishment of Tuvalu Mission to Taipei	11.24	0.00	0.00	0.00	11.24
	2013110049	Pediatric Ward in the Princess Margaret Hospital	51.71	0.00	0.00	0.00	51.71
	2013110051	Tuvalu Trade Fair Contribution	140	0.00	1,100.00	1,100.00	1,240.00
	2014110052	Tuvalu Participant in Nan Ying Folkore Festival	2980.8	-2,980.00	0.00	-2,980.00	0.80
	2014110053	Funding Support for UNGA Delegation	-1636.69	-7,250.00	8,569.73	1,319.73	316.96
	2014110054	Attendance for Hon.PM and Delegations to the COP at Lima, Pe	19421.84	-18,018.80	0.00	-18,018.80	1,403.04
	2015110055	NCD STEPS SURVEY	12000	-78,813.84	83,598.74	4,784.90	16,784.90
	2015110056	Support in the Taipei International Travel Fair	0	-3,000.00	3,000.00	0.00	-
	2015110057	Travel Support for the Prime Minister & Delegation	0	-43,636.24	43,636.24	0.00	-
	2015110058	PM Delegation to PNG	0	-28,569.16	30,000.00	1,430.84	1,430.84
ROC Total			153185.69	-256698.99	203504.71	-53194.28	99,991.41
ROC - part 2	2014560001	PV/Hybrid/Generator System Tuvalu Maritime Training Institute	86911.22	0	0	0.00	86,911.22
ROC - part 2 Total			86911.22	0	0	0	86,911.22
Russia	2013480001	Office Equipment for Foreign Affairs	197	0	0	0.00	197.00
	2013480002	Funding Assistance for Delegation to 44th PIF Leader's Meeti	955.96	0	0	0.00	955.96
Russia Total			1152.96	0	0	0	1152.96
SAUDI ARABIA	2013550001	DSA FOR UNGA DELEGATION	25523.36	0	0	0.00	25,523.36
SAUDI ARABIA Total			25523.36	0	0	0	25,523.36
Singapore (Ship Regist	2013310004	Local Elected Leadership 2013 Roll Out Workshops Activity	4630.51	-4,557.26	0.00	-4,557.26	73.25
	2010310008	Tuvalu Island Leadership Assembly	-3378.12	0.00	0.00	0.00	3,378.12
	2011310001	Kaupule Election	-87.9	0.00	0.00	0.00	87.90
	2012310002	Contribution LEL Rollout	-113.2	0.00	0.00	0.00	113.20
	2013310003	Unforeseen Expenses-LEL and ISP Training of Tra	1160	-507.92	0.33	-507.59	652.41
Singapore (Ship Registry) Total			2211.29	-5065.18	0.33	-5064.85	2,853.56
SPBEA(South Pacific Bx	2011420001	Examination Admin	2718.95	0	0	0.00	2,718.95
SPBEA(South Pacific Board of Education Assessment) Total			2718.95	0	0	0.00	2,718.95
SPC	2011100012	Tuvalu National Strategic Plan for NCD 2011-2015	26967.22	-18,925.27	705.10	-18,220.17	8,747.05
	2011100013	Endangered Cultural Heritage Mapping in Tuvalu	3412.75	0.00	0.00	0.00	3,412.75
	2012100011	Tuvalu Grant PMH	9220.20	0.00	0.00	0.00	9,220.20
	2013100014	International Women's Day Celebration (4-8 Marh 2013)	-1401.43	-1,688.00	0.00	-1,688.00	3,089.43
	2013100015	Funafuti FADS Fishing Skills Workshop Allowances	-778.09	-5,776.00	6,908.00	1,132.00	353.91
	2013100016	The Global Climate Change Alliance for Pacific Small IS State	28245.03	-40,113.05	12,972.88	-27,140.17	1,104.86
	2013100018	Global Climate Change Alliance(Adaptation Fund)	196511.27	-432,961.07	239,000.90	-193,960.17	2,551.10
	2014100001	Pacific Appliance Labelling Standard Project (PLAs)	10374.46	-15,847.95	10,615.00	-5,232.95	5,141.51
	2014100019	Payment of Service for IDRR Project	5175.04	-5,712.06	830.00	-4,882.06	292.98
	2014100020	Niutao Shelter Project - BSRP	17263	-17,263.00	0.00	-17,263.00	-
	2014100021	Tuvalu National Steering Committee Project	4975	0.00	0.00	0.00	4,975.00
	2015100022	Tuvalu HIES 2015-2016 - SPC	0	-20,939.18	47,602.21	26,663.03	26,663.03
	2015100023	Support to COP21 Paris France	0	-14,890.32	13,041.94	-1,848.38	1,848.38
	2015100024	Funds for Consultation Allowances MOU SPC	0	0.00	4,326.00	4,326.00	4,326.00
	2015100001	International Women's Day	0	-10,072.00	10,075.00	3.00	3.00
SPC Total			299964.45	-584187.9	346077.03	-238110.87	61,853.58
SPREP	2009040013	PACC PROJECT (LOIA)	27258.2	-26,012.69	1,840.01	-24,172.68	3,085.52
	2013040015	GEF PAS PROJECT	35044.57	-32,824.74	790.00	-32,034.74	3,009.83
	2014040016	Support for Tuvalu's Energy Efficiency Demonstration House	12.94	0.00	0.00	0.00	12.94
SPREP Total			62315.71	-58837.43	2630.01	-56207.42	6108.29
SOPAC	2010140010	Water & Sanitation with MOH	2459.27	0	0	0.00	2,459.27
	2012140011	Advance Payment for PUI-Disaster Reduction Program	1458	0	0	0.00	1,458.00
	2012140012	Disaster Awareness Commemoration Day	2064.6	0	0	0.00	2,064.60
SOPAC Total			2459.27	0	0	0	2,459.27
Turkey	2014360002	Turkey Funding Assistance for Construction of Kaupule Office	8087.7	-140.00	0.00	-140.00	7,947.70
	2014360001	Tuvalu Participation 45th PIF Meeting in Koror	1638.26	0.00	0.00	0.00	1,638.26
	2014360004	Motufoua Secondary School Truck	12368.7	0.00	0.00	0.00	12,368.70
	2014360005	Support for Tuvalu's Delegation to COP20 (LIMA PERU)	13304.15	-12,686.70	0.00	-12,686.70	617.45
Turkey Total			35398.81	-12826.7	0	-12826.7	22,572.11
Tuvalu	2012440001	Disaster Relief Fund	1650.62	-120,801.84	122,283.51	1,481.67	3,132.29
	2015440002	Disaster Relief Fund/ Cyclone PAM	0	-1,674,020.07	3,875,034.49	2,201,014.42	2,201,014.42
	2015440003	Vaiaku Waterfront Recreation Area Project	0	0.00	188,523.90	188,523.90	188,523.90
	2015440004	Renovation of Government Complex	0	0.00	288,513.86	288,513.86	288,513.86
	2015440005	Upgrade and Renovate Agriculture Elisefou Office	0	0.00	89,420.36	89,420.36	89,420.36
	2015440006	Deferred Maintenance Fund	0	0.00	447,454.00	447,454.00	447,454.00
	2015440007	School Improvements	0	0.00	1,968,521.03	1,968,521.03	1,968,521.03
Tuvalu Total			1650.62	-1794821.91	6979751.15	5184929.24	5,186,579.86
UN (United Nation)	2015580001	Funds for Urban Profiling Activities	26415.65	-19923.44	0	-19,923.44	6,492.21
UN (United Nation) Total			26415.65	-19923.44	0	-19,923.44	6,492.21
United Arab Emirates(2015590001	Support to COP21 paris France	0	-4975.36	0	-4,975.36	4,975.36
United Arab Emirates (UAE) Total			0	-4975.36	0	-4,975.36	4,975.36
UN Office at Geneva	2012470001	LEG 22nd Workshop	-319.68	0	0	0.00	-319.68
UN Office at Geneva Total			-319.68	0	0	0	-319.68
UNDP	2003050010	National Adaptation Programme of Action (NAPA)	42880.44	-150,998.46	113,189.58	-37,808.88	5,071.56
	2002050009	Office Equipment & Training Attachment	6401.86	0.00	0.00	0.00	6,401.86
	2008050030	NATIONAL BIODIVERSITY STRATEGIC ACTION	0	-230.00	230.00	0.00	-
	2013050034	EIF-Tuvalu Trade Capacity Development & Institutional Stren	10540.15	-63,914.80	63,130.03	-784.77	9,755.38
	2014050035	National Population Policy Social Development & PD Technical	4368.26	-27,286.53	27,246.31	-40.22	4,328.04
	2014050036	NAPA II	23285.28	-466,295.44	494,715.10	28,419.66	51,704.94
	2005050015	National Biosafety Frame Work	1318.37	0.00	0.00	0.00	1,318.37
	2006050019	GEF Operational Focal Point Activities	-155.54	0.00	0.00	0.00	155.54
	2006050027	Support to Local Governance	-35.02	0.00	0.00	0.00	35.02
	2009050031	Tuvalu MGD Project	25127.52	0.00	0.00	0.00	25,127.52
	2011050033	Parliament Support Project	26.58	0.00	0.00	0.00	26.58
	2015050037	Family Planning & Physosocial	0	-17,319.54	19,237.00	1,917.46	1,917.46
	2015050038	For Savali Fatoga Ticket	0	0.00	6,279.80	6,279.80	6,279.80
	2015050039	Grant Agreement Anti-Corruption Day	0	-9,557.00	9,941.00	384.00	384.00
	2015050040	Salary Aug-Nov 2015 Taufala/Temilo	0	-7,026.81	10,119.66	3,092.85	3,092.85
	2013050010	New UN Project to be confirm	0	0.00	0.03	0.03	0.03
UNDP Total			113757.9	-742628.58	744088.51	1459.93	115,217.83

NOTE 16

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For the Year Ended 31/12/2015

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2015 Opening Balance	Payments	Receipts	Movements	2015 Closing Balance
UNEP (United Nations)	2010390001	Ozone Depleting Substances (ODS)	223.15	-33,610.15	33,672.36	62.21	285.36
	2010390002	HCFC Phase - Out Mgmt Plan (HPMP)	11107.93	-12,762.09	1,802.00	-10,960.09	147.84
	2014390003	Support to Tuvalu for the Revision of the NBSAPs & Developmen	29381.57	-29,703.14	19.52	-29,683.62	302.05
UNEP (United Nations Environment Program) Total			40712.65	-76075.38	35493.88	-40581.5	131.15
UNESCO	2005180015	Tuvalu Children Conference	4433.23	-3,623.48	0.00	-3,623.48	809.75
	2011180034	UNESCO TESP II	240	0.00	0.00	0.00	240.00
	2011180035	UNESCO Activities	1475.37	0.00	0.00	0.00	1,475.37
	2015180037	Training on the World Heritage Convention (Funafuti, Tuvalu)	0	-3,126.80	3,858.00	731.20	731.20
	2015180038	Climate Change Education	0	-6,782.00	9,675.00	2,893.00	2,893.00
	2009180031	Culture Heritage & Identities	-137.42	0.00	0.00	0.00	137.42
UNESCO Total			6011.18	-13532.28	13533	0.72	6,011.90
UNFPA	2012450002	Tuvalu National Census 2012	12579.44	-6,461.67	0.00	-6,461.67	6,117.77
	2012450001	Tuvalu National Population Policy	112	0.00	0.00	0.00	112.00
	2013450003	RH & FP PROGRAMME	5046.5	0.00	0.00	0.00	5,046.50
	2015450005	Support to COP 21	0	-12,922.81	10,260.58	-2,662.23	2,662.23
UNFPA Total			17737.94	-19384.48	10260.58	-9,123.90	8,614.04
UNICEF	2013130010	UNICEF: Implement the MEYS-UNICEF 2012 Cooperation Agreement	678.31	-8,456.88	240.00	-8,216.88	7,538.57
	2010130005	Conducive Learning Environment	132.8	0.00	0.00	0.00	132.80
	2011130008	Education Management Information System (EMIS)	-753.05	0.00	0.00	0.00	753.05
	2012130009	Funding Support for Vaccination	290	0.00	0.00	0.00	290.00
	2013130011	World Immunization Week 2013	1484.28	-7,642.05	6,900.00	-742.05	742.23
	2014130012	Achieving Education for All in Tuvalu	174320.84	-807,200.09	801,261.75	-5,938.34	168,382.50
	2015130013	Upgrading and Improving Gasologa o Kautama Pre School	0	-12,694.00	12,694.00	0.00	-
	2016130014	Education EMERGENCY Fund	0	-13,705.00	27,410.00	13,705.00	13,705.00
UNICEF Total			176153.18	-849,698.02	848505.75	-1,192.27	174,960.91
UNIFEM	2012260003	Cedaw Report	133.17	0	0	0.00	133.17
UNIFEM Total			133.17	0	0	0	133.17
University of Auckland	2012460001	Climate Change Education for Sustainable Development	905.14	0	0	0.00	905.14
UNIFEM Total			905.14	0	0	0	905.14
UNON	2005240002	3rd Installment - National Biosafety Framework	1411.77	0	0	0.00	1,411.77
UNON Total			1411.77	0	0	0	1411.77
USP	2011150009	Global Monitors POP	6706.94	0	0	0.00	6,706.94
	2012150010	Training Fiji School of Medicine(FSMED)	455	0	0	0.00	455.00
USP Total			7161.94	0	0	0	7161.94
WHO	2010080055	Develop STG to promote & Excess Medicine in Tuvalu	1099	-330.00	0.00	-330.00	769.00
	2010080056	National Training W/shop for Strategic Health Community	945.92	-945.92	0.00	-945.92	-
	2010080057	Formulating,printing,Dissemination & piloting of National FB	2521.98	-2,521.98	0.00	-2,521.98	-
	2010080058	Improving Stock Control	229.34	-229.34	0.00	-229.34	-
	2005080034	DE-Worming Program in Tuvalu	4561.73	-4,530.00	0.00	-4,530.00	31.73
	2010080060	H1N1 Campaign	27.84	0.00	0.00	0.00	27.84
	2010080061	Junior Nurses Refreshing W/shop	12.87	0.00	0.00	0.00	12.87
	2010080062	Infection Control W/shop	78.25	0.00	0.00	0.00	78.25
	2010080063	Outier Island Tour	131	-131.00	0.00	-131.00	-
	2010080064	Tu8 World Blood day	90.8	0.00	0.00	0.00	90.80
	2010080065	Lymphatic Filariasis	93.81	0.00	0.00	0.00	93.81
	2010080066	Developing National Food Standard	5809	-5,809.00	0.00	-5,809.00	-
	2010080067	Measles Rubella Campaign	49.8	0.00	0.00	0.00	49.80
	2010080069	Workshop on IHR (Implemented with MOH & Others Agencies)	1308.98	-750.00	0.00	-750.00	558.98
	2011080072	In-country Training Workshop	-299.3	0.00	0.00	0.00	299.30
	2011080074	Supervisory Visit for Pharmacy Staffs to Cenrtral Is.	24.58	0.00	0.00	0.00	24.58
	2011080075	World NO Tobacco Day 2011	3973.11	-1,147.00	0.00	-1,147.00	2,826.11
	2011080076	EHE's Climate Change & Health Training for Health	1450.5	0.00	0.00	0.00	1,450.50
	2011080077	Drugs & Therapeutical Committee Training	58	0.00	0.00	0.00	58.00
	2011080078	Global School Base Health Survey	1547.84	-590.00	0.00	-590.00	957.84
	2012080081	Human Resource Development	516.56	-450.00	0.00	-450.00	66.56
	2012080082	Conduct Workshop	318.5	-318.50	0.00	-318.50	-
	2012080083	Revising of Standard Treatment Guideline in Tuvalu	19.04	0.00	0.00	0.00	19.04
	2012080085	Household Survey for Medicines Use and Access	2074	-1,200.50	0.00	-1,200.50	873.50
	2012080087	Food Regulations Consultations	750.69	-670.00	0.00	-670.00	80.69
	2012080088	Workshop/Seminar/Presentation of NCCHAP Plan	44.42	0.00	0.00	0.00	44.42
	2012080089	TUV-PEN and Salt Reduction & TUV-Crisis Response	25558.04	-20,876.00	0.00	-20,876.00	4,682.04
	2013080090	Support for Biomedical Technician Salary and Maintenance	12936.49	-15,585.42	3,000.00	-12,585.42	351.07
	2013080091	Health Budget Analysis/Tracking	5360	0.00	0.00	0.00	5,360.00
	2013080092	Workshop for Nurses on Managing Drug Supplies & POLHN	8444.07	-4,300.00	0.00	-4,300.00	4,144.07
	2013080093	Data Violence Project-Injury and Prevention	120	-120.00	0.00	-120.00	-
	2013080094	To Support Purchasing of Supplies & Equipments for Health In	893.53	0.00	0.00	0.00	893.53
	2014080094	WORLD IMMUNIZATION WEEK	0.99	-2,150.00	2,150.00	0.00	0.99
	2013080095	Local Consultation & Meetings on Draft Legislation Bill	7725	-11,540.00	4,350.00	-7,190.00	535.00
	2015080095	Human Resources for Health Workshop with Health Staff on Fun	0	0.00	2,135.00	2,135.00	2,135.00
	2013080096	Procurement of Equipments for the POLHN Center	2878.03	-300.00	0.00	-300.00	2,578.03
	2015080096	Training and Seminar for Outer Island & PMH Nurses for IPV	0	-22,970.43	24,435.00	1,464.57	1,464.57
	2013080097	To Purchase Computers for Pharmacy Dept	159.91	0.00	0.00	0.00	159.91
	2015080097	Mass drug against Lymphatic Filariasis Tuvalu	0	0.00	20,270.00	20,270.00	20,270.00
	2015080098	Support the computerized pharmaceutical	0	-7,017.10	7,577.50	560.40	560.40
WHO Total			91514.32	-104482.19	63917.5	-40,564.69	50,949.63
Grand Total			2,764,612.18	-6,163,288.50	13,036,500.58	6,873,212.08	9,632,848.90
Non Project Related:							
Bank Fees, Interest and Charges -							176
Unidentified payments and deposits allocated to TDF							52,167
Allocation Error							3,109
Transfer to General Account							3,000,000
							6,687,949
<i>add Unpresented Cheques as at 31/12/2015</i>							47,107
Adjusted Balance							6,735,055
Tuvalu Development Fund Statement Balance as at 31/12/2015							6,710,151
Unreconciled Amount							24,904
TUVALU DEVELOPMENT FUND							
IBD - Tuvalu Development Fund Balance as at 31/12/2015							193,438
TUVALU DEVELOPMENT FUND as at 31/12/2015							6,710,151
Total TUVALU DEVELOPMENT FUND							6,903,589

NOTE 17

REQUIREMENTS OF THE PUBLIC FINANCE ACT WITH ZERO BALANCE

Statement of Other Leger Balances (Nil Balances)

Statement of Outstanding Loans made from the Consolidated Revenue Fund

Tabulated summaries of unallocated stores and manufacturing accounts

Statement of balances on remittance account (Remittance Account no longer exists)

NOTE 18

STATEMENT OF PROPERTY, PLANT AND EQUIPMENT ASSETS BY DEPARTMENT

Prepared in accordance with the Public Finance Act s31(1)(xiii)

For the Year Ended 31/12/2015

A01	Office of the Governor General	13,044
B01	Corporate Services - Office of the Prime Minister	23,474,476
B04	Personnel and Training	46,627
B08	Tuvalu Media Department	4,169,405
B10	Department of Women	27,721
B11	Immigration	25,019
C01	Office of the Attorney General	60,043
C02	People's Lawyer	27,776
C03	Office of the Ombudsman Commission	14,591
D01	Office of the Parliament	66,261
E01	Office of the Auditor General	93,289
F01	Corporate Services - Finance	133,578
F02	Planning and Budget	64,046
F03	Central Statistics Division	42,366
F04	Customs	134,120
F06	Treasury	64,895
F07	Inland Revenue	25,131
F08	Public Enterprise Reform and Monitoring Unit	3,302
F09	Industries	32,608
G01	Corporate Services - Public Utilities	2,213,803
G03	Public Works Department	550,239
H01	Corporate Service - Health	103,756
H02	Health Administration	8,484,528
H03	Curative	18,939
I01	MNRE Headquarters	32,428
I02	Agriculture	113,062
I03	Fisheries	661,642
I04	Lands and Surveys	254,969
J01	Corporate Services - Home Affairs	75,470
J02	Department of Rural Development	39,159
J03	Community Affairs	6,280
J08	Solid Waste Agency of Tuvalu (SWAT)	414,265
K01	Police and Prison Services	4,405,325
L01	Corporate Services - Communications and Transport	44,705
L02	Marine	29,975,491
L03	Aviation	1,928,184
L04	Information, Communication and Technology	54,703
L07	Meteorological Office	107,306
M01	Corporate Services - Educations, Youth and Sports	68,552
M02	Education Department	30,910
M04	EFA Secondary School	32,601
M05	Library	113,478
N01	Judiciary	52,435
O01	MFAETLT Headquarter	30,668
O02	MFAETLT Staffs room (Conference Room)	24,930
O03	Suva Mission	8,272
O04	Permanent Mission of Tuvalu to the UN	12,537
O05	Brussels Mission	16,619
O06	Environment	35,071
O07	Tuvalu Consulate in Auckland	188,344
O08	Trade Office	28,360
O09	Tourism	11,219
O10	Labour	9,580
O11	Taipei Mission	17,820

TOTAL VALUE AFTER DEPRECIATION 2015:

78,683,952

NOTE 18 (a)

STATEMENT OF PROPERTY, PLANT AND EQUIPMENT BY CATEGORY

Prepared in accordance with the Public Finance Act s31 (1)(xiii)

For the Year Ended 31/12/2015

<u>Class Code</u>	<u>Class Descriptions</u>	<u>Values at 31/12/2015</u>	<u>Values at 31/12/14</u>
BUDI	Building	40,012,666	43,825,028
SHIP	Vessel, Ships and Boats	34,241,993	9,738,232
PLAN	Plants and Machinery	618,725	252,109
EQUP	Equipments	1,545,423	648,580
FFIM	Furnitures and fittings	380,182	295,610
AUTO	Automobile and Bikes	1,884,031	836,668
TECH	Technical Equipments	932	37,605
TOTAL VALUE AFTER DEPRECIATION:		78,683,952	55,633,833

The Variance of the Total Asset from 2014 compare to 2015

In this note 18, we choose the Statement of Property, Plant and Equipment by category to journalize into account as a result of debit the Assets & Credit the Retained Earnings. Below are some of the details that can support the Note 18 about the movement of the Assets value within the year 2015 compare to 2014 report.

(i) **Building (excluding land)** - Drop off by 3.8m, we found out that some buildings are excluded from 2015 register, (refer back to the consolidated Assets register)

(ii) **Vessel, Ships and Boats** – Increase by 24.5m, we found out that some of the machinery exclude in 2014, the changes for that difference found out when stock take was progress.

(iii) **Plants and Machinery** – Increase by .4m, new machinery purchased within the year 2015.

(iv) **Equipments** – Increase by .8m, it is because of equipments acquired in the whole of 2015

(v) **Furniture and Fittings** – Increase by .08m, new furniture purchased by department

(vi) **Automobiles and bikes** – Increase by 1m, new cars for Department (HQ Finance, Custom, MCT, Auditor & Marine.

(vii) **Technical Equipments** – Decrease by .03m, some of the stuff appeared in the 2014 but not include in the 2015 register.

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2015

Budget Approved on the Cash Basis

<u>Head of Expenditure / Government Function</u>				<u>2015</u>	<u>2015 Payments</u>	<u>2015</u>	<u>Variance</u>
				<u>Expense</u>		<u>Final Budget</u>	<u>(Bud-Act)</u>
						<u>Provision</u>	
STATUTORY ALLOCATIONS							
Office of the Governor General							
Office of the Prime Minister							
B01	Office of the Prime Minister	711210B01ST	PM's Salary	36,043	36,043	35,946	-97
Legal Services							
C01	Legal Services	711210C01ST	Attorney General's Salary	30,979	30,979	30,896	-83
Parliament							
D01	Parliament Office	71121AD01ST	Parliamentarians Salaries	127,740	127,740	125,028	-2,712
Office of the Auditor General							
E01	Office of the Auditor General	711210E01ST	Auditor General Salary	28,704	28,704	28,627	-77
Finance and Economic Development							
F01	Finance and Economic Development	711210F01ST	Minister's Salary	30,529	30,529	30,196	-333
Public Utilities							
Health							
Natural Resources							
I01	Natural Resources	711210I01ST	Minister's Salary	30,277	30,277	30,196	-81
Home Affairs							
Police and Prison Services							
Transport and Communications							
L01	Transport and Communications	711210L01ST	Minister's Salary	30,277	30,277	30,196	-81
Education, Youth and Sports							
M01	Education, Youth and Sports	711210M01ST	Minister's Salary	30,277	30,277	30,196	-81
Judiciary							
Foreign Affairs, Trade, Tourism, Environment & Labour							
O01	Foreign Affairs, Trade, Tourism, Environment & Labour	711210O01ST	Minister's Salary	31,001	31,001	30,196	-805
NON STATUTORY ALLOCATIONS							
Office of the Governor General							
A01	Office of the Governor General	711110A0100	Housemaids Salaries & Leave Travel	18,188	18,188	16,449	-1,739
A01	Office of the Governor General	711110A0101	Salaries	13,040	13,040	12,936	-105
A01	Office of the Governor General	711120A0100	Allowances	9,763	9,763	3,800	-5,963
A01	Office of the Governor General	712130A0100	TNPF (Housemaids)	2,795	2,795	2,732	-64
A01	Office of the Governor General	719200A0100	TNPF	3,213	3,213	3,205	-8
A01	Office of the Governor General	72110AA0101	Local Travel & Subsistence	508	508	500	-8
A01	Office of the Governor General	721110A0101	Leave Travel Entitlements	0	0	0	-0
A01	Office of the Governor General	72120AA0100	GG's Travel	22,556	29,852	22,556	-7,296
A01	Office of the Governor General	722500A0101	Vehicle Maintenance	1,667	1,667	1,390	-277
A01	Office of the Governor General	723430A0101	Queens Birthday	11,444	11,444	8,000	-3,444
Office of the Prime Minister							
B01	Corp. Services - Office of the PM	711110B0101	Salaries	279,487	279,487	278,940	-547
B01	Corp. Services - Office of the PM	711120B0101	Allowances	29,270	29,270	29,197	-72
B01	Corp. Services - Office of the PM	711240B0100	PM's TNPF	3,604	3,604	3,595	-9
B01	Corp. Services - Office of the PM	721100B0100	PM's Overseas Entertainment	6,682	6,682	5,000	-1,682
B01	Corp. Services - Office of the PM	721100B0101	Overseas Travel & Subsistence	128,173	128,173	123,429	-4,745
B01	Corp. Services - Office of the PM	721110B0101	Leave Travel Entitlements	4,740	4,740	4,497	-243
B01	Corp. Services - Office of the PM	722350B01SD	Renovation of Government Complex	738,522	761,075	739,147	-21,927
B01	Corp. Services - Office of the PM	722350B01TG	Renovate GG's PM's Minister's Resid	110,685	110,685	109,468	-1,217
B01	Corp. Services - Office of the PM	723430B01TG	Independence Celebration	58,613	58,613	58,000	-613
B04	Personnel and Training	711110B0401	Salaries	124,765	124,765	111,197	-13,568
B04	Personnel and Training	711110B0403	Salaries	28,450	28,450	27,804	-646
B04	Personnel and Training	711120B0401	Allowances	10,856	10,856	10,744	-112
B04	Personnel and Training	712900B0401	Staff Relieving Fund (centr'd)	46,548	46,548	41,385	-5,163
B04	Personnel and Training	723540B0401	Office Stationery	3,156	3,156	2,750	-406
B04	Personnel and Training	723910B0401	Electricity	3,690	3,690	1,937	-1,753
B04	Personnel and Training	782520B0403	Student Education Loan Fund	686,011	686,011	656,983	-29,028
B10	Department of Women	711110B1001	Salaries	65,370	65,370	57,942	-7,428
B10	Department of Women	711120B1001	Allowances	1,862	1,862	1,774	-88
B10	Department of Women	721100B1001	Overseas Travel & Subsistence	16,953	16,953	5,700	-11,253
B10	Department of Women	723510B1001	Office Expenses	4,880	4,880	200	-4,680
B10	Department of Women	782300B10TG	Grant to TNCW	15,000	15,000	15,000	-0
B11	Immigration	712900B1101	Relieving Staff & TNPF	7,586	7,586	7,119	-467
Legal Services							
C01	Office of the Attorney General	721120C01SD	Transport	-4,965	-4,965	-5,000	-35
C01	Office of the Attorney General	723510C0101	Office Expenses	3,635	3,460	2,700	-760
C02	People's Lawyer	711110C0201	Salaries	45,610	45,610	45,165	-445
C02	People's Lawyer	723510C0201	Office Expenses	4,936	4,936	4,500	-436
D01	Office of the Parliament	711120D0101	Allowances	7,695	7,695	7,050	-645
D01	Office of the Parliament	721200D0100	Speaker's Statutory Travel (Spouse)	1,674	1,674	1,600	-74
D01	Office of the Parliament	723465D0100	Speaker's Housing Allowance	4,000	6,800	5,200	-1,600
Office of the Auditor General							
E01	Office of the Auditor General	719200E0100	TNPF	2,870	2,870	2,863	-7

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2015

Budget Approved on the Cash Basis

Head of Expenditure / Government Function				2015 Expense	2015 Payments	2015 Final Budget Provision	Variance (Bud-Act)
Finance and Economic Development							
F01	Corp. Services - Finance	711110F0101	Salaries	83,332	83,332	81,011	-2,321
F01	Corp. Services - Finance	711110F0102	Salaries	45,321	45,321	45,199	-122
F01	Corp. Services - Finance	711120F0101	Allowances	15,673	15,673	15,473	-201
F01	Corp. Services - Finance	721110F0101	Leave Travel Entitlements	3,514	3,514	2,984	-530
F01	Corp. Services - Finance	729990F01TG	Contingency	150	150	150	-0
F01	Corp. Services - Finance	729990F01TG	Contingency	150	150	150	-0
F01	Corp. Services - Finance	75121AF01TG	NBT CSO	66,848	66,848	66,848	-0
F01	Corp. Services - Finance	75121BF01TG	DBT CSO	32,952	32,952	32,952	-0
F01	Corp. Services - Finance	762100F01TG	Overseas Contributions	26,941	26,941	15,680	-11,261
F02	Planning and Budget	711110F0202	Salaries	57,382	57,382	57,063	-319
F04	Customs	711110F0401	Salaries	37,906	37,906	37,492	-414
F04	Customs	711110F0402	Salaries	75,950	75,950	75,841	-109
F04	Customs	711121F0401	Overtime	132,491	141,668	133,271	-8,396
F04	Customs	722500F0401	Vehicle Maintenance	570	517	506	-10
F04	Customs	723460F0402	Workshop Expenses	640	640	540	-100
F04	Customs	723510F0401	Office Expenses	772	772	772	-0
F06	Treasury	711110F0601	Salaries	219,040	219,040	218,880	-159
F06	Treasury	729990F0601	Doubtful Debts (Expense)	861,181	1,722,363	0	-1,722,363
F06	Treasury	742100F0601	Bank Charge & Interests	25,488	25,453	20,000	-5,453
F07	Inland Revenue	711110F0701	Salaries	96,641	96,641	96,429	-212
F07	Inland Revenue	711120F0701	Allowances	5,310	5,310	5,260	-50
F08	Public Enterprise Reform and Monitoring Unit	711110F0801	Salaries	29,167	29,167	29,089	-78
F08	Public Enterprise Reform and Monitoring Unit	719100F0801	TNPF	3,051	3,051	2,959	-93
F08	Public Enterprise Reform and Monitoring Unit	721101F0801	Local Travel and Subsistence	738	738	500	-238
F08	Public Enterprise Reform and Monitoring Unit	721110F0801	Leave Travel Entitlements	478	478	478	-0
F09	Industries	711110F0902	Salaries	21,838	21,838	21,413	-425
F09	Industries	719100F0902	TNPF	2,221	2,221	1,741	-480
F09	Industries	722500F0901	Vehicle Maintenance	317	317	300	-17
Public Utilities							
G01	Corp. Services - Public Utilities	711110G0101	Salaries	85,212	85,212	81,602	-3,610
G01	Corp. Services - Public Utilities	711120G0101	Allowances	7,414	7,414	6,777	-637
G01	Corp. Services - Public Utilities	719100G0101	TNPF	9,263	9,263	7,918	-1,345
G01	Corp. Services - Public Utilities	791130G0101	Beach Nourishment Project: Engineer	4,707	4,707	4,631	-76
G02	Energy	711110G0202	Salaries	39,678	39,678	38,046	-1,632
G02	Energy	719100G0202	TNPF	4,456	4,456	4,445	-10
G02	Energy	72110AG0201	Local Travel	6,879	6,879	6,238	-641
G03	Public Works Department	711110G0306	Salaries	119,712	119,712	119,343	-369
G03	Public Works Department	711120G0308	Allowances	36,804	36,804	36,481	-323
H01	Corporate Service - Health	722250H0101	Equipment Maintenance	50	50	50	-0
H01	Corporate Service - Health	725040H01TG	Medical Treatment Scheme	3,809,555	3,473,844	3,033,318	-440,526
H01	Corporate Service - Health	762100H01TG	Overseas Contribution	10,000	10,000	10,000	-0
H03	Curative	711110H0304	Salaries	50,682	50,682	48,502	-2,181
H03	Curative	712110H03TG	Surgeon Salary	114,829	114,829	100,000	-14,829
H03	Curative	712111H03TG	Anesthetist salary	150,659	154,059	151,000	-3,059
H03	Curative	719100H0301	TNPF	79,668	79,668	73,865	-5,803
H03	Curative	719100H0302	TNPF	4,835	4,835	4,755	-80
H03	Curative	719100H0305	TNPF	1,053	1,053	1,006	-47
H03	Curative	725010H0304	Medicine (Drugs) Supplies	311,532	326,618	311,755	-14,863
H03	Curative	725020H0304	Consumable Medical Supplies	120,177	242,075	121,000	-121,075
H04	Preventative Primary and Health Services	711110H0401	Salaries	32,173	32,173	31,376	-797
H04	Preventative Primary and Health Services	711110H0402	Salaries	183,690	183,690	167,915	-15,775
H04	Preventative Primary and Health Services	711110H0403	Salaries	73,810	73,810	70,787	-3,023
H04	Preventative Primary and Health Services	711110H0404	Salaries	34,912	34,912	33,434	-1,478
H04	Preventative Primary and Health Services	711120H0402	Allowances	16,146	16,146	15,053	-1,093
H04	Preventative Primary and Health Services	719100H0401	TNPF	3,485	3,485	3,481	-4
H04	Preventative Primary and Health Services	719100H0402	TNPF	19,930	19,930	19,488	-442
H04	Preventative Primary and Health Services	719100H0404	TNPF	3,905	3,905	3,881	-24

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2015

Budget Approved on the Cash Basis

Head of Expenditure / Government Function				2015 Expense	2015 Payments	2015 Final Budget Provision	Variance (Bud-Act)
Natural Resources							
I01	MNRE Headquarters	711280I0100	Minister's Overseas Entertainment	2,682	2,682	2,500	-182
I01	MNRE Headquarters	712110I0100	Housemaid's Salary and Leave	5,462	5,462	5,138	-324
I01	MNRE Headquarters	712130I0100	Housemaid's TNPF	546	546	514	-32
I01	MNRE Headquarters	719200I0100	TNPF	3,028	3,028	3,020	-8
I01	MNRE Headquarters	721200I0100	Statutory Travel (Spouse)	2,632	2,632	2,382	-250
I01	MNRE Headquarters	72120AI0100	Minister's Travel	40,312	40,312	39,965	-348
I02	Agriculture	711110I0202	Salaries	38,698	38,698	38,602	-96
I02	Agriculture	711110I0204	Salaries	42,261	42,261	42,160	-101
I02	Agriculture	711110I0205	Salaries	102,222	102,222	101,952	-271
I02	Agriculture	712110I0205	ROC Commitment for Labours	38,845	38,845	38,739	-107
I02	Agriculture	719100I0201	TNPF	5,652	5,652	4,843	-809
I02	Agriculture	719100I0203	TNPF	5,070	5,070	4,949	-121
I02	Agriculture	719100I0205	TNPF	10,315	10,315	9,901	-414
I02	Agriculture	72110I0201	Local Travel & Subsistence	5,260	5,260	5,000	-259
I02	Agriculture	724040I0203	Seeds & Planting materials	0	0	-500	-500
I03	Fisheries	723460I03SD	FFA FFC Ministerial Meeting	78,287	78,287	77,823	-464
I03	Fisheries	723510I0301	Office Expenses	6,275	6,275	5,545	-731
I04	Lands and Surveys	711110I0401	Salaries	26,673	26,673	26,372	-301
I04	Lands and Surveys	711110I0402	Salaries	50,445	50,445	46,532	-3,913
I04	Lands and Surveys	711110I0403	Salaries	13,355	13,355	13,276	-78
I04	Lands and Surveys	711120I0403	Allowances	1,096	1,096	500	-595
I04	Lands and Surveys	711120I0404	Allowances	698	698	500	-198
I04	Lands and Surveys	711220I04TG	Lands Court Sitting Allowances	83,520	101,799	83,520	-18,279
I04	Lands and Surveys	711310I04TG	Lands Court Appeal Panel	20,166	20,166	20,000	-166
I04	Lands and Surveys	719100I0402	TNPF	5,178	5,178	4,760	-418
I04	Lands and Surveys	719100I0403	TNPF	1,430	1,430	1,378	-52
I04	Lands and Surveys	723010I0401	Advertising & Publication Cost	100	100	100	-0
I04	Lands and Surveys	72346AI04SD	Lands Court Appeal Panel Workshop	134,733	134,531	127,992	-6,539
Home Affairs							
J01	Corporate Services - Home Affairs	719200J0100	TNPF	3,028	3,028	3,020	-8
J02	Department of Rural Development	782250J02TG	Falekaupule Act Grant	526,186	526,186	526,186	-0
J08	Solid Waste Agency of Tuvalu (SWAT)	711110J0801	Salaries	135,213	135,213	130,052	-5,161
J08	Solid Waste Agency of Tuvalu (SWAT)	711120J0801	Allowances	14,811	14,811	14,329	-482
J08	Solid Waste Agency of Tuvalu (SWAT)	719100J0801	TNPF	14,989	14,989	14,247	-742
J08	Solid Waste Agency of Tuvalu (SWAT)	722500J0801	Vehicle Maintenance	11,134	11,134	11,131	-3
J08	Solid Waste Agency of Tuvalu (SWAT)	723320J0801	Petrol & Oil	11,378	11,378	9,559	-1,819
J08	Solid Waste Agency of Tuvalu (SWAT)	782430J08TG	Support Waste Management Project (Funafuti)	77,160	77,160	76,964	-196
J08	Solid Waste Agency of Tuvalu (SWAT)	782431J08TG	Support Outer Islands Waste Management	84,124	84,124	83,877	-247
Police and Prison Services							
K01	Police and Prison Services	722250K0104	Equipment Maintenance	545	545	545	-0
K01	Police and Prison Services	72250AK0103	Vessel Maintenance	41,680	41,680	39,587	-2,092
Transport and Communications							
L01	Corp. Services - Comm. and Trans	711120L0101	Allowances	12,795	12,795	10,770	-2,025
L01	Corp. Services - Comm. and Trans	719200L0100	TNPF	3,028	3,028	3,020	-8
L01	Corp. Services - Comm. and Trans	721200L0100	Statutory Travel (Spouse)	8,334	8,334	8,334	-0
L01	Corp. Services - Comm. and Trans	72120AL0100	Minister's Travel	22,003	22,003	22,000	-3
L01	Corp. Services - Comm. and Trans	722500L0101	Vehicle Maintenance	2,461	2,461	1,105	-1,356
L01	Corp. Services - Comm. and Trans	723510L0101	Office Expenses	2,798	2,798	2,500	-298
L02	Marine	711110L0201	Salaries	34,839	34,839	34,745	-94
L02	Marine	711110L0202	Salaries	327,430	327,430	320,906	-6,524
L02	Marine	719100L0203	TNPF	28,976	28,976	28,936	-40
L02	Marine	719100L0204	TNPF	11,381	11,381	10,921	-460
L02	Marine	719100L0205	TNPF	916	916	381	-535
L02	Marine	722350L02SD	Refit Nivaga II prior to Sale	1,010,707	1,010,707	747,500	-263,207
L02	Marine	722550L0203	Vessel Maintenance	203,915	203,915	163,440	-40,475
L02	Marine	723330L0202	Vessel Fuel	376,016	376,016	323,400	-52,616
L02	Marine	723330L0203	Vessel Fuel	385,156	385,156	385,000	-156
L02	Marine	723510L0201	Office Expenses	15,226	15,226	9,500	-5,726
L02	Marine	723510L0204	Office Expenses	5,123	5,123	1,000	-4,123
L02	Marine	723920L0203	Water	6,116	6,116	6,000	-116
L02	Marine	726040L0205	Uniform	12,375	12,375	5,000	-7,375
L02	Marine	791240L0201	Vehicle	-29,683	-29,683	-55,000	-25,317
L03	Aviation	719100L0303	TNPF	3,687	3,687	3,465	-222
L03	Aviation	722100L0302	Building & Office Maintenance	3,621	3,621	3,526	-95
L03	Aviation	723530L0301	Computer Supply	2,830	2,830	2,800	-30
L04	Information, Comm. and Technology	711110L0401	Salaries	26,883	26,883	26,787	-96
L04	Information, Comm. and Technology	723570L0403	ISP Operating Expenses	0	2,700	200	-2,500
L07	Meteorological Office	719100L0701	TNPF	13,224	13,224	12,436	-788
L07	Meteorological Office	721100L0701	Overseas Travel & Subsistence	306	306	0	-306

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2015

Budget Approved on the Cash Basis

Head of Expenditure / Government Function				2015 Expense	2015 Payments	2015 Final Budget Provision	Variance (Bud-Act)
Education, Youth and Sports							
M01	Corp. Services - Edu., Youth and Sports	711110M0101	Salaries	80,432	80,432	76,739	-3,693
M01	Corp. Services - Edu., Youth and Sports	711110M0102	Salaries	18,734	18,734	18,439	-295
M01	Corp. Services - Edu., Youth and Sports	711120M0101	Allowances	18,332	18,332	18,154	-178
M01	Corp. Services - Edu., Youth and Sports	719100M0101	TNPF	8,831	8,831	8,432	-399
M01	Corp. Services - Edu., Youth and Sports	719200M0100	TNPF	3,028	3,028	3,020	-8
M02	Education Department	773500M02SD	Education Development Activities	0	0	-500,000	-500,000
M03	Primary Education	711110M0301	Salaries	119,758	119,758	115,037	-4,721
M03	Primary Education	711120M0302	Allowances	7,450	7,450	5,345	-2,105
M03	Primary Education	712900M0301	Relieving Teachers	39,809	39,809	38,258	-1,551
M03	Primary Education	72110AM0301	Local Travel and Subsistence	2,990	2,990	2,657	-334
M03	Primary Education	721110M0301	Leave Travel Entitlements	17,308	17,308	15,705	-1,603
M03	Primary Education	723256M03SD	Improve Funafuti School	-1,549,740	-1,549,740	-1,560,240	-10,500
M04	EFA Secondary School	723250M04SD	Improve Fetuvalu School	0	0	-500,000	-500,000
M04	EFA Secondary School	729990M0401	Vehicle Hire	1,145	1,145	1,000	-145
M05	Library	762100M0501	Overseas Contribution	520	520	520	-0
M06	Sports	782300M0601	TASNOC Grant	30,000	30,000	30,000	-0
M07	Pre-service Scholarships	723510M0701	Office Expenses	136	136	100	-36
M07	Pre-service Scholarships	782510M0701	Scholarship Students-new award	605,570	605,570	575,448	-30,121
M07	Pre-service Scholarships	782530M0701	Scholarship Students - Ongoing	774,440	771,591	758,711	-12,880
M08	Youth	711110M0801	Salaries	9,197	9,197	9,172	-25
M08	Youth	719100M0801	TNPF	920	920	917	-3
M09	Early Childhood Care and Education	723250M09SD	Improve Funafuti Pre-School	0	0	-146,100	-146,100
Judiciary							
N01	Judiciary	711120N0101	Allowances	404	404	273	-131
N01	Judiciary	71112AN01TG	Island Magistrate Allowances	47,641	49,675	47,641	-2,034
N01	Judiciary	719100N0101	TNPF	4,768	4,768	4,748	-20
N01	Judiciary	72346AN01SD	Training & Workshop Expenses	43,633	43,633	42,793	-840
Foreign Affairs, Trade, Tourism, Environment & Labour							
O01	MFAETLT Headquarter	71213000100	Housemaid's TNPF	666	666	441	-225
O03	Suva Mission	71111000301	Salaries	66,554	66,554	60,811	-5,743
O03	Suva Mission	71111000302	Salaries	44,274	44,274	38,530	-5,744
O03	Suva Mission	71112000301	Allowances	7,590	7,590	7,117	-473
O03	Suva Mission	71910000301	TNPF	7,445	7,445	6,946	-499
O03	Suva Mission	71910000302	TNPF	3,898	3,898	2,412	-1,487
O03	Suva Mission	72110000301	Overseas Travel & Subsistence	42,421	42,421	35,568	-6,853
O03	Suva Mission	72130000301	Telecom & Internet	14,276	14,276	13,392	-884
O03	Suva Mission	72130000302	Telecom & Internet	3,070	3,070	2,349	-721
O03	Suva Mission	72332000301	Petrol & Oil	12,929	12,929	12,613	-316
O03	Suva Mission	72342000301	Hospitality	10,163	10,163	10,000	-163
O03	Suva Mission	72351000301	Office Expenses	10,897	10,897	10,045	-852
O03	Suva Mission	72391000301	Electricity	10,493	10,493	10,398	-95
O03	Suva Mission	72504000301	Medical Treatment	2,255	2,255	1,929	-326
O03	Suva Mission	78110000301	Rent & Rates	9,496	9,496	6,665	-2,831
O04	Permanent Mission of Tuvalu to the UN	71111000401	Salaries	49,313	49,313	46,647	-2,666
O04	Permanent Mission of Tuvalu to the UN	71112000401	Allowances	8,516	8,516	6,270	-2,246
O04	Permanent Mission of Tuvalu to the UN	71118000401	Ambassador Entertainment	12,323	12,323	10,082	-2,241
O04	Permanent Mission of Tuvalu to the UN	72110000401	Overseas Travel & Subsistence	24,668	24,668	15,116	-9,552
O04	Permanent Mission of Tuvalu to the UN	72130000401	Telecom & Internet	7,692	7,692	5,626	-2,066
O04	Permanent Mission of Tuvalu to the UN	72332000401	Petrol & Oil	15,675	15,675	13,908	-1,767
O04	Permanent Mission of Tuvalu to the UN	72344000401	Representation	10,792	10,792	9,000	-1,792
O04	Permanent Mission of Tuvalu to the UN	74210000401	Financial Institution Fees	7,830	7,830	5,726	-2,104
O04	Permanent Mission of Tuvalu to the UN	762100004TG	UN Membership Contributions	44,890	44,890	39,238	-5,652
O04	Permanent Mission of Tuvalu to the UN	78110000401	UN Accommodation	78,721	78,721	71,721	-7,001
O04	Permanent Mission of Tuvalu to the UN	78120000401	Office Lease	40,163	40,163	33,354	-6,809
O05	Brussels Mission	71112AO0501	Education Allowances	43,007	37,520	32,895	-4,625
O05	Brussels Mission	71123000501	Household Furniture Allowance	990	990	583	-407
O05	Brussels Mission	72110000501	Overseas Travel & Subsistence	49,248	49,248	9,564	-39,684
O05	Brussels Mission	72130000501	Telecom & Internet	11,338	11,338	9,616	-1,722
O05	Brussels Mission	72215000501	Vehicle Insurance	6,771	6,771	2,913	-3,858
O05	Brussels Mission	72250000501	Vehicle Maintenance	3,021	3,021	2,186	-835
O05	Brussels Mission	72344000501	Representations	14,691	14,691	14,564	-126
O05	Brussels Mission	72351000501	Office Expenses	4,355	4,355	2,913	-1,442
O05	Brussels Mission	72374000501	Household Items	1,151	1,151	728	-423
O06	Environment	71111000602	Salaries	8,540	8,540	8,372	-168
O06	Environment	71910000603	TNPF	1,059	1,059	1,056	-3
O06	Environment	72362000601	TA International Environment Officer	15,739	28,767	22,860	-5,907
O07	Tuvalu Consulate in Auckland	72110000701	Overseas Travel & Subsistence	28,213	28,213	5,000	-23,213
O07	Tuvalu Consulate in Auckland	72215000701	Vehicle Insurance	2,116	2,116	1,520	-596
O07	Tuvalu Consulate in Auckland	722350007SD	Office Refurbishment-NZ High Com	21,710	21,710	20,000	-1,710
O07	Tuvalu Consulate in Auckland	72351000701	Office Expenses	8,653	8,653	4,000	-4,653
O07	Tuvalu Consulate in Auckland	79122000701	Office Equipment	10,963	10,963	5,000	-5,963
O09	Tourism	71111000901	Salaries	11,954	11,954	11,922	-33
O09	Tourism	762100009TG	Overseas Contribution	10,802	14,075	11,000	-3,075
O10	Labour	72301001002	Advertising & Publication Cost	80	80	80	-0
O10	Labour	732020010SD	Awareness Workshops	21,559	21,559	21,455	-104
O11	Labour	71111001101	Salaries	106,093	106,093	86,166	-19,927
O11	Labour	71112001101	Allowances	12,081	12,081	11,624	-457

NOTE 19

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2015

Budget Approved on the Cash Basis

<u>Head of Expenditure / Government Function</u>				<u>2015</u>	<u>2015 Payments</u>	<u>2015</u>	<u>Variance</u>
				<u>Expense</u>		<u>Final Budget</u>	<u>(Bud-Act)</u>
						<u>Provision</u>	
O11	Labour	71112AO1101	Education Allowances	36,762	36,762	36,204	-558
O11	Labour	71114001101	Clothing Allowance	3,357	3,357	3,074	-283
O11	Labour	71118001101	Entertainment Allowance	3,900	3,900	3,000	-900
O11	Labour	71260001101	COLA	89,352	89,352	82,304	-7,048
O11	Labour	72110001101	Overseas Travel & Subsistence	6,194	6,194	4,000	-2,194
O11	Labour	72130001101	Telecom & Internet	4,505	4,505	3,500	-1,005
O11	Labour	72250001101	Vehicle Maintenance	9,437	9,437	1,263	-8,174
O11	Labour	72334001101	Gas	680	680	440	-240
O11	Labour	72351001101	Office Expenses	10,518	10,518	2,139	-8,379
O11	Labour	72365101101	Professional Service	500	500	500	-0
O11	Labour	72374001101	Household Items	2,578	2,578	1,000	-1,578
O11	Labour	72505001101	Health Insurance	8,234	8,234	4,190	-4,044
O11	Labour	78110AO1101	Office Rent	38,003	38,003	23,688	-14,315