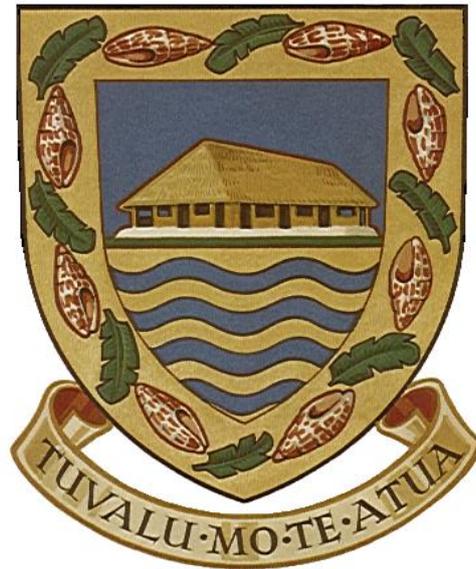

REPORT OF THE AUDITOR GENERAL



ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF TUVALU FOR THE YEAR ENDED 31 DECEMBER 2017

Parliamentary Paper

Number:.....2019

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 Government of Tuvalu's Financial Statements.

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

Statutory Audit Report

Government of Tuvalu Audit

For the year ended 31 December 2017

To: Honourable Members of the Tuvalu Parliament

Dear Members

I have audited the financial report and transactions of the Government of Tuvalu as required by the Public Finance Act. This Statutory Audit Report outlines the results of my audit for the year ended 31 December 2017, 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 Government of Tuvalu's financial report. **I have enclosed the Independent Audit Report for the year ended 31 December 2017, together with the Government of Tuvalu's financial reports in Appendix 3.**

Audit Result 2017

I expressed a qualified (disclaimer) opinion on the Government of Tuvalu's financial report for the year ended 31 December 2017. 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 Government of Tuvalu'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 2017. I was unable to satisfy myself that the valuation estimates made by the Government of Tuvalu were robust and accurate.

A stock count was performed at the end of 2017, however due to lack of robust supervision, the timing of the stock count extending into 2018 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 2017 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 Statement of Income and Expenditure, the Statement of Receipts and Payments by Heads, the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head', the Recurrent Surplus/ (Deficit) figure, the Total Surplus/ (Deficit) figure, and related notes. This constitutes a limitation of scope of the audit which is significant and pervasive.

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 2017 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2017 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.

Cash unable to be Reconciled to Bank Statements, and Movement in Cash Balance unable to be reconciled to the Statement of Assets and Liabilities

The Cash balance of the General Current Account as per the Bank Statements, (taking into account unpresented cheques and outstanding deposits) was unable to be Reconciled to the balance in the Financial Statements. The Cash balance as per the financial statements is overstated by \$60,710.

The movement in the Cash Balance in the Statement of Receipts and Payments by heads was unable to be reconciled to the Cash balances as per the Statement of Assets and Liabilities. The variance was \$9,942. The adjustments made to the accrual balance to remove the non-cash entries are incomplete.

I have been unable to satisfy myself surrounding the completeness and existence of the Cash balance as per the General Ledger and in the Financial Statements. 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. This constitutes a limitation of scope which is significant and pervasive.

Inability to Obtain Satisfactory Explanations and Documentation Regarding a Sample of Entries for Expenses in the Financial Statements

A sample test was performed by audit of a series of recurrent expenditure transactions. I was unable to obtain any supporting documentation for \$1.7 million of the sampled expense transactions. Because of the lack of adequate supporting documentation, I was unable to determine if the expenses are materially stated. I am unable to determine whether the amount disclosed agreed to the amount incurred, whether the amount was coded to the correct expense or if the expense was incurred within the financial year.

I have not been able to obtain sufficient appropriate audit evidence to support the accuracy, cut-off, classification and occurrence of the expenditure component of the Statement of Income and Expenditure; the Statement of Receipts and Payments by Heads; the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head'; the Recurrent Surplus/(Deficit) figure; the Total Surplus/(Deficit) figure; and related notes. This constitutes a limitation of scope of the audit which is significant and pervasive.

Non-consolidation of NAFICOT, TPL AND TMTI

The Government of Tuvalu 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 Government of Tuvalu 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.

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, Transshipment and Wharfage revenues not being recognised as Receivables in the Financial Statements.

Additionally loans given for the Recognised Seasonal Employer (RSE) and Student Education Loan Fund (SELF) schemes are not being recognised as Receivables in the Financial Statements. Rather they are recognised as an expense when paid out and as revenue when re-paid.

The Accounts Receivable balances relating to Taxation, Customs, Fishing Licences, Transshipment, Wharfage, RSE and SELF were not reflected in the Financial Statements. I was unable to satisfy myself surrounding the completeness of the Account Receivable balance and corresponding Revenue and Expense balances in the Financial Statements.

I have not been able to obtain sufficient appropriate audit evidence to support the completeness of the Account Receivable balance and the completeness of the corresponding Revenue and Expense transactions in the Financial Statements. This constitutes a limitation of scope of the audit 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.

Limitation of scope surrounding Cabinet minutes and decisions

All Cabinet minutes and key decisions made in Cabinet for 2017 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 Government of Tuvalu), 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.

Report on Other Legal and Regulatory Requirements

In auditing the Financial Statements of the Government of Tuvalu for the year ended 31 December 2017, 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 23 of the Audit Act.

Scope of the Audit

My audit procedures are targeted specifically towards forming an opinion on the Whole of Government's financial report. This includes testing whether the Government of Tuvalu 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 2017 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

Funafuti Tuvalu

22nd November, 2018

Executive Summary

Audit Opinion

I expressed a qualified (disclaimer of opinion) opinion on the Government of Tuvalu's financial report for the years ended 31 December 2017. 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;
- cash unable to be reconciled to bank statement, and movement in cash balance unable to be reconciled to the Statement of Assets and Liabilities.
- inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the Financial Statements;
- non-consolidation of NAFICOT and its joint ventures, TPL and TMTI into the Financial Statements;
- lack of evidence to support Accounts Receivable and Revenue in the Financial Statements;
- non-inclusion of Inventory in the Financial Statements; and
- limitation of scope surrounding Cabinet minutes and decisions.

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 Government of Tuvalu 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 2016 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;
 - cash unable to be reconciled to bank statement, and movement in cash balance unable to be reconciled to the Statement of Assets and Liabilities.
 - inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the Financial Statements;

- non-consolidation of NAFICOT and its joint ventures, TPL and TMTI into the Financial Statements;
- lack of evidence to support Accounts Receivable and Revenue in the Financial Statements; and
- non-inclusion of Inventory in the Financial Statements;
- there has been an effort to resolve issues raised in prior years with 10 issues marked as closed during the 2017 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;
- the fraud policy was approved in 2016, however enforcement of the fraud policy is crucial to guide employees on the proper method for handling fraud and provide deterrent for those tempted by an opportunity to perpetrate fraud;
- the management control environment in the Government of Tuvalu was assessed as ineffective, however, there were some improvements;
- performance waste and probity issues were noted, particularly surrounding the finance and planning function of Government of Tuvalu and the management of TMTS;
- the travel and medical scheme was reviewed and issues were noted surrounding Lack of reconciliation of TMTS outstanding bills, poor record keeping and lack of TMTS database, non-Tuvaluan citizen contracted by the Government of Tuvalu funded through TMTS, unreliable source documentation of patients transportation refund claims, Tuvaluan citizens using Ministers to overwrite TMTS controls and member of Parliament privilege under TMTS;
- a number of non-compliance issues with the Procurement Act and Regulations were noted in the compliance audit report issued in September 2017;
- 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 virement and supplementary, final budget figures, non-submission of asset register and non-performance of stock take and special imprests;
- TC Pam relief expenditure was reviewed, an issue was noted surrounding the follow up of pledges from development partners;
- payments made on construction works were tested and an issue was noted surrounding the lack of documentation of public works expenses;
- the process of collecting and reporting revenues and receivables was reviewed, with issues noted in the Qualification;
- the payroll processed was reviewed and an issue was noted surrounding the lack of documentation of payroll expenses;
- the SELF scheme was reviewed and the accounting treatment was found to be inadequate; and
- the management of special fund was reviewed, an issue surrounding the non-inclusion of the Safety and Security levy fund account in the Financial Statements for 2017.

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;
- Final Budget Figures in the Financial Statement not reconciling with Appropriation acts;
- the non-provision of estimates of expenditure and supplementary estimates of expenditure surrounding the Tuvalu Development Fund to Parliament; and
- the late submission of the Government of Tuvalu Financial Statements

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 2017 audit:

- The late submission of the Government of Tuvalu Financial Statements;
- Final Budget Expenditure figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimate and Estimates of Statutory Expenditure;
- Cash unable to be reconciled to Bank statements, and movement in cash balance unable to be reconciled to movement in the Statement of Receipts and Payments;
- Significant loss revenue to Government of Tuvalu on interest charge on overdue imprest;
- Virement and supplementary variances;

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 Government of Tuvalu 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;
- limited accountability of the Tuvalu Development fund as estimates of expenditures are not being produced and tabled into Parliament;
- weaknesses in management of Customs revenues surrounding documentation and reconciliations;
- no financial link between Inland Revenue Department and Treasury;
- lack of debt management policy to manage the Government of Tuvalu's receivables;
- lack of documentation surrounding suppliers expenses
- cash unable to be reconciled to bank statements and movement in cash balance unable to be reconciled to Statement of Assets and Liabilities;
- Ministers spouse travel;

Contents

The Tuvalu Office of the Auditor General has completed the financial audit of the Government of Tuvalu for the year ended 31 December 2017. This report summarises our findings from the audit and draws attention to areas where the Government of Tuvalu is doing well or could improve.

Table of Contents

Statutory Audit Report.....	3
Executive Summary.....	7
Contents.....	10
List of Abbreviations.....	12
Types of Audit Opinions.....	13
Introduction.....	14
The Format and Mandate of this Report.....	14
Auditing Standards Used.....	14
Compliance with ISSAI Auditing Standards.....	14
Performance, Waste and Probity.....	14
Subsequent Events.....	14
Changes in Accounting Policy.....	14
Unusual Accounting Policies.....	14
Statement of Auditor Independence.....	15
Independence.....	15
Unresolved Disagreements.....	15
Status of Areas of Audit Emphasis.....	15
Issues Surrounding the Prior Year (31 December 2016) Qualification.....	15
Issues Raised in Previous Management Reports.....	16
Financial Statement Compilation and Compliance with GAAP.....	16
Financial Statement Supporting Documentation.....	16
Fraud Policy.....	17
Management Control Environment.....	17
Legislative Compliance.....	17
Performance, waste and probity issues.....	17
Travel and Medical Scheme Expenditures.....	18
Implementation of Procurement Act and Regulations.....	18
Property Plant and Equipment.....	18
Implementation of the revised Financial Instructions.....	19
Management of Public Works.....	20
Managing of Revenues.....	20
Managing of Payroll System.....	20
Management of Foreign Embassy returns.....	20
Disaster Relief Fund Expenditures.....	20
Scholarship Educational Loan Scheme (SELF).....	21
Management of Special Funds.....	21
Compliance with Legislative Requirements.....	21
Legislative Compliance (LC) Systems.....	21
Breaches of Significant Legislation.....	21
Significant Matters Arising From the Audit.....	22
1.2017 Late submission of the Government of Tuvalu Financial Statements.....	22

2.2017 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure	23
3.2017 Cash unable to be reconciled to Bank Statements, and movement in Cash balance unable to be reconciled to movement in the Statement of Receipts and Payments.	24
4.2017 Significant loss revenue to Government of Tuvalu on interest charge on overdue imprest	25
5.2017 Virement and supplementary variances	26
6.2017 TDF cash unable to be reconciled to TDF bank statements, and movement in TDF unable to be reconciled to movement in TDF bank account	27
7.2017 Aviation Receivables	28
8.2017 Communication and Transport Payables	28
9.2017 Member of Parliament privilege under the TMTS	29
10.2017 Timely reconciliation of imprest	30
11.2017 Non submission of asset registers and a summary of changes in asset to Treasury	31
12.2017 Unavailability of cabinet minutes and records of decisions	31
13.2017 Non reconciliation of departing passenger and no proper filing of travel records	32
14.2017 Poor record keeping and lack of TMTS Database	32
15.2017 Monthly submission on receivables not prepared and submitted to Treasury departments.	33
16.2017 Lack of reconciliation of TMTS outstanding bills	34
17.2017 Non-performance and reporting of asset and inventory stocktake by departments	35
18.2017 Non-Tuvalu citizens contracted by government funded through TMTS	35
19.2017 Unreliable source documentation of patients transportation refund claims	36
20.2017 Tuvalu citizen using Ministers to overwrite TMTS controls	37
21.2017 Statement of Receipts and Payments by Heads	37
Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2017	39
1.2016 Minister's Spouse travel Expenditure	39
4.2016 Lack of documentation surrounding suppliers expenses	39
5.2016 Payment Vouchers not certified by Permanent Secretary of Finance and Economic Development where Purchase Orders are not attached to Payment Vouchers as Required by the Financial Instructions	40
6.2016 Reconciliation of Asset and Liability Accounts to the Sub-ledger or Third Party Evidence is performed	40
7.2016 Lack of Documentation Detailing the Benefits Entitled by the Overseas Missions Top Management	41
8.2016 No acquittal reports submitted to the Aid Coordination Unit upon completion of projects within the Tuvalu Development Fund	41
9.2016 No proper closure of projects in the Tuvalu Development Fund after completion	42
10.2016 Negative Project Balances within the Tuvalu Development Fund to be Cleared	43
11.2016 Accounts Payable balances which are negative and payables not allocated appropriately	43
13.2016 Tuvalu Development Fund Account Payable	44
14.2016 TDF vote ledgers were not updated and the non-performance of vote ledger reconciliations	44
15.2016 Preparation of the monthly reports not in compliance with Financial Instructions	45
16.2016 Reconciliation between the Marine (Stevedoring and Wharfage) and Treasury	45
17.2016 Agreements between Development Partners and Government of Tuvalu not on file	46
18.2016 Registered Government Bank accounts with the National Bank of Tuvalu not included in the Whole of Government accounts.	47
Appendix 2: Audit Issues Closed during the 2017 Audit	88

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

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

Government of Tuvalu: Government of Tuvalu

UCL: Undelivered Cargo List

SSL: Safety and Security Levy

MOH: Ministry of Health

Types of Audit Opinions

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

- 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 another matter paragraph: In our opinion the Financial Statements do present a true and fair view, however, users' attention is drawn to a matter relevant to their understanding of the audit of the Financial Statements or the audit report.

Introduction

The Format and Mandate of this Report

This report is tabled under Section 36 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 Government of Tuvalu for the year ended 31 December 2017 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 2017.

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 2017 audit.

Changes in Accounting Policy

There have been no changes to the accounting policies of the Government of Tuvalu in 2017.

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 Government of Tuvalu for the year ended 31 December 2017 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 Government of Tuvalu during the year ended 31 December 2017. In addition, we confirm that we have no relationships with, or interests in, Government of Tuvalu.

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 Government of Tuvalu, 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 2016) Qualification

A disclaimer of audit opinion was issued for the year ended 31 December 2016 Government of Tuvalu 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 2017 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 2016 issues which are considered to be unresolved are:

- valuation, completeness and existence of Property Plant and Equipment in the Financial Statements;
- lack of evidence to support prior year comparatives;
- cash unable to be reconciled to bank statements, and movement in cash balance unable to be reconciled to the Statement of Assets and Liabilities;
- inability to obtain satisfactory explanations and documentation regarding a sample of entries for expense in the Financial Statements

- non-consolidation of NAFICOT, TPL and TMTI;
- lack of evidence to support Accounts Receivable and Revenues in the Financial Statements; and
- non-inclusion of Inventory in the Financial Statements;

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

Issues Raised in Previous Management Reports

The progress that the Government of Tuvalu has made in addressing the issues raised in the 2016 management report has been commented on in the Appendices to this report.

Financial Statement Compilation and Compliance with GAAP

The Government of Tuvalu's 2017 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 practice has continued for assets which are included in the Property Plant and Equipment balance in previous and in 2017. 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 Government of Tuvalu. GAAP accounting for these entities would be to consolidate all their operations into the Government of Tuvalu's Financial Statements and eliminate any related party transactions. The Government of Tuvalu 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 Government of Tuvalu are expensed at time of purchase, rather than recognised as an asset until consumed. Accounting for Inventories on hand is required under GAAP.

The Government of Tuvalu Financial Statements is not considered by the Auditor-General to be in compliance with GAAP.

Financial Statement Supporting Documentation

Financial statement supporting documentation was presented to audit with the Financial Statements.

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.

The Finance Circular covering the Fraud, Misuse and Loss Policy had been approved by the Secretary for Finance in 2016. The implementation and progress of awareness made on the Policy 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 Government of Tuvalu and overall we have concluded that the MCE is "Ineffective".

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 2017 and in the past have recommendations which related to performance waste and probity. See the issues for more detail.

- 8.2017 Communication and Transport payables
- 9.2017 Member of Parliament privilege under the TMTS
- 14.2017 Poor record keeping and lack of TMTS database
- 16.2017 Lack of reconciliation of TMTS outstanding bills
- 1.2016 Minister's spouse travel Expenditure.
- 8.2016 No acquittal reports submitted to the Aid Coordination Unit upon completion of projects.
- 9.2016 No proper closure of project after completion.
- 14.2016 TDF vote ledgers were not updated and the non-performance of vote ledger reconciliations.

- 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.
- 7.2014 Strategic Planning for the Government of Tuvalu.
- 10.2014 No recording of annual leave and sick leave balances by Government of Tuvalu.
- 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 and medical expenses was reviewed and audit testing was performed. An issue surrounding the lack of documentation of medical and travel expenses was noted, this has formed part of the qualification of the 2017 Financial Statements

Additionally the following issues have also been raised in the management letter surrounding medical scheme expenditures.

- 9.2017 Member of Parliament privilege under the TMTS
- 14.2017 Poor record keeping and lack of TMTS database
- 16.2017 Lack of reconciliation of TMTS outstanding bills
- 18.2017 Non-Tuvalu citizen contracted by government funded through TMTS
- 19.2017 Unreliable source documentation of patients transportation refund claims
- 20.2017 Tuvalu citizen using Ministers to overwrite TMTS controls

See audit issues for further details.

Implementation of Procurement Act and Regulations

We have gained an understanding of the procurement process and have performed sample testing to ensure that the Government of Tuvalu is in compliance with the procurement legislation. Some issues which were noted in prior years surrounding the non-compliance with the Procurement Act and Regulations were still have not been addressed in 2017.

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 2017 Financial Statements. Additionally the following audit issues have been raised surrounding Property Plant and Equipment.

- 10.2017 Non submission of asset registers and a summary of changes in asset to Treasury
- 11.2017 Non-performance and reporting of asset and inventory stocktake by departments
- 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:

- 2.2017 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with Appropriation Acts and Estimates of Statutory Expenditure
- 4.2017 Significant loss revenue to Government of Tuvalu on interest charge on overdue imprest
- 11.2017 Non submission of asset registers and a summary of changes in asset to Treasury
- 15.2017 Monthly submission on receivables not prepared and submitted to Treasury by departments
- 17.2017 Non-performance and reporting of asset and inventory stocktake by departments
- 5.2016 Payment Vouchers not certified by Permanent Secretary of Finance and Economic Development where Purchase Orders are not attached to Payment Vouchers as required by the Financial Instructions
- 8.2016 No acquittal reports submitted to the Aid Coordination Unit upon completion of projects
- 9.2016 No proper closure of project after completion
- 15.2016 Preparation of monthly reports not in compliance with the Financial Instructions
- 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

The majority of Finance Circulars which provide additional guidance to the Financial Instructions remained in draft form in 2017. The approved Finance Circulars are yet to be fully implemented. Limited public awareness of the Financial Instructions has been carried out.

Management of Public Works

Audit performed audit testing on public works expenditures. An issue was noted surrounding the lack of documentation of public works expenses. This has formed part of the basis for qualification of the 2017 Financial Statement.

Managing of Revenues

The process surrounding revenue was reviewed and audit testing was performed.

Significant misstatements were noted surrounding receivables not being recognised in the Financial Statements which also affects the revenue and expense balances in the Financial Statement. This has formed part of the basis for qualification of the Financial Statements for 2017.

Further improvement is also required for the following audit issues raised in previous year's audit;

- 8.2009 Reconciliation between Customs and ACCPAC
- 8.2011 Tax reconciliation issues
- 16.2011 No reconciliation between Fisheries and Treasury Records
- 17.2011 Fisheries to keep Minutes of Negotiations on File
- 3.2014 Records Management System Monitoring Revenues (RMS) not updated in 2014 and 2015
- 20.2014 Monitoring of Upper Air Space Revenue
- 7.2015 Transshipment Revenue not reconciling to Financial Statements
- 14.2015 Customs receivables
- 16.2016 Reconciliation between the Marine (Stevedoring and Wharfage) and the Treasury

Managing of Payroll System

Documentation and walkthrough of the Salaries payment process was reviewed and audit testing was performed. An issue was noted on the lack of documentation surrounding payroll expenses. This has formed part of the basis for qualification of the Financial Statements for 2017.

Management of Foreign Embassy returns

Documentation of the management of Foreign Embassy returns was reviewed and limited audit testing was performed. An issue regarding the lack of documentation surrounding the benefits received by the staff was noted and raised as audit issue 7.2016.

Audit will review the management of Foreign Embassy returns as part of the 2018 audit.

Disaster Relief Fund Expenditures

Documentation of the disaster relief fund expenditures was performed. The following outstanding audit issue was noted surrounding Disaster relief fund expenditures;

- 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.

See 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

See the audit issues for further details.

Management of Special Funds

Audit noted that the Safety and Security levy fund special account has not been included in the 2017 Financial Statements. This was raised as audit issue 18.2016

We will review the management of Special Funds as part of the 2018 audit.

Compliance with Legislative Requirements

Legislative Compliance (LC) Systems

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

We recommend that the Government of Tuvalu 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 Government of Tuvalu'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
 - 2.2017 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with Appropriation Acts and Estimates of Statutory Expenditure
- 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 Schedule– Estimates of Expenditure for the Tuvalu Development Fund not produced.
 - LC 2013.1 Schedule to the Public Finance Act – Estimates of Expenditure
- Climate Change and Disaster Survival Fund Act
 - 2.2016 Expenditure from the Climate Change and Disaster Survival Fund not in accordance with requirement.

- Schedule 2 of the Prescription of Salary Act
 - 1.2016 Minister's Spouse travel 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
 - 18.2016 Registered Government Bank accounts with the NBT not included in the accounts.
- Financial Instructions Section 135
 - 22.2014 Goods receipting process not being followed.
- Financial Instruction Section 184
 - Monthly submission on receivables not prepared and submitted to Treasury department
- Financial Instructions Section 201
 - 17.2012 Follow up of Special Imprests
- Financial Instructions Section 159
 - 5.2016 Payment Vouchers without Purchase Orders were not certified by the Secretary for Finance.
- Financial Instructions Section 259
 - 8.2016 No acquittal reports submitted to the Aid Coordination Unit
 - 9.2016 No proper closure of project after completion
- Financial Instruction Section 285
 - 11.2017 Non submission of asset registers and summary of changes in asset to Treasury
- Financial Instruction Section 301
 - 17.2017 Non-performance and reporting of asset and inventory stocktake by departments
- Financial Instructions Section 318
 - 15.2016 Monthly report preparation not in compliance with FI
- 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

Significant Matters Arising From the Audit

1.2017 Late submission of the Government of Tuvalu Financial Statements

Findings and Analysis

The Public Finance Act section 31(2) stated that the Government of Tuvalu financial statements shall be prepared and submitted to the Auditor General within a period of six months after the end of the financial year. The Government of Tuvalu financial statement was submitted for audit more than seven months after the end of the financial year. This is not in compliance with the above mentioned requirement.

Implication

The execution and the submission of the audit report to Parliament is delayed as a result of the late submission of the Government of Tuvalu financial statements.

Recommendation

- The Government of Tuvalu financial statements shall be submitted to the Auditor General within six months after the end of the financial year.
- The treasury is encouraged to make an effort to submit the financial statements earlier after the end of the financial year rather than submitting it at the end of the six months. This will allow ample time for the audit to carry out the examination of the accounts effectively.

Management Comment

This is the first year a systematic process of reviewing the draft accounts by MFED senior officials and the Development Coordination Committee was introduced. Due to time constraints, the accounts were not able to be presented to Cabinet. The internal review process of the draft accounts prepared by Treasury is important in improving the quality and integrity of the submitted accounts, as well as promoting ownership by government. The new change coincided with the turnover in the position of the Manager of the Financial Reporting Team as the incumbent left abruptly in February to accompany her husband who was on long term training. This led to the late submission of the account after the end of the six months after the end of the financial year.

Going forward, the internal review of the draft accounts prepared by Treasury will commence in March and to be submitted to the Auditor General's Office well in advance of the end of June.

2.2017 Final Budget Expenditure Figures in Financial Statements and General Ledger not reconciling with the Appropriation Acts and Estimates of Statutory Expenditure

Findings and Analysis

The Final Budget expenditure figures used in the Statement of Receipts and Payments and in the Statement of Unauthorised expenditures were compared with the corresponding Appropriation Acts (Both original and Supplementary) and Estimates of Statutory Expenditure. Audit noted significant variances (positive and negative) in each Head. Negative variances indicate that the Final Budget expenditure figures in the Financial Statements exceeded the corresponding Appropriation Acts. This actually implies that \$(420, 951.63) were available funds in the accounting system which have not been properly appropriated or approved by Parliament.

The variances shown below are only for heads which the final budget expenditure figures exceeded the total amount appropriated for that head:

Head	Total Appropriation	Final Budget Provision	Budget variance
B	9,098,819	9,149,551	\$(50,732.10)
E	409,858	409,949	\$(90.99)
F	11,859,284	11,861,419	\$(2,134.54)
H	10,259,550	10,495,784	\$(236,233.30)

I	3,106,553	3,136,850	\$(30,297.63)
J	7,590,780	7,610,349	\$(19,569.20)
K	1,852,901	1,854,908	\$(2,006.50)
L	5,903,238	5,964,241	\$(61,003.49)
N	570,923	572,640	\$(1,717.43)
O	3,823,038	3,840,204	\$(17,166.45)
Total	54,474,944	54,895,895	\$(420,951.63)

Implication

- The above variances had been provided for as available funds to be spent, without any Statutory Approval or Appropriation Act. It is unclear whether this amount has been expended.
- If payments were made under the available funds, the payment will not be in compliance with the requirements of the constitution of Tuvalu, the Public Finance Act and the Financial Instructions.

Recommendation

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

Management Comment

After a careful investigation, it was determined that the variances between the Appropriation totals and Final Budget Provision were due the inclusion of statutory estimates in the Final Budget Provision but does not form part of the Appropriation Totals, and the mis-posting of supplementary appropriations and virements as explained in management's response to audit issue 5.2017.

3.2017 Cash unable to be reconciled to Bank Statements, and movement in Cash balance unable to be reconciled to movement in the Statement of Receipts and Payments.

Findings and Analysis

During our review of the financial statements, we noted that the movement in cash in the Statement of Receipts and Payments by Heads was unable to be reconciled to the movement of cash in the Statement of Assets and Liabilities. The variance of \$9,942 was noted. This could be as a result of the adjustment made to the accrual balance to remove the non-cash entries is incomplete.

It was also noted that the cash balance of the General Current Account as per the Bank Statements (taking into account unrepresented cheques and outstanding deposits) was unable to be reconciled to the balance in the Financial Statements. The variance was \$60,710.

Implication

- The result of the comparison between actual receipts and payments to final budget figures may be inaccurate if the adjustment made to the accrual balance to remove the non-cash entries is incomplete.
- The Cash balance presented in the Financial Statements is misstated by \$60,710.

Recommendation

- Going forward additional effort is placed in reconciling the movement in the Statement of Receipts and Payments for the year to the movement of Cash in the Statement of Assets and Liabilities.
- Reconciliation of the Bank module to the General Ledger should be performed regularly with any variance investigated promptly.

Management Comment

With the assistance of Enabling Ltd (Sage 300 dealer), Treasury have managed to identify the causes of the variance between the movement in cash in the Statement of Receipts and Payments by Heads and the movement of cash in the Statement of Assets and Liabilities. This was done using the SYSTRONIC Tool Pac 2018 of Sage 300 ERP to identify mismatch transactions between modules in the ACCPAC. After careful analysis, appropriate reverse entries are made. The cause of mis-postings is linked to the high staff turnover within the past 4 years where a number of senior officers took up long term scholarships and junior officers took over but with little training in applying data entry in to the system.

To address this issue, ongoing in house training are being conducted regularly with the assistance of Enabling Ltd and the new Public Finance Management (PFM) TA. No staff will take on new responsibilities without proper training. In addition, a Manual is being developed to ensure all processes are clearly stipulated and easy to follow. The Manual will also include a systematic process of data entry, checking and verification and posting where staff with different level of authorisation and access are involved, and where mis-postings can be traced to individual users. This will improve accountability, allow for targeted training and will also ensure appropriate disciplinary measures are applied if necessary.

4.2017 Significant loss revenue to Government of Tuvalu on interest charge on overdue imprest.

Findings and Analysis

Audit had previously raised in 2012, an issue on overdue imprest which according to the Financial Instructions section 201(b) states that “*where a special imprest is not fully retired 30 days after the due date, the Treasury Department shall charge interest on the monthly balance still outstanding; this applies equally to overdue amounts being recovered through salary deduction. The interest rate chargeable shall be at the Secretary’s discretion, but shall be a minimum of 10% plus the current commercial bank overdraft rate*”. It was noted that no effort has been made in resolving this issue in previous years and in 2017. However given the increase in special imprest outstanding each year it is anticipated that a significant amount of government loss revenue on interest charged on overdue imprest will continue to increase into the future.

Implication

- Revenues and receivables are understated in the Government of Tuvalu financial statement.

- The Government of Tuvalu loses a significant amount of revenue on overdue imprest charges.

Recommendation

- Imprest accounts are review regularly to ensure timely deductions are made on imprest which have not been retired or have not been fully retired within the specified period.
- The Treasury department ensure that interest is charge on all outstanding imprest i.e. imprest which have not been retired or have not been fully retired after 30 days.

Management Comment

Deductions from officers' salaries is practically effective after 30 days. Management endeavours to issue a Circular informing all travelling officers that interest will also be charged imprest which have not been retired or have not been fully retired after 30 days.

5.2017 Virement and supplementary variances

Findings and Analysis

Audit performed an analysis over virement and supplementary processed by the planning and budget team in 2017. Virement is the approval to move budgeted funds within a Head of expenditure, hence within each head the movement should always add up to zero. It was found that virement processed in 2017 had a total variance of \$360,934.

Supplementary is the approval to expend additional funds from the consolidated fund. The amount of supplementary appropriation entered in the accounting system was compared to the amounts in the appropriation acts. It was found that the total supplementary entered in the accounting system exceeded the total amount in the appropriation acts by \$12,500.

This implies that the total amount of \$373,434 had been provided for and was available to be spent without Parliament approval.

Implication

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

Recommendation

- In future, the reasons for the variances in virement and supplementary are investigated and the practices which cause this are ceased.
- Regular analysis and review of virement and supplementary is performed to ensure errors are being detected and rectified on a timely manner.

Management Comment

- **Supplementary Issue:**
The amount that was entered to the accounting system has not been amended to match to the warrant that was issue in the second time which reflect the correct amount that has approved. It is an oversight from staff and agreed with the recommendation provided.

- **Virement Issue:**

Seems likely that there are virements has been updated on different periods/months (for e.g. a virement less in January but top up in February). Virements may also update one sided only without updating the other votes. There also virements processed which reflect in the system but was unable to furnish copies in the files or virement that send via email but yet to print out to be filed. This is an oversight from staff and strongly agreed with the recommendation provided.

6.2017 TDF cash unable to be reconciled to TDF bank statements, and movement in TDF unable to be reconciled to movement in TDF bank account

Findings and Analysis

The TDF cash balance as per the Bank Statements (taking into account unrepresented cheques and outstanding deposits) was unable to be reconciled to the balance in the Financial Statements. The variance was \$45,109.28

The movement in cash in the Tuvalu Development Fund for the year was unable to be reconciled to the movement in the Tuvalu Development Fund bank account. The variance of \$84,630 was noted.

- There are unexplained movements within the Tuvalu Development Fund. There are either incomplete receipts balances or incorrect accounting for expenditure.
- The TDF cash balance presented in the Financial Statements is misstated by \$45,109.28.

Recommendation

- Going forward additional effort is place in reconciling the movement in the Tuvalu Development Fund for the year to the movement in the Tuvalu Development Fund.
- Reconciliation of the Bank module to the General Ledger should be performed regularly with any variance investigated promptly.

Management Comment

With the assistance of Enabling Ltd (Sage 300 dealer), Treasury have managed to identify the causes of the variance between the movement in cash in the Statement of Receipts and Payments by Heads and the movement of cash in the Statement of Assets and Liabilities. This was done using the SYSTRONIC Tool Pac 2018 of Sage 300 ERP to identify mismatch transactions between modules in the ACCPAC. After careful analysis, appropriate reverse entries are made. The cause of mis-postings is linked to the high staff turnover within the past 4 years where a number of senior officers took up long term scholarships and junior officers took over but with little training in applying data entry in to the system.

To address this issue, ongoing in house training are being conducted regularly with the assistance of Enabling Ltd and the new Public Finance Management (PFM) TA. No staff will take on new responsibilities without proper training. In addition, a Manual is being developed to ensure all processes are clearly stipulated and easy to follow. The Manual will also include a systematic process of data entry, checking and verification and posting where staff with different level of authorisation and access are involved, and where mis-postings can be traced to individual users. This will improve accountability, allow for targeted training and will also ensure appropriate disciplinary measures are applied if necessary.

7.2017 Aviation Receivables

The aviation department collects departure tax of \$30 and safety and security levy (SSL) of \$5 on every passenger departing Funafuti. These charges are incorporated into the airline ticket costs and the total amount collected will be deposited into the authorised airline (Fiji Airways) bank account. As stated in the Disbursement Framework the aviation department must prepare and submit the confirmation of the number of passengers departed from Tuvalu to the authorised airline. The Fiji Airways then prepares payment (total departure tax and levy less commission of 3%) which will be deposited into the safety and security levy designated bank account.

Audit was able to ascertain the revenues that should be earned in 2017 on departure tax and safety and security levy fee. The variance of \$43,682 was noted between the actual revenue collected and the amount as per the supporting documentation. This amount has been included in the Financial Statements as receivables. Audit was unable to verify the revenues collected in previous years due to the unavailability of supporting documentation.

Implication

Revenues and assets in the Government of Tuvalu financial statements are understated.

Recommendation

- The aviation department to regularly review the payments made into the SSL bank account
- Ensure Fiji Airways pays all the amount due to the Government of Tuvalu. Any underpayment by Fiji Airways is informed as soon as possible.
- Ensure proper checking and reconciliation of the number of passengers departing Funafuti with Immigration and Customs before submission of confirmation to Fiji Airways.

Management Comment

At this stage, we followed the above recommendation as they are outlined in our service agreement with Fiji Airways. The only problem we faced, when we submitted the monthly passenger data, Fiji Airways will look at it and verify with their system. So the problem here, it is not only the departure tax and the levy that Fiji Airways should pay us, but there are other revenues such as Landing fee, Handling fee that supposed to be paid in to the Government account directly, but most of the times they mistakenly transfer these fees together with the levy and the departure tax in to the Safety and Security Levy Fund in our National Bank. To determine those fees, we emailed back to them if they can send us the break down so we can identify the transfers.

8.2017 Communication and Transport Payables

Findings and Analysis

The Ministry of Communication and Transport had received a memo from the Freshet International Limited, the agency which supplies provisions for Tuvalu's respective vessels. The agency claimed that the Ministry failed to settle its long list of outstanding invoices a few of which were dated back to 2008 and 2009.

The Ministry had taken the initiative to reconcile the list of outstanding invoices to their records and found that there are some invoices which had already been settled but still appear in the list of outstanding invoices. It was also noted that some of the outstanding invoices could not be traced as supporting documentation are unable to be located.

Implication

- Without original supporting documentation the Ministry concern would not be able to reconcile and verify the outstanding amount still owed to Freshet International Limited.
- There is an increased risk that expense and liability are understated in the Financial Statements.

Recommendation

- The Ministry concern with the assistance of the Treasury department to make an effort to trace all the outstanding invoices to respective supporting documentation.
- Going forward all financial matters and obligations of the Ministry are kept properly in a safe place. Ensure copies of invoices are provided to Treasury for posting into ACCPAC.

Management Comment

- The Ministry had done an exercise earlier this year to reconcile the list of invoices raised by Freshet as being still unpaid but found out that there were a number of these had been indeed settled.
- As a result, the Ministry has a strong reservation as to the truthfulness and/or correctness of this claim by Freshet.
- Given that most of the financial reports kept at the Treasury for 2008 to 2012 (??) had been disposed, there is no way the Ministry will agree to the unpaid invoices raised during those years.
- Nonetheless, the Ministry will continue to work closely with Freshet to reconcile other invoices before payment could be made.

9.2017 Member of Parliament privilege under the TMTS

Findings and Analysis

Audit noted that Members of Parliament (MP) were being referred for treatment in New Zealand under the medical treatment scheme compared to all other Tuvalu citizens which were mostly referred for treatment in Fiji. The TMTS policy does not specifically mention this as well as the travel policy and the Prescription of Salaries Act. It was noted that the total expenditure for MP under the medical treatment scheme was approximately \$396,000 in 2017.

Implication

There is lack of transparency in the decision made by those charged with governance in relation to their privilege under the medical treatment scheme.

Recommendation

The TMTS policy is strictly adhered to by the Medical Board and ensures patients are being treated equally and fairly otherwise privileges for Parliamentarians are specifically mentioned in the TMTS policies, Prescription of Salaries Act and as well as in the Parliamentary privileges and entitlements (Schedule II).

Management Comment

Generally the TMTS does not recommend treatments for referred patients to be treated in NZ or even Australia for that matter. This is mainly a cost based decision especially when similar treatments cost about a 60% less in India or elsewhere. However, there is a separate scheme

that is totally funded by NZ with the management and administration of this assistance being tendered out by the NZ Government. Patients that qualify under this scheme is strictly as per the administrator's own assessment but based on medical reports from the Ministry of Health, Tuvalu., (PMH).

Most of the financial costs referred to above relate to one patient who was referred to NZ under a decision beyond the control of the TMTS and MOH management.

Given the importance of this issue, MOH Management suggests that Members of Parliament and political leaders should have a scheme or allocation for their medical check-ups and treatments assigned under Parliamentary privileges and entitlements, (Schedule II,) which will separate it out from the TMTS and be more easily identified as for MPs medical treatments. This is the system used in Kiribati and the Republic of the Marshall Islands.

10.2017 Timely reconciliation of imprest

Findings and Analysis

An imprest is initially recognised as a receivable in the Government of Tuvalu 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. Retirement of imprest according to the FI must be undertaken within 30 days of the return of the officer from official travel.

Audit noted that there were quite a few receivables in the Government of Tuvalu accounts which have negative amounts which imply they are payables rather than receivables. There are also accounts which have reached their due dates but little to no actions have been taken to recover the amount due.

It was noted that the negative receivables could be either due to an over repayment of imprest amount or imprest which initially had not been entered into ACCPAC, or a misposting made in the system.

Implication

- Without timely reconciliation of imprest, the receivable may be understated as the negative amounts offset or reduces positive amounts. The imprest overdue will not be recovered on a timely manner.
- 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 as well as overdue imprests are identified and addressed on a timely manner.
- Review of all negative amounts in Account Receivable should be performed and the amounts either removed from the system if they are mis-postings or re-paid to staff members if they are over payments of imprests.

Management Comment

With the assistance of Enabling Ltd (Sage 300 dealer), Treasury have managed to identify the unmatched transactions for imprests. The cause of mis-postings is linked to the high staff turnover within the past 4 years where a number of senior officers took up long term scholarships and junior officers took over but with little training in applying data entry in to the system.

To address this issue, ongoing in house training are being conducted regularly with the assistance of Enabling Ltd and the new Public Finance Management (PFM) TA. No staff will take on new responsibilities without proper training. In addition, a Manual is being developed to ensure all processes are clearly stipulated and easy to follow. The Manual will also include a systematic process of data entry, checking and verification and posting where staff with different level of authorisation and access are involved, and where mis-postings can be traced to individual users. This will improve accountability, allow for targeted training and will also ensure appropriate disciplinary measures are applied if necessary.

11.2017 Non submission of asset registers and a summary of changes in asset to Treasury

Findings and Analysis

The Accounting Officer is responsible for the maintenance of both the asset and the inventory register for their expenditure heads and shall maintain these registers in line with the format provided by the treasury department. Audit noted that the majority of line ministries and departments have not submitted their asset registers to treasury.

The Financial Instructions section 285 stated that *“an updated register summarising any changes to asset (such as addition of purchased or donated assets, removal for the disposal of existing assets and recording of the status of existing assets which are no longer in a serviceable state) must be provided to the treasury department during the monthly votekeeper reconciliation process”*.

Implication

- Not all assets of the Government of Tuvalu are included in the consolidated asset register which is managed and monitored by treasury department.
- Asset may be understated in the statement of assets and liabilities.

Recommendation

- Accounting officer to ensure all assets purchased under their heads of expenditure and asset funded by donors as well as donated assets are included in the asset register and submitted to treasury during monthly reconciliation.
- Any change to asset as mentioned above must be reported to treasury immediately.

Management Comment

No response received from Management

12.2017 Unavailability of cabinet minutes and records of decisions

Findings and Analysis

Audit requested copies of cabinet minutes for 2017 to enable us review the decisions made (which could have an effect on the financial position of the Government of Tuvalu), were actually being reflected in the financial statements. It was noted that the majority of cabinet minutes and decisions were unable to be presented to us for review.

Implication

Without a record of key decisions made, we are unable to be certain that the financial statements reflect these decisions. We are also uncertain which areas if any of the financial statements will be affected.

Recommendation

Cabinet minutes are available and can be easily access by the Office of the Auditor General during the audit of the Government of Tuvalu's accounts.

Management Comment

Cabinet minutes are available in short version and properly long versions which can be easily access by the office of the Audit General. In fact, the officer who is taking care of cabinet issues and Cabinet minutes is on leave, and so I am holding his position in taking care of Cabinet issues. In addition, I am not really sure as whether all his short versions minutes have been approved by Cabinet or not. I believe that these sets of minutes shall be available if requested by the Audit during auditing of Government accounts.

13.2017 Non reconciliation of departing passenger and no proper filing of travel records

Findings and Analysis

The Safety and Security Levy (SSL) fund Special Account has been established under the Safety and Security Levy Act. A levy of \$5 is chargeable on every departing passenger from Tuvalu except the exempted passengers. The purpose of the fund is to finance aviation safety and security expenditures incurred by the department of Civil Aviation.

Reconciliation of records of departing passengers from Funafuti to Immigration, Customs and Statistics department must be carried out to ensure the department received the correct amount of revenue from Fiji Airways. Audit noted that no such reconciliation has been performed by the department. This is not in compliance with section 9 of the Disbursement Framework and Procedures for Departure and Safety Levy Fund.

Audit further noted that files for passenger manifest for the years 2014-2016 were not filed and stored appropriately. We were unable to verify the amount of revenue collected by the Government of Tuvalu from departure tax and SSL fee for those mentioned years.

Implication

- There is a risk of revenue and asset being understated in the financial statements.
- Without performing reconciliation there is a risk that the Government of Tuvalu may lose some of its revenue.

Recommendation

- Reconciliation of departing passenger listing must be carried out with Immigration, Custom and Statistical department before a confirmation is send to Fiji Airways.
- Files for passenger manifest and confirmations of reconciliation should be filed and stored properly in a safe place.

Management Comment

Refer explanation above in issue 7.2017.

For filings, I will encouraged our staffs to ensure filings must be done as recommended

14.2017 Poor record keeping and lack of TMTS Database

Findings and Analysis

The Ministry of Health operates the Tuvalu Medical Treatment Scheme (TMTS) which aims at providing healthcare services that are not available at the Princess Margaret Hospital and medical centres on the outer-island to citizens of Tuvalu.

Audit noted that the Ministry of Health does not have a database or a centralized spreadsheet that records and stores all TMTS related information such as patient name, the type and location of treatment, medical bills, travel management, medical check-ups etc. The Ministry also does not keep proper filing of TMTS records as well as proper referencing and sequence of records to enable ease referencing. It was noted that the key factors contributing to these issues were the frequent changing of administration officers/clerks or vote keepers, there was no evidence of handing over between the new and outgoing staff and most importantly there was no officer within the ministry which deals specifically with TMTS.

All information relating to TMTS expenses are recorded in ACCPAC as well as the supporting documentation are stored at the treasury. This information will not assist management to make better decision making and better management of TMTS resources. The Ministry of Health need someone with analysis skills to analyse data retrieved from ACCPAC and be able to provide reports that are relevant to enable management make better decision making.

Implication

- Without the Ministry of Health maintaining proper records of all information relating to TMTS, there is an increased risk of the Government of Tuvalu committing more monies without knowing the full extent of its commitment.
- There is a high risk that TMTS payments may exceed budget estimates due to lack of records and proper management of information relating to TMTS.

Recommendation

- The Ministry of Health to ensure that TMTS records are filed properly and stored in a safe place.
- The Ministry of Health to recruit a TMTS officer to record and analyse TMTS data and to produce reports that will assist management with their decision making.

Management Comment

The Ministry has started producing quarterly reports which covers both qualitative and quantitative reporting which also includes financial information. MOH is working to try and do retrospective reporting for prior years, however, really value will be derived from future reporting.

Further, perhaps the ACCPAC system should have sub-heads under TMTS which will specify the specific types of expense, example: Airfares for patients, allowances, accommodation and actual medical costs. More information can also be derived from the ACCPAC system if we can also specify the suppliers. This can assist with analysing data such as which hospital (supplier) provides cost efficiencies.

15.2017 Monthly submission on receivables not prepared and submitted to Treasury departments.

Findings and Analysis

The funds collected on behalf of the Government of Tuvalu can only be receipted at the cashier within the Treasury department, delegated Treasury official located in overseas missions or on Outer Islands, or a registered revenue collecting department.

Audit noted that revenue earned but not received (account receivable) by registered revenue collecting departments and by other government departments such as fisheries etc, were not reported to treasury. The Financial Instructions section 184 stated that “*The Treasury*

department shall maintain and actively manage a register of all the accounts receivable invoices of government in the FMIS to support the collection of monies owed to Government and to support the production of accrual based financial report”.

Implication

There is an increased risk of account receivable and revenue being understated in the financial statements.

Recommendation

- Accounting Officers must report to treasury department any amount receivable at the end of every month.
- The treasury shall check these receivables to supporting documentation to ensure they are valid and with the correct amounts before entering into the register and the ACCPAC.
- Follow up actions should be made by the treasury department with the assistance of the ministry/department concern on all overdue receivables.

Management Comment

Accounting officers failed to provide these receivables information to Treasury on a monthly basis. In mid-2018, Treasury strengthened its internal controls on Government revenue collectors by installing its FMIS (Sage 300) on most Government departments. This will enable responsible departments to input all Government receivables to FMIS and reflected on Treasury's reports as receivables.

16.2017 Lack of reconciliation of TMTS outstanding bills

Findings and Analysis

The Ministry of Health over the years had been paying significant amount of money on outstanding bills. In 2017 outstanding bills amounted to \$1.2m of which \$225,071.60 was settled within the financial year. The \$983,502 of outstanding will be cleared off in 2018.

It was noted that there was no documented reconciliation process of checking the outstanding bills received from overseas hospitals to TMTS records. On many occasions the bills received by the Ministry of Health are taken as final. There was no process in place to review and confirm whether the invoices received are actually valid and genuine or to identify in advance if there are invoices which have not been settled and are yet to be received.

Implication

- There is an increased risk that account payable and expense may be understated in the Government of Tuvalu Financial Statements.
- There is a high risk that double payment could occur due to lack of reconciliation of outstanding bills.

Recommendation

- The Ministry of Health to ensure the person employs as the TMTS officer has good knowledge and understanding of accounting in order to be able to perform reconciliations of outstanding bills.

Management Comment

This is an issue that the Ministry is trying to address. Some of the issue have been that TMTS have never actually had a dedicated fulltime coordinator. ALL TMTS employees have been on temporary appointments and even then the unit have had 3 coordinators in the past three years but still with long periods in the past 3 years when there was no coordinator with the EO or HEO filling in at times as the coordinator.

Starting from 2019, HRM has finally approved two new positions specifically for this unit. With sufficient Human resource working in the unit there should be more time for carrying out reconciliations.

Another additional element will be to actually get patients to verify invoices pertaining to their actual treatment before the Ministry approves these invoices for payment.

17.2017 Non-performance and reporting of asset and inventory stocktake by departments

Findings and Analysis

The Financial instructions section 301 states that “*During June each year, and again in the final two weeks of the financial year, all Votekeepers and Accounting Officers must ensure that all assets on the Government asset register are identified, counted, and a copy of the expenditure head’s asset register signed by the Accounting Officer and provided to the Treasury Department.*”

Audit noted that there were no stocktake of asset and inventory been performed by the departments. We acknowledge that the financial instructions was reviewed recently in 2014 and therefore its implementation is slowly underway.

Implication

Without the performance of asset and inventory stocktake the asset and inventory register is incomplete.

Recommendation

The Accounting Officer must ensure that asset and inventory stocktake are performed during June each financial year and again in the final two weeks of the financial year. An updated signed asset register must then be provided to the treasury department.

Management Comment

No response received from Management

18.2017 Non-Tuvalu citizens contracted by government funded through TMTS

Findings and Analysis

Audit noted that a non-Tuvalu officer contracted by the Government of Tuvalu has travelled on his own expense to seek overseas medical treatment. The officer upon returned was able to claim his travel and medical expenses including accommodation under the medical treatment scheme. The TMTS policy section 7.2 noted that “*a non-Tuvalu citizen working for the Tuvalu Government or other government affiliated bodies in Tuvalu and overseas is not entitled to be referred for overseas medical treatment under this Scheme. However, such patients can be offered medical care and must pay for the costs.*”

Section 7.3 further noted that *“Any Tuvalu citizen residing in Tuvalu who has not been referred under the Scheme but seeks medical treatment overseas privately is not qualified for financial reimbursement under the Scheme.”*

It was noted that the officers’ claim was approved on the merit that in his contract, section 8 noted that *“the officer shall be entitled for medical care equivalent to that which is afforded to the citizens of Tuvalu”*. The interpretation from the Attorney General Office confirmed that section 8 of the officers’ contract does not specifically refer to the TMTS.

Implication

The payment of non-Tuvalu citizens’ medical care under TMTS increases government commitment and decreases the opportunity for Tuvalu citizens to seek medical care under TMTS.

Recommendation

- The Ministry of Health going forward should not allow the payment of contracted non-Tuvalu citizens’ medical care under TMTS.
- Ensure future contracts are reviewed by the Attorney General’s Office before approval.

Management Comment

This is obviously a matter of legal interpretation but the approval was given on the basis of the officer’s contract. Since then the contracted Specialists terms and conditions of contracts has been amended to exclusively exclude coverage under the TMTS.

19.2017 Unreliable source documentation of patients transportation refund claims

Findings and Analysis

Audit performed testing on TMTS expenses and noted an issue surrounding payments made for patients’ claims on transportation. These claims, although were appropriate and in accordance with section 6.1.1 of the TMTS policy, the payments made on these claims lacked official and valid supporting documentation. There was also no documented reviewing process of patient’s claims before payment is made.

Implication

Without a proper reviewing process in place, there is an increased risk of patients making claims for transportation without appropriate assurance that the claim is correct in all material respect.

Recommendation

- The Ministry of Health to either put in place a proper process where all claims are properly reviewed before approval is granted for payment or;
- The Ministry of Health to consider reviewing the policy to include transportation cost in patient allowance. This eliminates all the risk and financial implication associated with the reimbursement of patient claims on transportation.

Management Comment

MOH is looking into ways to control these claims, including perhaps increasing patients’ allowances to include a travel cost portion and therefore eliminate the need to claim for transportation costs separately.

Other ways may include employing a driver in Suva who will be responsible for taking patients to and from their appointments.

20.2017 Tuvalu citizen using Ministers to overwrite TMTS controls

Findings and Analysis

Audit performed a review of the TMTS process documentation and an interview was also held with staff of Ministry of Health. It was noted that there were instances where Tuvalu citizens uses Minister to bypass TMTS controls. Section 4.1 of the TMTS policy states that *“the referral of patients for treatment abroad shall be under the sole and direct control of the Minister of Health (hereafter referred to as “the Minister”), who shall exercise that prerogative only upon a request from the medical board and only for those patients who meet the criteria set out in this policy”*.

Implication

- There is an increased risk of TMTS budget overrun if the proper process of the TMTS policies is not adhered.

Recommendation

- There is a mechanism in place that would guide the decision makers and prevent them abusing their powers.

Management Comment

The TMTS policy is under review and one of the concerns is about tightening this element of the policy. As long as the Minister has the authority to decide on appeals from patients, this will be hard to control.

Perhaps legislating the scheme should help set better and more rigid arrangements for appeals.

21.2017 Statement of Receipts and Payments by Heads

Findings and Analysis

The Government of Tuvalu’s financial statements were prepared using the accrual basis of accounting i.e. revenues and expenses are recorded when they are earned regardless of when the money is actually received or 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 cash basis to perform the reporting of the Receipts and Payments. This was done manually through excel spreadsheet which is prone to human error and manipulation. Audit noted that there was no one checking and reviewing of the statement to ensure that it was prepared correctly.

Implication

- There is an increased risk that the Statement of Receipts and Payments by Heads may be misstated.
- Comparison of the Statement of Receipts and Payments by Heads against the appropriation expenditures and budget may not be accurate.

Recommendation

- The preparation of the Statement of Receipts and Payments by Heads needs to be reviewed by a supervisor to ensure the information provided in the Statement is accurate.
- The treasury to explore whether there is a possibility ACCPAC can be able to generate cash report.

Management Comment

The FMIS (Sage 300) is based on accrual accounting. To generate a cash report directly from it is unlikely possible. However, there are ADDINS tools in Sage 300 which are compatible with Microsoft applications like Excel. These ADDINS tools allows excel to pull out data from Sage 300 on a live connection which helps to create and customize reports such as the Statement of Receipts and Payments.

Appendix 1: Prior Year Audit Issues Which Remain Unresolved as at 31 December 2017

1.2016 Minister's Spouse travel Expenditure

Findings and Analysis

While testing travel expense it was noted that minister's spouse had exceeded their number of trips which they were entitled to. Minister's spouses are entitled to 2 official business trips per year funded by the government as per Schedule 2 of the Prescription of Salaries Act.

Additionally there was insufficient supporting documentation to identify whether the trips taken over the entitled number were partially or fully funded by donors and whether this affects the entitlements.

Implication

Given the unclear definition in the Travel Guide and the Prescription of Salaries Act of a trip and the entitlements of Minister's spouses when a donor is partially or fully funding a trip, there is an increased risk of abuse of privileges.

Recommendation

- Travel policies are updated to clearly define a trip and address the level of entitlement when a trip is partially funded.
- Supporting documentation for travel should clearly state if trips are partially or fully covering spouse travel for verification of reimbursements.

Management Comment

No response received from Management.

4.2016 Lack of documentation surrounding suppliers expenses

Findings and Analysis

A sample test was performed by audit on a series of recurrent expenditure transactions excluding payroll expenditures. These include significant and randomly selected expense amount transactions, travel, scholarship, medical scheme and public works expense transactions.

It was noted that supporting documentation for \$1.7m of the sampled expense transactions was unable to be obtained from Treasury. Hence no testing was able to be performed.

Implication

- The Unauthorised payments may be made without the knowledge of the Government of Tuvalu
- We are unable to ascertain if fraud may be occurring (in the transactions sampled) given missing documentation
- Without the approved PVs it is unknown if the financial instructions chapter 6 sections 155 to 162 were followed surrounding the payment and approval process of PVs.
- It is unknown if these expenditures were for assets or expenses, thereby potentially misclassifying the purchases of assets.

Recommendation

- The Treasury shall ensure additional attention is paid to the filing of payments.
- Multiple staff are trained on the process of filing PV's
- Treasury to strictly prohibit anyone apart from the treasury staff to take the original payment voucher after it has been paid out and filed.

Management Comment

No response received from Management.

5.2016 Payment Vouchers not certified by Permanent Secretary of Finance and Economic Development where Purchase Orders are not attached to Payment Vouchers as Required by the Financial Instructions

Findings and Analysis

According to section 159 of the Financial Instructions, Payment Vouchers must be certified by the Permanent Secretary for Finance where for any payment the Purchase Order is not available.

Audit noted when performing testing that there were Payment Vouchers where Purchase Orders were not available. No certification of these Payment Vouchers by the Permanent Secretary for Finance was performed.

Implication

The Government of Tuvalu is not in compliance with section 159 of the Financial Instructions. Without Purchase Orders being raised for all expenditures, there is less control surrounding the commitment of Government of Tuvalu funds. This increases the risk of over expending budgets and purchase of goods before approval is granted.

Recommendation

- Purchase orders are raised for all appropriate purchases, in compliance with the Financial Instructions. These are approved as per the Financial Instructions.
- Where Purchase Orders are not available, the Secretary for Finance certifies the Payment Voucher before payment is made, as required by section 159 of the Financial Instructions.

Management Comment

No response received from Management.

6.2016 Reconciliation of Asset and Liability Accounts to the Sub-ledger or Third Party Evidence is performed

Findings and Analysis

Treasury in 2017 provided some reconciliation of the assets and liabilities General Ledger Accounts to the Sub ledger or third party evidence, however, not all were provided. Those not provided included:

- All Accounts Payable General Ledger Accounts to the Accounts Payable Sub-Ledger.
- Government Current Account General Ledger to the Bank module balance.
- Tax Debtors General Ledger Account to the Accounts Receivable Sub-Ledger.
- Purchase Order Clearing General Ledger Account to the Accounts Payable Sub-Ledger.

- Tuvalu Development Fund Bank Account General Ledger Account to the Bank Module Balance.

Implication

Without these reconciliations, variances cannot be identified and addressed before the audit. This increases the risk of variances between the source information and the General Ledger, which are considered to be misstatements.

Recommendation

- The reconciliations are performed for all asset and liability accounts. Any variances identified are explained and amended.
- Depending on the level of variance (if any) and complexity, more frequent than annual reconciliations are completed.

Management Comment

No response received from Management.

7.2016 Lack of Documentation Detailing the Benefits Entitled by the Overseas Missions Top Management

Findings and Analysis

Audit noted through performing walkthrough testing for Overseas Mission's returns that there are a number of benefits that the Overseas Missions top management received every year that were not reflected in their signed contracts. These include the children school fees and meal allowances for each semester, spouse allowance, cost of living adjustment (COLA) etc.

Audit could not find any documentation surrounding the benefits received by the Missions hence we could not be able to verify whether the payments made were appropriate.

Implication

Without documentation of these benefits we could not confirm whether these payments are legitimate and should be received by the Missions' staff.

Recommendation

- The responsible Ministry/department concern to look into the benefits received by the Overseas Missions to ensure they are appropriate and valid. Discontinue payment if payments are not valid.
- Documentation of all of the entitlements of Overseas Mission staff benefits is performed to ensure consistency.
- Ensure that these benefits are well documented and reflected in their signed contracts of staff.

Management Comment

No response received from Management.

8.2016 No acquittal reports submitted to the Aid Coordination Unit upon completion of projects within the Tuvalu Development Fund

Findings and Analysis

The Accounting Officer of each respective Aid project is required under the Financial Instructions section 257 upon completion of the project to submit to the Planning Budget and

Aid Coordination department, and Treasury an acquittal report in the format prescribed by the donor.

The Treasury department under the Financial Instructions section 258 shall carry out a full and final check of the project vote ledger against the equivalent ACCPAC report to ensure that there are no outstanding commitments for which payments have not been made.

Audit noted that the above procedures have not been executed by both the respective projects officers, the Planning Budget and Aid Coordination department and the Treasury. There were no acquittal reports submitted to the Aid Coordination department and Treasury therefore did not perform proper checking of these projects to ACCPAC.

Implication

- There is a risk that the project may overspend its budget or expenditure on ineligible items is performed.
- Without acquittal reports being presented to the Aid Coordination department and Treasury for review and reconciliation there is a risk that financial information contained in the project completion reports to the donor may be misstated.

Recommendation

- Accounting Officers at the completion of projects under their respective ministries prepare and submit acquittal reports to the Planning Budget and Aid Coordination department and Treasury for their full and final check of project accounts.
- The Accounting Officers and the Aid Coordination department and Treasury familiarise themselves with the procedures surrounding the Tuvalu Development Fund outlined in the Financial Instructions so that they are aware of their roles, responsibilities and the procedures required for projects.

Management Comment

No response received from Management.

9.2016 No proper closure of projects in the Tuvalu Development Fund after completion

Findings and Analysis

Audit noted that there was no proper closure of projects in the Tuvalu Development Fund when completed as required under Financial Instructions section 259 which states, *“Once the project vote ledger and FMIS have been reconciled satisfactorily, and the Planning, Budget, and Aid Coordination department have reviewed the status of the project the project may be closed within the FMIS”*. There are projects dating back to 2009.

It is the responsibility of the Accounting Officer for each respective project and the Aid Coordination department and Treasury to carry out a proper closure of projects in accordance with the Financial Instructions.

Implication

- Without a proper reconciliation performed between the FMIS (ACCPAC) and the project vote ledgers, there is a high risk that the Government may be paying significant amount of money on projects that have overspent their budgets.
- Without a proper closure of the projects any overspent amount will not be identified and reported to the donor for reimbursement.

Recommendation

- Projects which have been completed are closed out of the Tuvalu Development Fund.
- The project Accounting Officer ensure that proper reconciliation of the vote ledgers to ACCPAC is performed to ensure all payments have been accounted before submitting to the Aid Coordination Unit for final review.
- When there is overspent or underspent in the project account, it is recommended that proper procedures as stated in the Financial Instruction and in the Circulars are adhered to.

Management Comment

No response received from Management.

10.2016 Negative Project Balances within the Tuvalu Development Fund to be cleared

Findings and Analysis

Within the Tuvalu Development Fund, it was noted that there was an increased in the number of projects with negative closing balances in 2017, implying they have been overspent. This may have resulted from:

- a lack of monitoring of balances of projects by vote keepers, and
- approved payments for an individual project located and processed after the remaining fund balances were returned to the Donor.

Implication

The spending controls out of the Tuvalu Development Fund are weak, increasing the risk of overspending of projects continuing to occur.

These projects are using funds allocated to other projects that will require the funds going forward.

Recommendation

- The interest earned on the Tuvalu Development Fund since its establishment is used to clear as many of the projects with negative balances as possible;
- A payment from the Consolidated Fund is made to clear the remaining negative balance projects;
- Controls are put in place to ensure that overspending of projects is prevented; and
- Monitoring is conducted in the future on balances of projects, to ensure that projects are not overspent.

Management Comment

No response received from Management.

11.2016 Accounts Payable balances which are negative and payables not allocated appropriately

Findings and Analysis

Within the accounts payable balance in 2017 there were negative balances payable to some vendors. These are not considered to be payables, rather amounts which are either receivable by the Government of Tuvalu or which are due to mis-postings.

Implication

These negative Account Payable balances understate the accounts payable balance.

Recommendation

- Review is undertaken as part of the financial statements preparation process to ensure that all vendors within Accounts Payable have a positive balance.
- Any negative balances are investigated and are either amended if they are misstatements or are reported as Accounts Receivables.

Management Comment

No response received from Management.

13.2016 Tuvalu Development Fund Account Payable

Findings and Analysis

The Tuvalu Development Fund (TDF) account payable amount as per ACCPAC has increased to \$55k in 2017. We were unable to obtain supporting documentation of these payables for verification. The officer in charge is also not aware of these payables. The TDF is currently using the cash basis of accounting which does not raise Account Payables rather the receipt is recognised when cash is received and payments are recognised when cash is paid out. These payables are considered to be misstatements.

We noted that some of the payables have already been settled. However, when the payment was made and posted in ACCPAC, it was entered as a new payment rather than applying it to the invoice which has already been posted. This practice is not considered appropriate as it creates double payment and will not offset the relevant payable amount within the TDF.

Implication

- There is a high risk that payable and expenditure amount is overstated in the TDF account.
- The project balances could be understated due to double posting of TDF expenditure.

Recommendation

- Regular review of TDF accounts and reconciliation of vote ledgers to ACCPAC is performed so that errors are detected and rectified in a timely manner.
- The Accounts Payable balance is investigated and removed from future reporting and accounting processes.

Management Comment

No response received from Management.

14.2016 TDF vote ledgers were not updated and the non-performance of vote ledger reconciliations

Findings and Analysis

Audit noted through observation and interview with the responsible officer in charge that vote keepers do not maintained updated records of their votes. A few instances were noted where vote keepers were enquiring their vote balances from ACCPAC. It was also noted that reconciliation of vote ledgers to FMIS was not regularly performed.

Implication

Without updating the vote ledgers the vote keeper is unable to provide proper information to the Accounting Officer when requested. There is a high risk of overspent in the project account if the vote ledgers are not updated on a regular basis.

Recommendation

- Vote ledgers should be updated by the vote keepers for all the commitments raised under the projects and should be maintained appropriately for accountability purposes.
- Monthly reconciliations for vote ledgers should be performed on a timely basis with treasury to ensure any variances are rectified and resolved in a timely manner.

Management Comment

No response received from Management.

15.2016 Preparation of the monthly reports not in compliance with Financial Instructions

Findings and Analysis

The Financial Reporting section under the Treasury Department prepares the monthly and final accounts for the Government of Tuvalu. Audit noted that the monthly accounts were prepared in a timely manner, however, do not contain all the relevant information as required under the Financial Instructions section 318.

Audit noted that the following are not included in the Whole of Government monthly reports;

- Government borrowings and guarantee balances and details
- Account receivable balances
- Assets and inventory details
- Summary of projects funded from Development Fund outlining funds received, funds expended, and the remaining funds available.

Implication

- Without the inclusion of the above information the Government of Tuvalu monthly report is not in compliance with the requirements of the Financial Instructions.
- There is a risk that these accounts will not be updated and reviewed in a timely manner.

Recommendation

- All the required information in the Government of Tuvalu monthly report is provided as required under the Financial Instructions.

Management Comment

No response received from Management.

16.2016 Reconciliation between the Marine (Stevedoring and Wharfage) and Treasury

Findings and Analysis

Audit noted that there is a significant amount of receivables maintained by the Marine Department which were not included in the Government of Tuvalu Financial Statements. A significant amount of these receivables related to the shipping agencies.

It is noted that these agencies sometimes make payments directly to the Government General account but not through the Marine cashier. These direct payments would not be recognised and updated in the Marine books as reconciliation is not performed on a regular basis.

Implication

- Without regular reconciliation to the Treasury there is a risk that receivables in the Marine books may be overstated.
- Without the inclusion of these receivables, the financial statements are incomplete and Treasury would not be able to monitor these receivables when received. Revenue will also be understated.

Recommendation

- Marine reconcile with Treasury on a regular basis to ensure payments made directly to the General account are updated in their books.
- Marine at the end of the year to submit all its receivables to Treasury to be included in the Whole of Government accounts.
- ACCPAC is used to monitor the Marine receivables, reducing the need for reconciliations and other systems.

Management Comment

- The Marine has started sending reminders of these receivables to these shipping agencies to pay up their outstanding. This effort will continue on to ensure all receivables are collected within the first six months of 2019.
- The Ministry will establish a system in 2019 where all agencies will have to promptly pay any dues of their vessels either before their entrance to our harbour or immediately after the date in which the transaction has been effected.
- The Ministry will discuss and formulate with the Treasury a system where reconciliation of these outstanding could be improved.

17.2016 Agreements between Development Partners and Government of Tuvalu not on file

Findings and Analysis

When the Office of the Auditor General requested a sample of agreements between Development Partners and the Government of Tuvalu, they were unable to be located. These agreements detailed funding amounts, assets to be provided to the Government of Tuvalu and the obligations of the Government of Tuvalu and the Development Partner.

Implication

There is an increased risk that without these agreements:

- the Government of Tuvalu does not receive all the support that it is entitled to under the agreements;
- in the case of a project, the project is not completed to the specifications of the agreement and the benefit is reduced;
- monitoring of the projects without these agreements is not able to be performed effectively as deliverables and milestones are contained within the agreements; and

- the resource commitments that the Government of Tuvalu has made will not be accounted for in future financial forecasting.

Recommendation

- Agreements are kept on file, in soft copy and are easily accessible when requested by Audit.
- Agreements are used to monitor the progress of projects, record commitments and the value of assets provided.

Management Comment

No response received from Management.

18.2016 Registered Government Bank accounts with the National Bank of Tuvalu not included in the Whole of Government accounts.

Findings and Analysis

Audit noted through the bank confirmation obtained from the National Bank of Tuvalu (NBT) that there are bank accounts which were registered as government bank account but were not recorded in the Government of Tuvalu Financial Statements. Details are as follows;

1. Gov't UK/Tuv O/S C/A No.3 – 01-420002-03
2. Gov't Tuvalu DBI – 01-420002-08
3. Tuvalu/Japan Fuel CPF – 01-420002-10
4. Outer Islands tax – 01-420002-11
5. Gov't Tuvalu CF Acc – 01-420002-30
6. Gov't Tuvalu SPF Art – 01-420002-32
7. Gov't Tuvalu HRR – 01-420002-33
8. Gov't Tuvalu No.5 Acc – 01-420002-35
9. Gov't of Tuvalu BKP – 01-420002-37
10. Gov't of Tuvalu Agri HDT S – 01-420002-38
11. Gov't of Tuvalu PRY FR – 01-420002-39

Additionally, audit also found three bank accounts which are currently operating under the respective departments and are not included in the Government of Tuvalu Financial Statements. These accounts were not included in the bank confirmation received from the NBT. Details are as follows;

1. Aviation Safety and Security Levy – 01-927583-30
2. Tuvalu Eye Spectacles

Audit is unsure whether the establishment of most of the above bank accounts have gone through the proper procedures for the approval of establishing government bank account. The management of these bank accounts is also a breach of the FI section 235 which states that, "The Chief Accountant, on behalf of the Ministry, must manage and maintain all bank accounts held by Government, and there shall be, for no reason, accounts held outside of the control of the Treasury Department".

Implication

- Without the involvement of the Chief Accountant in administering these accounts, the risk of funds being misused will be increased.

- Without the inclusion of these bank accounts the Government of Tuvalu Financial Statements will not be complete.

Recommendation

- Treasury to investigate and confirm the above bank accounts whether they are actually Government bank accounts.
- Treasury to advise the bank not to allow any government department to register new bank accounts.
- All Government bank accounts which are currently not with the Treasury should be handed over to the Government Accountant for proper administration of these funds.
- Any confirmed government bank account which was opened without the approval of the Finance Secretary should be closed and funds shall be transferred to the Consolidated Fund.

Management Comment

No response received from Management.

Recommendation	Risk	Management response
<p>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.</p> <ul style="list-style-type: none"> • A record of all pledges is established and all unpaid 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 	<p>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.</p> <p>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.</p> <p>Implication</p> <ul style="list-style-type: none"> • 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. 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>7.2015 Transshipment revenue not reconciling to Financial Statements</p> <p>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.</p>	<p>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 2017 year.</p> <p>No reconciliations have taken place for this revenue which is monitored and recorded by the Fisheries Department.</p> <p>Implication</p> <p>Without the reconciliation, the transshipment revenue is mis-stated in the financial statements.</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>9.2015 Advances improperly accounted for in 2017</p> <ul style="list-style-type: none"> 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. 	<p>The Minister for Finance under section 193 of the Financial Instructions can approve an advance out of the consolidated revenue fund. The advances in 2016 and 2017 were not registered as an advance, rather as an expenditure and then if there was a subsequent repayment, a decrease in the expense.</p> <p>Implication</p> <ul style="list-style-type: none"> 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. 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>10.2015 Payments out of Coin Security Fund without proper declaration under the Currency Act</p> <ul style="list-style-type: none"> In future, all payments out of the Coinage Security Fund are made in accordance with the Currency Act. Investigation is performed by the Government of Tuvalu 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. 	<p>The Coin Security Fund Special Account has been established under the Currency Act. A payment of \$7k was made from the Coin Security Fund to the General Current Account.</p> <p>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.</p> <p>Section 5(4) and 5(5) of the Currency Act requires:</p> <p><i>(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.</i></p> <p><i>(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.</i></p> <p>There was no determination of net profits by the Fund in 2016 and 2017.</p> <p>Implication</p> <p>The transfer of funds out of the Coin Security Fund is contrary to the requirements of the Currency Act.</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>11.2015 Cash only reconciled at year end, causing budget expenditure reporting to be inaccurate</p> <ul style="list-style-type: none"> 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. 	<p>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.</p> <p>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.</p> <p>Implication</p> <p>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.</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>14.2015 Custom receivables</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Implication</p> <p>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 Government of Tuvalu.</p>	<p>Well, we did operate on different platform in which Customs using PC Trade and Treasury using ACCPAC. Therefore these two system are not match in which are operate separately.</p> <p>The PC Trade in actual fact a system is built to capture imports data, therefore there is no accounting model in built to facilitate account receivables.</p> <p>We will discuss further with Treasury how we can capture account receivables in the ACCPAC.</p> <p>PC Trade, we may opt to upgrade PC Trade that can capture Account receivable and incorporate it with ACCPAC system.</p>

Recommendation	Risk	Management response
<p>17.2015 Minister's spouse travel entitlements not clear in the policies and laws</p> <ul style="list-style-type: none"> • 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 	<p>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.</p> <p>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.</p> <p>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.</p> <p>It is unclear if partially funded trips claimed by spouses are considered to funded trips under the Travel Guide.</p> <p>Implication:</p> <p>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.</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<p>18.2015 Local purchase orders and transfers to be taken into account when deriving cash movement</p> <p>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.</p>	<p>Local purchase orders are used to acquire goods and services from within the Government of Tuvalu, by the Government of Tuvalu. Some examples are travel on the passenger vessels and the ICT department fixing a computer.</p> <p>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.</p> <p>Implication:</p> <p>The receipts and payments in the Statement of Receipts and Payments are overstated.</p> <p>The payments calculated in the Statement of Unauthorised Expenditure are overstated.</p>	<p>No response received from Management.</p>
<p>1.2014 Over expenditure of Budget Heads</p> <p>1. The reason for the occurrence of these overpayments is investigated.</p> <p>2. Further strengthening of the payments process is performed to make the controls in preventing these over payments from occurring is performed.</p>	<p>During the audit, analysis was performed between the total amount of payments approved by the Appropriation Acts and the total cash payments made for 2017.</p> <p>Due to the variance of \$9k between the Statement of Receipts and Payments and the movement in cash balance audit is not certain whether the adjustments made to remove non cash items was completed.</p> <p>Audit is unable to verify the actual expenditure for each Head and identify whether there is over expenditure of budget Heads.</p> <p>Implication</p> <ul style="list-style-type: none"> The payments made out of the heads which payments exceeded the appropriation are in breach of the 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
	<p>Constitution, the Public Finance Act and the Financial Instructions. Section 9 © of the Constitution of Tuvalu states that:</p> <p><i>“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;...”</i></p> <ul style="list-style-type: none"> • Payments are being made without due consideration of the budget framework. • The controls in place to prevent these overpayments are not effective. 	
<p>2.2014 Incorrect accounting for acquisitions, disposals and depreciation of assets</p> <ul style="list-style-type: none"> • 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. 	<p>Property Plant and Equipment assets have been included in the Government of Tuvalu’s Financial Statements for the first time in the 2013 Financial Statements and have since been included in 2014, 2015, 2016 and 2017. The movement in Property Plant and Equipment from 2015 to 2016, and 2016 to 2017 (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.</p> <p>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.</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
	<p>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.</p> <p>Implication</p> <ul style="list-style-type: none"> • Suppliers Expense for 2016 and 2017 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 2016 and 2017 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. • Assets provided by Development partners in 2016 and 2017 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. 	
<p>3.2014 Records Management system monitoring tax revenues (RMS) not updated in 2014 2015 and 2016.</p> <ul style="list-style-type: none"> • Continue updating RMS in the future. Ensure that the 2016 receivable balances are correct. • Reconcile the tax revenues and receivables from RMS to ACCPAC on a monthly basis, updating ACCPAC if need be. 	<p>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 2015, 2016 and 2017.</p> <p>Implication</p> <ul style="list-style-type: none"> • The database was unable to be reconciled to ACCPAC at the end of 2016 and 2017. • There is limited comfort that the tax receivable and revenue figures in 2016 and 2017 are materially stated. • Taxpayers who have not lodged a return for 2016/2017 or who have lodged a return for 2016/2017, however, not 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<ul style="list-style-type: none"> • 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. 	<p>made payment may not be able to be identified and followed up, given the data is incomplete.</p>	
<p>7.2014 Strategic planning for the Government of Tuvalu to be improved, including linking Corporate plans to the TKIII</p> <ul style="list-style-type: none"> • 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. 	<p>The TKIII (National Strategy for Sustainable Development) has been prepared and is the document which states the Government of Tuvalu's development priorities. Underneath this document should be the Corporate Plans for each of the Government of Tuvalu's Ministries and Departments which detail how they plan to implement the TKIII strategies.</p> <p>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.</p> <p>The Government of Tuvalu 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 in use to review</p>	<ul style="list-style-type: none"> ➤ Corporate Plans (CPs) are considered as high priority by the Monitoring, Evaluation and Coordination Dept. (MECD) for reporting in order to well reflected the linkages to TKIII ➤ MECD does not work with line Ministries on their Corporate plans in terms of updating, it is the full responsibility of line Ministries to update their CPs and report to MECD; Thus MECD will remind, follow up and report progresses ➤ MECD does not recommend in order for TKIII to be updated with a goal in line Ministries CPs, because all Ministries CPs MUST link with TKIII ➤ Risks are included in the report hence a Risk policy should be formulated by

Recommendation	Risk	Management response
<ul style="list-style-type: none"> • 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. 	<p>progress against the TKIII, however, the detail was limited and the ECU was not monitoring the progress against Ministries' Corporate Plans.</p> <p>Implication</p> <ul style="list-style-type: none"> • There is limited accountability of the Ministries and Departments surrounding their Corporate Plans. • Without effective monitoring of the progress against these plans, the Government of Tuvalu 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. 	<p>PBACD as it is the Dept. who formulate our National Development Plan and PBACD knows well too why they had formulate such development</p> <ul style="list-style-type: none"> ➤ MECD only monitors SDEs to meet the Cabinet's decision to monitor SDES as they want to know the projects status and not that they are link to TKIII because some projects are not highlighted in TKIII and another important factor is that Cabinet wants to ensure that projects funds are not vired or mismanage by line Ministries ➤ There are two CPs in place – MFED and MoH Strategic plan but line Ministries departments have their own and not yet consolidated into a Ministry CP, MECD by the way only monitors Ministries CPs and not departments CPs ➤ MECD monitors Line Ministries CPs meaning MFED and MoH

Recommendation	Risk	Management response
<p>8.2014 Loan to SELF (Student Educational Loan Fund) awardees and RSE workers being treated as expense and repayments treated as revenue</p> <ul style="list-style-type: none"> • 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 Government of Tuvalu are recorded. 	<p>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 Government of Tuvalu after completion of studies or returning home on failure. No interest is charged on these loans.</p> <p>The student educational loan fund policy Section 4.7 states that <i>“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”</i>.</p> <p>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 Government of Tuvalu not made any actions to recover these loans.</p> <p>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.</p> <p>The Labour Department were not able to provide the updated list of outstanding loans in the RSE scheme and their balances when requested.</p> <p>The SELF and RSE loans are not being recognised as loans in the Government of Tuvalu’s Financial Statements, rather they are recognised as expenses when paid out and revenues when they are</p>	<p>HRM has started to write to candidates last year who have completed under the SELF to repay the amount that was spent on them during the course of their studies.</p> <p>HRM have continue to dialogue with the Treasury to establish a head on which the loans repayments should be paid. To those civil servants who are working they should be deducted from their pay as whatever amount required. This amount is mounted like a rent that was also deducted from individual salary for those who rented government quarters.</p> <p>Further there is a intension to establish a debts recovery officer within the Department of HR to focus mainly on the recovery of loans and from those who are currently under the SELF</p> <p>It would be wise if the Treasury could set up a monitoring system for loans to be like the rents or etc. that have been deducted by Treasury.</p>

Recommendation	Risk	Management response
	<p>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.</p> <p>Implication</p> <ul style="list-style-type: none"> • If the Government of Tuvalu 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. 	
<p>10.2014 No recording of annual leave and sick leave balances by Government of Tuvalu</p> <ul style="list-style-type: none"> • A system is developed where staff enter their annual leave requests in before they go on leave and this is approved by their superior and personnel and training before they go on leave. This could be incorporated into the current database system which has been developed to approve staff's overseas travel. • Further effort is placed in obtaining staff's annual leave forms, approving and updating the annual leave balance, before the staff member actually goes on annual leave. • Annual leave and sick leave balances are calculated for each staff member and are updated with each leave form submitted. 	<p>No annual leave and sick leave balances are being recorded by the Government of Tuvalu, 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.</p> <p>We acknowledge that a new payroll module within ACCPAC has been installed in 2016.</p> <p>Implication</p> <p>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.</p>	<p>Individual leaves are filed in their own PFs. All annual leave and sick leaves are recorded in their personal files and database recording of all types of leaves.</p> <p>In fact any officer who wish to take his/her leave have to prepare a form and submitted to his/her supervisor to sign before submitted to HRM for records. Likewise, the sick leave have to be filed in their individual personal files.</p> <p>The office of the HRM will focus mainly on updating records on the annual leave and sick leave for all personals within the public service.</p>

Recommendation	Risk	Management response
<ul style="list-style-type: none"> Instructions for Personnel are developed in order to consistently and effectively manage annual leave balances. 		
<p>13.2014 Information and Communications Technology Weaknesses</p> <ol style="list-style-type: none"> An ICT strategic committee is formed and meets on a regular basis. The National ICT policy is approved and implemented. An ICT security policy is drafted and approved. Detailed process and procedures are documented for the requirements of the above policies. The Antivirus software defined in the Standardisation policy is rolled out to all computers. New upgrades are formally and rigorously tested in an isolated environment. Physical access policies are defined and adhered to. Appropriate environmental controls are put in place in the server room and wherever else key IT infrastructure is located. A backup process is formalised and followed. A DRP and subsequent procedures are put into place and are tested on a regular basis. User access controls are defined and reviewed to ensure that they are appropriate. A consistent framework of IT platforms is approved and rolled out to all Government of Tuvalu IT users. 	<p>During our discussions with the Information, Communications and Technology (ICT) Department in the Ministry of Communications and Transport, the following issues were noted:</p> <ol style="list-style-type: none"> There is no ICT strategic committee giving overall strategic guidance and direction to the ICT Department. A National ICT policy has been drafted, and presented to the DCC for approval, however, is yet to be approved by Cabinet or implemented. No ICT security policy is in place, ensuring that ICT security is appropriate. The standardisation policy does provide some detail, however, this need to be expanded to cover security. 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. Lack of consistent antivirus software usage and antivirus management. This is included in the Standardisation policy, however, further effort is required to implement. Lack of testing of new upgrades to computer software and servers. No physical access policies in place restricting access to key IT areas. This includes the server room. Lack of appropriate environmental controls in the server room, ensuring correct humidity, temperature and consistent power supply. 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
	<p>9. Lack of documented backup processes and lack of offsite backups performed.</p> <p>10. No disaster recovery plan and procedures are in place.</p> <p>11. Lack of user access control policies and processes, apart from the Standardisation Policy.</p> <p>12. Lack of consistent framework of IT platforms. We acknowledge that the Standardisation Policy is attempting to implement this.</p> <p>Implication</p> <ol style="list-style-type: none"> 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 Government of Tuvalu'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 Government of Tuvalu's assets. Without an IT security policy attempts to maintain information security will be performed inconsistently 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 Government of 	

Recommendation	Risk	Management response
	<p>Tuvalu in terms of lost data, reputation, and theft of data and in computers which are rendered useless.</p> <ol style="list-style-type: none"> 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 Government of Tuvalu 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 Government of Tuvalu. 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. 	

Recommendation	Risk	Management response
	<p>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</p>	
<p>14.2014 Publication and approval of the Finance Circulars</p> <ul style="list-style-type: none"> 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. 	<p>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.</p> <p>These draft Finance Circulars are yet to be reviewed, approved and published in 2016.</p> <p>Implication</p> <p>Without these Finance Circulars being approved, circulated and implemented there are significant processes which required to be performed with limited guidance.</p>	<p>No response received from Management.</p>
<p>15.2014 Promotion and education of stakeholders of the revised financial instructions</p> <ul style="list-style-type: none"> 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. 	<p>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.</p> <p>No further progress has been assessed by during 2017.</p> <p>Implication</p> <ul style="list-style-type: none"> Without performing education on the requirements of the new financial instructions, there will be limited change in the practices of the Government of Tuvalu staff. 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
<ul style="list-style-type: none"> Feedback on the implementation of the revised Financial Instructions is obtained and considered for the next revision of the Financial Instructions. 	<ul style="list-style-type: none"> The requirements of the revised financial instructions will not be adhered to. 	
<p>18.2014 Bank accounts not controlled by the Chief Accountant</p> <ul style="list-style-type: none"> 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. 	<p>Several departments within the Government of Tuvalu 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 2016 these accounts included:</p> <ul style="list-style-type: none"> Aviation Safety and Security Levy account Tuvalu Eye Spectacles account and ; <p>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".</p> <p>Implication</p> <ul style="list-style-type: none"> 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). 	No response received from Management.
<p>19.2014 Reconciliation of Aged Purchase Order listing to the General Ledger</p>	<p>The Government of Tuvalu 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</p>	No response received from Management.

Recommendation	Risk	Management response
<ul style="list-style-type: none"> 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. 	<p>effective tool in preventing over spending within the Government of Tuvalu.</p> <p>A purchase order ensures that there are adequate funds in the Government of Tuvalu's budget to expend funds before they are committed. Additionally a purchase order ensures that it is clear to the supplier what the Government of Tuvalu wishes to order.</p> <p>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.</p> <p>Implication</p> <ul style="list-style-type: none"> Audit was unable to receive a listing of outstanding purchase orders which reconciled to the General Ledger account at 31 December 2016 and 2017. Due to the account not reconciling, audit was unable to gain assurance surrounding the accounts payable figure for 2016 and 2017. There is an increased risk that purchase order amount is misstated in the financial statement. 	
<p>20.2014 Monitoring of upper air space revenue</p> <ul style="list-style-type: none"> 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 Government of Tuvalu to ensure that all revenues 	<p>Government of Tuvalu 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 Government of Tuvalu of the shares of the revenue which is received from the NFIR agreement, nor is the Government of Tuvalu fully aware of the conditions contained in the agreement with NFIR. The agreement was unable to be located when requested by audit.</p> <p>We acknowledge that the Aviation Department is aware of this issue.</p>	<ul style="list-style-type: none"> Since the collection of the Tuvalu upper airspace revenue by Fiji (AFL) in the past and until now, Department of Civil Aviation at this stage had no idea of what are the terms and condition on the collection of this revenue. We only aware that there was an ICAO report made in 2002 perhaps, so the report seems to be in favour of Fiji.

Recommendation	Risk	Management response
<p>that the Government of Tuvalu is entitled to are being collected.</p> <ul style="list-style-type: none"> 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 Government of Tuvalu. 	<p>Implication</p> <ul style="list-style-type: none"> 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 Government of Tuvalu 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. 	<p>Therefore ICAO did not come to Tuvalu during that time, they were only stayed in Fiji.</p> <ul style="list-style-type: none"> In 2013, this is one of our issue been brought up in the PASO meeting in Vanuatu for all countries under the Nadi FIR to make a new way forward, and this is due to the unfair distribution of shares by AFL to our airspace based from the formula that was made by ICAO in their 2002 report. During that meeting, ICAO were invited in to this meeting and PASO resolution on this issue was for ICAO to re-look in to this by correcting the formula in their 2002 report, and try and solve the issue amicably with countries under the Nadi FIR. NZ has indicated its interest/support in monitoring the Tuvalu, Kiribati and Vanuatu airspace. However, these three countries agreed that we discuss the matter with Fiji before we move on. Despite of this ongoing issue, there seems to be an increase in the amount of shares for the last two years as a result of the impact of PASO resolution, but the problem we need to know how that money was been calculated. Further discussion on this upper airspace meeting was done early this year which our

Recommendation	Risk	Management response
		<p>CEO attended this meeting. Need to discuss with him for an update.</p> <p>CCMU at this stage is in the process of working on this, and highly recommended that an agreement between Tuvalu and AFL need to be formulated asap.</p>
<p>21.2014 Lack of Procurement Planning</p> <ul style="list-style-type: none"> 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. 	<p>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.</p> <p>Not all procurement plans were submitted for 2017 to the Central Procurement Unit.</p> <p>Implication</p> <ul style="list-style-type: none"> Without procurement plans being submitted, limited planning and grouping of common procurements are able to be performed, leading to inefficiencies and multiple bid documentation requests for similar items being issued. This is likely to increase costs of the Government of Tuvalu 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). 	<p>No response received from Management.</p>

Recommendation	Risk	Management response
	<ul style="list-style-type: none"> • 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. 	
<p>22.2014 Goods receipting process not being followed</p> <ul style="list-style-type: none"> • 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. 	<p>The Government of Tuvalu has in 2014 implemented the use of Purchase Orders. A Purchase Order is raised in order to ensure that:</p> <ul style="list-style-type: none"> • funds are available within the budget for the purchase of the goods and services, • the Government of Tuvalu 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. <p>This is an improvement from the past.</p> <p>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 Government of Tuvalu on the invoice.</p> <p>It was noted in 2017 that:</p> <ul style="list-style-type: none"> • There was limited goods receipting occurring. <p>Implication</p>	<p>No response received from Management.</p>

Recommendation	Risk	Management response
	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.	
<p>26.2014 Grants and Subsidy Weaknesses</p> <ol style="list-style-type: none"> 1. That the Government of Tuvalu 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. 	<p>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.</p> <ol style="list-style-type: none"> 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. <p>Implication</p> <ol style="list-style-type: none"> 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. 	No response received from Management.
<p>32.2014 Payroll committee record of minutes</p> <p>Prepare a fortnightly workpaper to show the movement of the current fortnightly payroll costs from previous period.</p> <p>The reconciliation can also be signed off by the Payroll committee to indicate review of approval prior to payroll payment.</p>	<p>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.</p> <p>Implication</p>	<p>There is no minutes taken in 2017.</p> <p>Treasury is implementing that in 2018.</p>

Recommendation	Risk	Management response
	<ul style="list-style-type: none"> 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 payrun process. Without movement from pay to pay analysis performed, the payroll committee's review will take longer and will be less targeted. 	
<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 2015, 2016 and 2017.</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. 	No response received from Management.
<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. The Commissioner of Currency should begin reporting on annual basis the financial position of the Fund. This could be incorporated into the Government of Tuvalu Report for ease of reporting. 	<p>Section 7 of the Currency Act requires the Commissioner of Currency (Minister for Finance) to:</p> <p><i>(d) not later than the 31st day of March each year prepare a report on all coin issued and redeemed during the preceding financial year together with an account of all expenditure incurred and revenue therefrom;</i></p> <p><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></p> <p><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 2017.</p>	No response received from Management.

Recommendation	Risk	Management response
	<p>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 Government of Tuvalu 2017 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>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 Government of Tuvalu's asset base and values and what type of asset is held by the Government of Tuvalu. 	<p>Treasury is looking to fully account its assets by using the Asset Management Module in ACCPAC in 2018.</p>
<p>4.2013 No depreciation charge for Property Plant and Equipment</p>	<p>In the Government of Tuvalu Financial Statements, there is no depreciation expense recognised for Property Plant and Equipment.</p> <p>The depreciation expense for 2017 is understated.</p>	<p>Depreciation is not disclosed in the Financial Statements as the asset register is maintained separately from ACCPAC.</p>

Recommendation	Risk	Management response
<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>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 Government of Tuvalu does not have any plan in place for the replacement/ maintenance of key assets of the Government of Tuvalu. The Government of Tuvalu 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 Government of Tuvalu's activities. There may be a considerable delay/ disruption to the services the Government of Tuvalu 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>The Deferred Maintenance Fund is establish to accommodate for these expenses.</p>
<p>6.2013 Management of Property Plant and Equipment 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. 	<p>Government of Tuvalu begun accounting for Property Plant and Equipment in 2013. The asset management policy was in draft form in 2017. The process in accounting for assets and Inventory was considered to be weak. We acknowledge that the Government of Tuvalu has recruited an asset account clerk in 2017, 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 2017 audit and the Finance Circular still requires</p>	<p>Drafting of the PPE & Infrastructure Policy was implemented in 2017.</p> <p>The Ministry of Finance is working to effectively enforce this policy in 2019.</p>

Recommendation	Risk	Management response
<ul style="list-style-type: none"> • 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>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 and Equipment</p> <ul style="list-style-type: none"> • Every quarter the Government of Tuvalu 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. 	<p>The Government of Tuvalu did not perform a review of all expenses during the 2017 year to ensure that all assets which were purchased in 2017 have been capitalised (put on the asset register). Instead the assets purchased in 2017 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 Government of Tuvalu's accounting policies. • Expenses in 2017 are overstated by the amount of assets which should have been capitalised, as is the movement in equity. 	<p>The Treasury is working to implement this in 2018.</p>

Recommendation	Risk	Management response
<ul style="list-style-type: none"> 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>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. Government of Tuvalu should ensure that all assets provided by Development Partners to individuals are included as assets on the Portable and Attractive register and remain Government of Tuvalu property. There should be frequent counting of Portable and Attractive items to ensure they remain in the possession of the Government of Tuvalu. A policy of clearly marking Portable and Attractive items as the Government of Tuvalu'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>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 Government of Tuvalu 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>Treasury to be implement in 2018.</p>
<p>12.2013 Non-inclusion of Inventory in the Financial Statements</p>	<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. 	<p>To be implemented together with Assets in 2018.</p>

Recommendation	Risk	Management response
<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"> Assets in the Financial Statements of the Government of Tuvalu are understated by the value of Inventory on hand at 31/12/17 Expenses are overstated and retained earnings understated in the Financial Statements of the Government of Tuvalu by the value of Inventory 	
<p>13.2013 Financial Statements for PEs not included as they have not been compiled</p> <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>A review of the Public Enterprises found that the Nation Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Philatelic Bureau (TPB), Tuvalu Post and Travel Limited (TPTL), Tuvalu Post Limited (TPL), and the Tuvalu Maritime Training Institute (TMTI) had not finalised their 2017 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>These PEs have failed to submit their financial statements in the past years.</p>
<p>16.2013 Non-inclusion of donated services in the Financial Statements</p> <ul style="list-style-type: none"> In the future, Government of Tuvalu 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 Government of Tuvalu receives some professional services from development partners without any cost to the Government of Tuvalu. This is in the form of the provision of people to perform functions that the Government of Tuvalu 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 Government of Tuvalu, understates the expenses of the Government of Tuvalu in the year in which the services were received. The Financial Statements do not show 	<p>Not a priority issue. Treasury will consider this in future years.</p>

Recommendation	Risk	Management response
	<p>the full costs of all of the goods and services provided by the Government of Tuvalu.</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 affecting communication links between the THC and line ministries, communications with other embassies and the day to day functions of the THC. 	<p>No response received from Management.</p>
<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>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>The item list on UCL are goods that are not been cleared. If the manifest is not in detail Customs will not know the amount of duty to be paid, therefore it is well spell out in the ACT for the master or shipping agent of any vessel to provide detail manifest as required therefore. Furthermore it is required for Customs to lift the security level to the next level.</p> <p>The amount known to be paid to Customs once we serve the importer with outstanding reminders.</p> <p>The risk will be reduce and well treated if we provided the importer with outstanding reminder, and in addition we will hold on to future imports,</p>

Recommendation	Risk	Management response
		unless the outstanding is cleared and payment due settled.
<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 Government of Tuvalu in the future; • Proper monitoring of the Joint Ventures' performance occurs through NAFICOT; and • The Government of Tuvalu 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 Government of Tuvalu's Financial Statements. The Government of Tuvalu has via NAFICOT entered into multiple joint ventures with companies who are fishing within Tuvalu's waters. These are not recognised in the Government of Tuvalu's Financial Statements, given NAFICOT have not produced Financial Statements since 1999.</p> <p>The assets, liabilities, expenses and revenues of the Government of Tuvalu will be understated given the non-consolidation of the NAFICOT and through NAFICOT the Joint Ventures, into the Government of Tuvalu's Financial Statements.</p> <p>Without proper reporting by NAFICOT and the Joint Ventures, the Government of Tuvalu does not have any oversight of the operations of the Joint Ventures.</p>	No response received from Management.
<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 Government of Tuvalu 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 	<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 2017 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>	No response received from Management.

Recommendation	Risk	Management response
<p>that expenditure is in line with amounts warranted from the budget.</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 Government of Tuvalu'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>
<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 Government of Tuvalu. The Government of Tuvalu is yet to take these benefits up with VeriSign.</p> <p>Tuvalu is missing out on benefits of the VeriSign contract</p>	<ul style="list-style-type: none"> • The Ministry has an annual talk with VeriSign, the company responsible for the administration of our .TV, where all issues relating to .TV were discussed and considered. • The next annual talk is scheduled to take place on 19 January 2019, and the Ministry intends to begin the ball rolling on the negotiation of the new agreement before the existing one expires in 2021. • The Ministry intends to set a Task Force or Negotiation Team to start working on this .TV issue.

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 analytical review demonstrates understanding of the formation</p>	<p>Treasury is improving on that and address these issues in the future.</p>

Recommendation	Risk	Management response
	<p>of the Financial Statements and the key drivers of the figures. This demonstration assists in the audit process and also develops Government of Tuvalu staff understanding. 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 Government of Tuvalu's accounts, it is recommended that a lesser priority be placed on the proper consolidation of the Public Enterprises. The Government of Tuvalu 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 Government of Tuvalu 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 Government of Tuvalu is using to prepare their Financial Statements.</p> <p>Under GAAP, entities that are controlled by the Government of Tuvalu should be consolidated into the Financial Statements of the Government of Tuvalu. 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 Government of Tuvalu.</p> <p>The process of consolidation should also include the elimination of the Government of Tuvalu's investment in each of the Public Enterprises with the Government of Tuvalu's equity in each of the entities; and the elimination of transactions between the Public Enterprises and the Government of Tuvalu, including Community Service Obligations.</p> <p>The impact is that expenses and revenues of the Government of Tuvalu 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>Treasury is looking to address this issue in the future.</p>

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 Government of Tuvalu. The interest which is currently not charged on overdue imprests is lost revenue for Government of Tuvalu.</p>	<p>The current practice is special imprest is deduct from an officer's salary with that officer fails to retire his/her special imprest.</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 2017 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>We can't do much due to the breakdown of the Revenue Management System.</p>

Recommendation	Risk	Management response
<p>16.2011 No Reconciliation Between Fisheries and Treasury Records.</p> <p>The Audit recommends that the Fisheries department and Treasury department to perform a regular reconciliation of their fishing license revenue and fines to ensure that all amounts due are paid and that all payments are recorded in the Fisheries Management System (TUFMAN).</p>	<p>Fishing license Fees and Access Fees are collected by the Government of Tuvalu. Payment confirmation is sent to the Treasury Department and sometimes copied to the Tuvalu Fisheries Department to update their records of payments received. No reconciliation of fishing licenses between Treasury records and the Fisheries Department records is performed. The Fisheries Department needs to know if payment has been made in order to determine if a vessel is fishing illegally in Tuvalu's Exclusive Economic Zone.</p> <p>Vessels that are found to be illegally fishing in Tuvalu's waters are normally fined in accordance with the laws of Tuvalu. The monitoring of the fines imposed and payment of the fines is not performed by the Fisheries Department. There is no follow up on fines payment, nor any method to record all fines which are due to be paid.</p> <p>As treasury records and fisheries records are not reconciled, it makes it difficult for the fisheries department to trace whether a particular fishing vessel has paid for their fees and fines and also for Treasury to ensure that all revenues of the Government of Tuvalu are completely collected. This reconciliation would also assist in identifying payments which relate to multiple financial years.</p>	<p>The Treasury just installed the ACCPAC system into the Fisheries Computer and will be access to it for the purpose of reconciliation on transshipment & other fishing license revenues.</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 	<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</p>	<p>No response received from Management.</p>

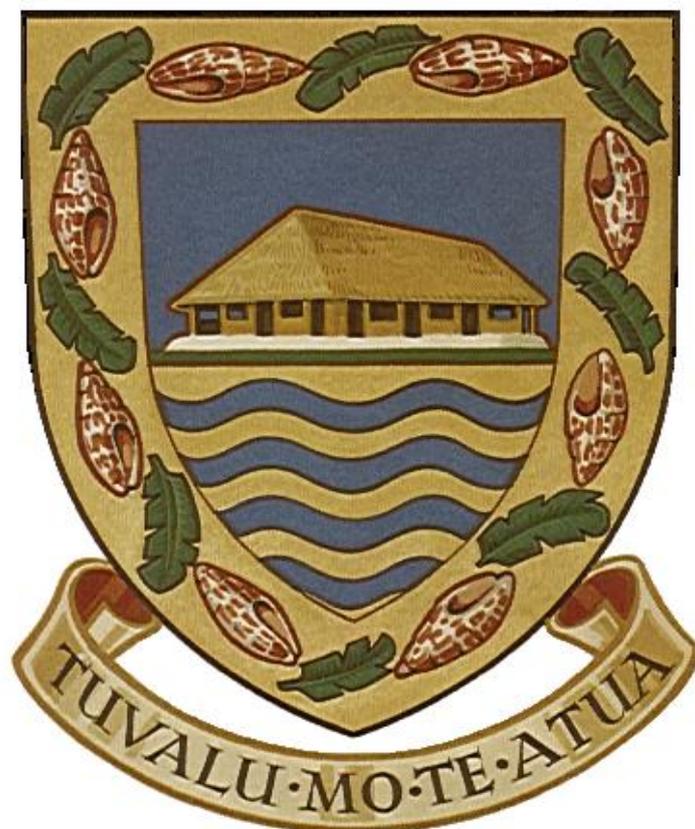
Recommendation	Risk	Management response
<p>accountability of the Access Agreement and Licensing committee.</p>	<p>activities which can lead to decreased revenues from fishing or increased exploitation of Tuvalu's limited fisheries resource.</p>	
<p>8.2009 Reconciliation Between Customs and ACCPAC</p> <p>Develop a reconciliation which is performed monthly, to ensure that all transactions in the Customs database are accounted for in ACCPAC.</p> <p>Initially the monthly movements could be reconciled in order to simplify the reconciliation process.</p>	<p>Currently there is no reconciliation process between the Customs revenue collection system and ACCPAC. The amount of revenue noted in the Customs database does not agree to the amount collected in ACCPAC.</p> <p>The implication is that payments recorded by ACCPAC may not agree to the Customs revenue collection database. This may cause either issues surrounding the release of goods without payment or the refusal to release goods, even though payment has been made.</p>	<p>This is an issue Treasury is looking to install ACCPAC in the Custom Dept. This helps the department in reconciling their data with ACCPAC.</p>
<p>5.2008 Debt Management Policy</p> <p>Develop and implement a debt management policy to assist in the timely recovery of debts owed to Government of Tuvalu.</p> <p>Approve advances based only on full and complete budget details.</p> <p>Ensure appropriate documentation is available for all advances made prior to processing payment.</p>	<p>That all debts which are owed to the Government of Tuvalu are not collected.</p> <p>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>Line Ministries has failed to report debts owe to the Treasury Department.</p>
<p>9.2008 Employee Entitlements</p> <p>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.</p> <p>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.</p> <p>Leave may be taken, however, not recorded in the system.</p> <p>We acknowledge that within ACCPAC, the payroll module is in use in 2017, 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>

Recommendation	Risk	Management response
<p>4.2007 Unauthorised Expenditure</p> <p>That all expenditure is processed only within the approved vote appropriation. Any irregular expenditure should be drawn to the immediate attention of the Auditor General.</p>	<p>Unauthorised expenditure is processed without appropriate authority i.e. through the initial budget process, virements or supplementary funding.</p>	<p>These unauthorised expenditures could be arises from variances of budget figures vs Appropriated Budget.</p> <p>Treasury is working together with the Budget to address this issue.</p>
<p>18.2007 Government Policy Register</p> <p>Compile a Government of Tuvalu policy register to log all Government of Tuvalu policies to ensure easy access and consistent application for all Government of Tuvalu employees. Once compiled the listing of all policies should be reviewed to ensure that any duplication of policies are addressed.</p> <p>The Government of Tuvalu policy register and corresponding policies are placed on the intranet site, for ease of access.</p>	<p>Government of Tuvalu officials apply Government of Tuvalu policy inconsistently giving rise to inconsistent practices across ministries and functions.</p>	<p>No response received from Management.</p>
<p>19.2007 Government Contracts Register</p> <p>All Government of Tuvalu contracts are reviewed by the Government of Tuvalu legal division and monitored through a centralised contracts register. Centralising and updating Government of Tuvalu 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>Government of Tuvalu is unaware at a global level what contracts they are counter-party to and the impact this has on Government of Tuvalu cash flows. That the Government of Tuvalu are not able to effectively manage contracts to its fullest extent.</p>	<p>No response received from Management.</p>

Appendix 2: Audit Issues Closed during the 2017 Audit

2.2016 Disaster relief funds to be paid into the Climate Change and Disaster Survival Fund
3.2016 Expenditure from the Climate Change and Disaster Survival Fund not in accordance with the requirements of the Climate Change and Disaster Survival Fund 4.2015 Rules on appropriate expenditures to be funded under the Government of Tuvalu Disaster relief account are developed
12.2016 Monthly votebook reconciliation process to include assets reporting and counting
9.2014 Terminated scholarship students approved to continue studying under the Student Education Loan Fund (SELF) scheme
11.2014 Observer's fund accountability
24.2014 Timely reconciliation of imprest
29.2014 Monthly analysis between bank reconciliation module and General ledger is performed
LC 2013.2 Section 74 of the Financial Instructions
15.2013 Payment of Honorarium Allowances to Civil Servants
18.2013 Monthly votebook reconciliation process to include assets reporting and counting

Appendix 3: Government of Tuvalu Financial Statements and Independent Audit Report for 2017



Government of Tuvalu Independent Audit Report for the year ended 31 December 2017

To: Honourable Members of the Tuvalu Parliament

I have audited the accompanying Financial Statements of the Government of Tuvalu, which comprise the Statement of Income and Expenditure; the Statement of Assets and Liabilities as at 31 December 2017; 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 Government of Tuvalu'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 2017. I was unable to satisfy myself that the valuation estimates made by the Government of Tuvalu were robust and accurate.

A stock count was performed at the end of 2017, however due to lack of robust supervision, the timing of the stock count extending into 2018 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 2017 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 Statement of Income and Expenditure, the Statement of Receipts and Payments by Heads, the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head', the Recurrent Surplus/ (Deficit) figure, the Total Surplus/ (Deficit) figure, and related notes. This constitutes a limitation of scope of the audit which is significant and pervasive.

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 2017 was a Qualified Disclaimer of Audit Opinion. Due to deficiencies in controls and accounting records, there is uncertainty in relation to the 31 December 2017 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.

Cash unable to be Reconciled to Bank Statements, and Movement in Cash Balance unable to be reconciled to the Statement of Assets and Liabilities

The Cash balance of the General Current Account as per the Bank Statements, (taking into account unpresented cheques and outstanding deposits) was unable to be Reconciled to the balance in the Financial Statements. The Cash balance as per the financial statements is overstated by \$60,710.

The movement in the Cash Balance in the Statement of Receipts and Payments by heads was unable to be reconciled to the Cash balances as per the Statement of Assets and Liabilities. The variance was \$9,942. The adjustments made to the accrual balance to remove the non-cash entries are incomplete.

I have been unable to satisfy myself surrounding the completeness and existence of the Cash balance as per the General Ledger and in the Financial Statements. 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. This constitutes a limitation of scope which is significant and pervasive.

Inability to Obtain Satisfactory Explanations and Documentation Regarding a Sample of Entries for Expenses in the Financial Statements

A sample test was performed by audit of a series of recurrent expenditure transactions. I was unable to obtain any supporting documentation for \$1.7 million of the sampled expense transactions. Because of the lack of adequate supporting documentation, I was unable to determine if the expenses are materially stated. I am unable to determine whether the amount disclosed agreed to the amount incurred, whether the amount was coded to the correct expense or if the expense was incurred within the financial year.

I have not been able to obtain sufficient appropriate audit evidence to support the accuracy, cut-off, classification and occurrence of the expenditure component of the Statement of Income and Expenditure; the Statement of Receipts and Payments by Heads; the Comparative Statements of Actual and Estimated Expenditure by 'Sub Head'; the Recurrent Surplus/(Deficit) figure; the Total Surplus/(Deficit) figure; and related notes. This constitutes a limitation of scope of the audit which is significant and pervasive.

Non-consolidation of NAFICOT, TPL AND TMTI

The Government of Tuvalu 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 Government of Tuvalu 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.

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, Transshipment and Wharfage revenues not being recognised as Receivables in the Financial Statements.

Additionally loans given for the Recognised Seasonal Employer (RSE) and Student Education Loan Fund (SELF) schemes are not being recognised as Receivables in the Financial Statements. Rather they are recognised as an expense when paid out and as revenue when repaid.

The Accounts Receivable balances relating to Taxation, Customs, Fishing Licences, Transshipment, Wharfage, RSE and SELF were not reflected in the Financial Statements. I was unable to satisfy myself surrounding the completeness of the Account Receivable balance and corresponding Revenue and Expense balances in the Financial Statements.

I have not been able to obtain sufficient appropriate audit evidence to support the completeness of the Account Receivable balance and the completeness of the corresponding Revenue and Expense transactions in the Financial Statements. This constitutes a limitation of scope of the audit 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.

Limitation of scope surrounding Cabinet minutes and decisions

All Cabinet minutes and key decisions made in Cabinet for 2017 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 Government of Tuvalu), 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.

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 Government of Tuvalu. My opinion is not qualified in respect of this matter.

Scope

I was engaged to audit the accompanying Financial Statements of the Government of Tuvalu, which comprise the all statements required under Section 31 of the Public Finance Act for the year ended 31 December 2017.

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 Government of Tuvalu for the year ended 31 December 2017 in accordance with Section 172 of the Constitution and Section 32 of the Public Finance Act.

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

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

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

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

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

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

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

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

Audit Independence

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

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized initial 'L' followed by a series of loops and a long horizontal stroke extending to the right.

Eli Lopati

Auditor-General for Tuvalu

Funafuti

22nd November 2018

TUVALU WHOLE OF GOVERNMENT



FINANCIAL STATEMENTS

for the Year Ended 31 December 2017

STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2017

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 2017

The Financial Statements were authorised for issue by the Minister of Finance on 30 June 2018



Hon. Maatia Toafa

Minister for Ministry of
Finance and Economic
Development



Mr Talavai Iona

Permanent Secretary for
Ministry Finance and
Economic Development

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

	Notes	2017 Actual	2017 Budget	2016 Revised
<u>INCOME</u>				
Taxation	9	8,735,452	7,405,728	7,337,401
Interest, Dividends and Rent	10	2,334,876	2,800,182	2,918,929
Fisheries Licenses	20 (a)	24,898,555	24,964,104	34,102,086
Dot TV		7,839,715	7,051,284	6,387,739
External Assistance and Grants	11	12,963,095	17,128,201	15,401,535
Other Income	12/20 (b)	6,124,773	2,547,288	5,612,772
Distribution from Tuvalu Trust Fund		3,300,000	6,699,996	4,780,000
TOTAL INCOME		66,196,465	68,596,783	76,540,462
<u>EXPENDITURE</u>				
Wages, Salaries, and Allowances		18,252,552	19,404,608	17,410,132
Contributions to Tuvalu National Provident Fund		1,591,972	1,540,580	1,487,255
Travel	13	4,699,613	2,879,965	3,876,044
Fuel, Electricity and Communications		2,740,949	2,304,687	2,931,506
Maintenance		3,814,383	5,103,001	2,409,853
Bank Charges and Fees		1,194,372	1,052,513	449,723
Grants and Subsidies (incl. Scholarships Support)	14	14,345,392	20,727,853	17,566,120
Tuvalu Medical Treatment Scheme		6,550,978	3,004,000	4,091,001
Other Expenses	15	8,699,519	9,156,904	9,451,401
Special Development Expenditures		5,119,879	5,697,711	12,139,048
TOTAL EXPENDITURE		67,009,607	70,871,822	71,812,082
RECURRENT SURPLUS / (DEFICIT)		(813,143)	(2,275,039)	4,728,380
<u>OTHER GAIN AND LOSS</u>				
Unrealised Gain (Loss) on Trust Fund Investment	4	978,806		8,512,350
Unrealised Gain (Loss) on Investment in Corporations	5	894,952		1,027,058
Unrealised Gain (Loss) on Fisheries Debtors	8	320,493		0
Movement on Tuvalu Development Fund Operation	16	1,836,552		569,179
Unrealised Gain (Loss) on Currency Movement (Offshore Loans)		(12,798)		118,447
Doubtful Debts (Expense)	6	(91,921)		(185,287)
TOTAL OTHER REVENUE AND EXPENDITURE		3,926,084		10,041,747
TOTAL SURPLUS / (DEFICIT)		3,112,941		14,770,127

Disclosure; Italic amounts are revised figures. Refer to the Note 20 for details

STATEMENT OF ASSETS AND LIABILITIES

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

For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

	Notes	<u>2017</u>	<u>2016</u> <u>(Revised)</u>
GOVERNMENT EQUITY			
Surplus / (Deficit)	20(b)	3,112,941	14,770,127
Retained Earnings		188,519,378	161,910,477
TOTAL GOVERNMENT EQUITY		191,632,319	176,680,604
REPRESENTED BY:			
ASSETS			
Current Assets			
Cash & Cash Equivalents	1	(434,347)	875,710
Special Funds	2	1,142,860	1,122,279
Cash Investments	3/20(c)	21,840,489	27,471,434
Debtors	6	2,615,112	1,033,567
Total current assets		25,164,114	30,502,989
Non-Current Assets			
Tuvalu Trust Fund	3 & 4	82,597,826	73,619,020
Tuvalu Survival Fund	3a	6,999,982	4,999,985
Tuvalu Development Fund	3b & 16/ 20(c)	9,331,645	7,477,653
Investments in Corporations	3 & 5	17,217,674	16,322,722
Property, Plant and Equipment	18	58,003,144	52,164,370
Total Non-Current Assets		174,150,271	154,583,751
TOTAL ASSETS		199,314,386	185,086,741
LIABILITIES			
Less Current Liabilities			
Accounts Payable		1,489,909	695,255
Unearned Revenue	7	0	0
Accounts Payable - Tuvalu Provident Fund		441,132	469,721
Other Recurrent Liabilities	7	6,713	4,327
Total current liabilities		1,937,753	1,169,303
Less Non-Current Liabilities			
Offshore Loans	8	5,744,314	6,316,341
Domestic Loans	8	0	920,493
Total non-current liabilities		5,744,314	7,236,834
TOTAL LIABILITIES		7,682,067	8,406,137
TOTAL NET ASSETS		191,632,319	176,680,604

Disclosure; Italic amounts are revised figures. Refer to the Note 20 for details

STATEMENT OF CHANGES IN EQUITY**For the Year Ended 31-12-2017**

The accompanying notes form part of these financial statements.

		<u>2017</u>	<u>2016</u>
	Notes		Revised
Retained Earnings as at 1 January		176,680,604	188,430,937
Movements reflected on Income Statement			
Net Surplus/(Deficit) for the period	20(b)	(813,143)	4,728,380
Prior Period Adjustment;			
Other Gain (Loss) for the period		3,926,084	10,041,747
Movements not reflected on Income Statement			
Investment in TTF	4	6,000,000	0
Introduction of Property, Plant & Equipment	18	5,838,774	(4,511,762)
Write off of Nukufetau Cash Book Prior Year Error	Acc Pol 2.5		878
Assets Prior Year Error	Acc Pol 2.5		(22,015,983)
Accumulated Funds as at 31 December		<u>191,632,318</u>	<u>176,680,604</u>

Disclosure; Italic amounts are revised figures. Refer to the Note 20 for details

STATEMENT OF REVENUE AND EXPENDITURE BY HEADS

For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

Head	Head of Expenditure / Government Function	2017 Actual	2017 Original Budget	Variance (Bud - Act)
RECURRENT REVENUE				
A	Office of the Governer General	0	0	0
B	Office of the Prime Minister	286,007	278,340	7,667
C	Legal Services	161,892	74,052	87,840
D	Parliament	0	0	0
E	Office of the Auditor General	5,360	64,500	(59,140)
F	Finance and Economic Development	24,018,377	25,750,929	(1,732,552)
G	Public Utilities	331,857	115,788	216,069
H	Health	24,448	15,012	9,436
I	Natural Resources	27,767,306	26,479,630	1,287,676
J	Home Affairs	58,491	41,328	17,163
K	Police and Prison Services	26,025	50,376	(24,352)
L	Transport and Communications	10,169,803	8,864,688	1,305,115
M	Education, Youth and Sports	3,472	50,004	(46,532)
N	Judiciary	4,440	5,748	(1,308)
O	Foreign Affairs, Trade, Tourism, Environment & Labour	38,988	106,392	(67,404)
	Distribution from Tuvalu Trust Fund	3,300,000	6,699,996	(3,399,996)
	TOTAL RECURRENT REVENUE	66,196,465	68,596,783	2,400,318
RECURRENT EXPENDITURE				
A	Office of the Governer General	225,177	235,328	10,151
B	Office of the Prime Minister	8,866,544	8,886,327	19,783
C	Legal Services	723,244	754,258	31,014
D	Parliament	957,274	973,732	16,458
E	Office of the Auditor General	388,250	409,858	21,608
F	Finance and Economic Development	3,975,628	11,193,114	7,217,487
G	Public Utilities	6,237,685	5,293,721	(943,964)
H	Health	11,515,348	9,522,240	(1,993,108)
I	Natural Resources	2,878,879	3,000,345	121,466
J	Home Affairs	7,437,149	6,590,766	(846,383)
K	Police and Prison Services	1,776,533	1,852,884	76,351
L	Transport and Communications	5,930,690	5,518,966	(411,724)
M	Education, Youth and Sports	11,756,943	12,545,448	788,505
N	Judiciary	539,168	570,928	31,760
O	Foreign Affairs, Trade, Tourism, Environment & Labour	3,801,096	3,523,907	(277,189)
	TOTAL RECURRENT EXPENDITURE	67,009,607	70,871,822	3,862,215
	RECURRENT SURPLUS / (DEFICIT)	(813,143)	(2,275,039)	(1,461,896)
OTHER GAIN AND LOSS				
	Unrealised Gain (Loss) on Trust Fund Investment	978,806		
	Unrealised Gain (Loss) on Investment in Corporations	894,952		
	Unrealised Gain (Loss) on Fisheries Debtors	320,493		
	Movement on Tuvalu Development Fund Operation	1,836,552		
	Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	(12,798)		
	Doubtful Debts (Expense)	(91,921)		

STATEMENT OF RECEIPTS AND PAYMENTS BY HEADS
Prepared in accordance with Public Finance Act s31(1)(ii)
For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

Head	Head / Government Function	2017	Adjust for	2017/2018	2017	2017	2017	Variance
		Expense & Revenue	Movement of AP/AR accrual balance	Accrual Journals	Accrual Movement	Receipts & Payments	Final Budget Provision	
RECURRENT RECEIPTS								
A	Office of the Governer General	0	(3,120)	0	(3,120)	(3,120)	0	3,120
B	Office of the Prime Minister	286,007	12,769	226,193	238,962	524,969	278,340	(246,629)
C	Legal Services	161,892	(475)	0	(475)	161,417	74,052	(87,365)
D	Parliament	0	1,627	0	1,627	1,627	0	(1,627)
E	Office of the Auditor General	5,360	370	0	370	5,729	64,500	58,771
F	Finance and Economic Development	24,018,377	(752,727)	(1,743,988)	(2,496,715)	21,521,662	25,750,929	4,229,267
G	Public Utilities	331,857	293	0	293	332,150	115,788	(216,362)
H	Health	24,448	(803)	0	(803)	23,645	15,012	(8,633)
I	Natural Resources	27,767,306	(1,590)	76,051	74,461	27,841,767	26,479,630	(1,362,137)
J	Home Affairs	58,491	(4,440)	0	(4,440)	54,052	41,328	(12,724)
K	Police and Prison Services	26,025	(5)	0	(5)	26,019	50,376	24,357
L	Transport and Communications	10,169,803	(241)	0	(241)	10,169,562	8,864,688	(1,304,874)
M	Education, Youth and Sports	3,472	(773)	0	(773)	2,699	50,004	47,305
N	Judiciary	4,440	2	0	2	4,442	5,748	1,306
O	Foreign Affairs, Trade, Tourism, Env. & Labour	38,988	(29)	0	(29)	38,959	106,392	67,433
	Distribution from the Tuvalu Trust Fund	3,300,000		(1,300,000)	(1,300,000)	2,000,000	6,699,996	4,699,996
	TOTAL RECEIPTS by heads	66,196,465	(749,142)	(2,741,743)	(3,490,884)	62,705,580	68,596,783	5,891,203
RECURRENT PAYMENTS								
A	Office of the Governer General	225,177	1,406	0	1,406	226,583	234,911	8,328
B	Office of the Prime Minister	8,866,544	(42,658)	0	(42,658)	8,823,886	9,149,551	325,666
C	Legal Services	723,244	436	0	436	723,680	820,013	96,333
D	Parliament	957,274	267	0	267	957,541	996,869	39,328
E	Office of the Auditor General	388,250	0	0	0	388,250	409,949	21,699
F	Finance and Economic Development	3,975,628	309	655,132	655,441	4,631,068	11,861,419	7,230,350
G	Public Utilities	6,237,685	7,547	0	7,547	6,245,232	6,506,333	261,101
H	Health	11,515,348	10,424	2,083,503	2,093,927	13,609,275	10,495,784	(3,113,492)
I	Natural Resources	2,878,879	0	4,013	4,013	2,882,892	3,136,850	253,958
J	Home Affairs	7,437,149	(119,483)	7,280	(112,203)	7,324,946	7,610,349	285,403
K	Police and Prison Services	1,776,533	571	0	571	1,777,104	1,854,908	77,803
L	Transport and Communications	5,930,690	902	40,210	41,112	5,971,802	5,964,241	(7,561)
M	Education, Youth and Sports	11,756,943	420	51,229	51,649	11,808,592	12,554,192	745,600
N	Judiciary	539,168	25	0	25	539,193	572,640	33,448
O	Foreign Affairs, Trade, Tourism, Env. & Labour	3,801,096	(194,110)	89,028	(105,083)	3,696,014	3,840,204	144,191
	TOTAL PAYMENTS by heads	67,009,607	(333,944)	2,930,394	2,596,449	69,606,057	(76,008,214)	6,402,157
	TOTAL CASH MOVEMENT					(6,900,477)		
							Balance as at	
Cash movement reconciled to:		Note			Movement	31-12-2017	30/12/2016	
Movement in Balance of Deposit Accounts		1			(1,310,057)	(434,347)	875,710	
Movement in Special Fund Balances		2			20,582	1,142,860	1,122,279	
Movement in Cash Investments		3			(5,630,945)	21,840,489	27,471,434	
Interest on Tuvalu Development Fund IBD		3			10,001	208,325	198,323	
CASH ACCOUNT MOVEMENT					(6,910,419)			
UNRECONCILED MOVEMENT					9,942			

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT REVENUE by 'SUB HEAD'
Prepared in accordance with Public Finance Act s 31 (1)(iii)
For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

Head of Revenue / Government Function		2017 Actual	2017 Budget	Variance (Act - Bud)
RECURRENT REVENUE				
Office of the Prime Minister				
B01	Corporate Services - Office of the Prime Minister	3,055	1,344	1,711
B04	Personnel and Training	101,381	126,996	(25,615)
B08	Tuvalu Media Department	47	87,000	(86,954)
B11	Immigration	181,524	63,000	118,524
Legal Services				
C01	Office of the Attorney General	158,211	71,052	87,159
C02	People's Lawyer	3,681	3,000	681
Office of the Auditor General				
E01	Office of the Auditor General	5,360	64,500	(59,140)
Finance and Economic Development				
F01	Corporate Services - Finance	15,198,786	18,401,793	(3,203,007)
F02	Planning and Budget	0	504	(504)
F03	Central Statistics Division	0	48	(48)
F04	Customs	4,108,613	3,013,488	1,095,125
F06	Treasury	122,682	0	122,682
F07	Inland Revenue	4,578,076	4,326,000	252,076
F09	Industries	10,220	9,096	1,124
Public Utilities				
G01	Corporate Services - Public Utilities	6,855	0	6,855
G02	Energy	5,300	5,004	296
G03	Public Works Department	319,702	110,784	208,918
Health				
H01	Corporate Service - Health	1,840	0	1,840
H03	Curative	11,013	11,004	9
H04	Preventative Primary and Preventative Health Services	11,595	4,008	7,587
Natural Resources				
I01	Corporate Service - Natural Resources	1	0	1
I02	Agriculture	14,693	12,276	2,417
I03	Fisheries	27,732,754	26,415,994	1,316,760
I04	Lands and Surveys	19,859	51,360	(31,502)
Home Affairs				
J01	Corporate Services - Home Affairs	37,836	36,324	1,512
J08	Solid Waste Agency of Tuvalu (SWAT)	20,655	5,004	15,651
Police and Prison Services				
K01	Police and Prison Services	26,025	50,376	(24,352)
Transport and Communications				
L01	Corporate Services - Communications and Transport	7,839,715	7,051,284	788,431
L02	Marine	1,930,513	1,455,792	474,721
L03	Aviation	399,122	356,004	43,118
L04	Information, Communication and Technology	170	1,008	(838)
L07	Meteorological Office	283	600	(318)
Education, Youth and Sports				
M04	EFA Secondary School	165	50,004	(49,839)
M05	Library	3,107	0	3,107
M06	Sports	200	0	200
Judiciary				
N01	Judiciary	4,440	5,748	(1,308)
Foreign Affairs, Trade, Tourism, Environment & Labour				
O03	Suva Mission	29,336	25,200	4,136
O04	Permanent Mission of Tuvalu to the UN	2,613	96	2,517
O05	Brussels Mission	6,889	0	6,889
O08	Trade Office	150	0	150
O10	Labour	0	81,000	(81,000)
O11	Taipei Mission	0	96	(96)
Distribution from Tuvalu Trust Fund		3,300,000	6,699,996	(3,399,996)
TOTAL RECURRENT REVENUE		66,196,465	68,596,783	2,400,318

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

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

For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Expenditure / Government Function</u>		<u>2017</u> <u>Actual</u>	<u>2017</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>(Bud - Act)</u>
RECURRENT EXPENDITURE				
Office of the Governor General				
A01	Office of the Governor General	225,177	235,328	10,151
Office of the Prime Minister				
B01	Corporate Services - Office of the Prime Minister	5,475,894	5,138,475	(337,419)
B02	Evaluation & Coordination	63,545	62,988	(557)
B03	Climate Change & Policy Disaster Coordination Unit	222,800	249,456	26,656
B04	Personnel and Training	2,860,781	3,199,152	338,371
B08	Tuvalu Media Department	14,187	0	(14,187)
B10	Department of Women	125,427	128,340	2,913
B11	Immigration	103,908	107,916	4,008
Legal Services				
C01	Office of the Attorney General	447,257	472,214	24,957
C02	People's Lawyer	136,125	132,552	(3,573)
C03	Office of the Ombudsman	139,861	149,492	9,631
Parliament				
D01	Office of the Parliament	957,274	973,732	16,458
Office of the Auditor General				
E01	Office of the Auditor General	388,250	409,858	21,608
Finance and Economic Development				
F01	Corporate Services - Finance	1,794,615	9,558,580	7,763,965
F02	Planning and Budget	312,356	289,138	(23,218)
F03	Central Statistics Division	167,438	169,909	2,471
F04	Customs	257,677	264,515	6,838
F06	Treasury	1,080,775	601,499	(479,276)
F07	Inland Revenue	142,685	158,778	16,093
F08	Public Enterprise Reform and Monitoring Unit	53,197	45,953	(7,245)
F09	Industries	166,884	104,743	(62,141)
Public Utilities				
G01	Corporate Services - Public Utilities	2,138,004	1,041,634	(1,096,370)
G02	Energy	121,406	134,520	13,114
G03	Public Works Department	3,978,276	4,117,567	139,292
Health				
H01	Corporate Service - Health	7,181,607	3,456,312	(3,725,295)
H02	Health Administration	619,077	559,620	(59,457)
H03	Curative	3,228,728	4,862,088	1,633,360
H04	Preventative Primary and Preventative Health Services	485,936	644,220	158,284
Natural Resources				
I01	Corporate Services - Natural Resources	478,485	390,484	(88,001)
I02	Agriculture	534,389	648,883	114,494
I03	Fisheries	819,929	901,242	81,313
I04	Lands and Surveys	1,046,076	1,059,736	13,660
Home Affairs				
J01	Corporate Services - Home Affairs	1,479,975	272,262	(1,207,713)
J02	Department of Rural Development	4,401,122	4,774,752	373,630
J03	Community Affairs	454,104	480,204	26,100
J05	Culture	80,196	33,276	(46,920)
J08	Solid Waste Agency of Tuvalu (SWAT)	1,021,752	1,030,272	8,520

Continued from previous page		Continued on next page		
<u>Head of Expenditure / Government Function</u>		<u>2017</u> <u>Actual</u>	<u>2017</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>between</u> <u>Actual and</u> <u>Budget</u>
Police and Prison Services				
K01	Police and Prison Services	1,776,533	1,852,884	76,351
Transport and Communications				
L01	Corporate Services - Communications and Transport	612,161	595,576	(16,585)
L02	Marine	4,168,857	3,754,854	(414,003)
L03	Aviation	265,766	268,392	2,626
L04	Information, Communication and Technology	524,832	549,216	24,384
L07	Meteorological Office	359,074	350,928	(8,146)
Education, Youth and Sports				
M01	Corporate Services - Educations, Youth and Sports	2,334,040	3,153,168	819,128
M02	Education Department	924,699	610,620	(314,079)
M03	Primary Education	2,413,448	2,188,416	(225,032)
M04	EFA Secondary School	1,841,171	2,120,976	279,805
M05	Library	294,294	426,300	132,006
M06	Sports	619,933	252,072	(367,861)
M07	Pre-service Scholarships	2,332,977	3,063,072	730,095
M08	Youth	142,943	86,796	(56,147)
M09	Early Childhood Care and Education	853,438	644,028	(209,410)
Judiciary				
N01	Judiciary	539,168	570,928	31,760
Foreign Affairs, Trade, Tourism, Environment & Labour				
O01	Corporate Services - Foreign Affair	773,788	629,262	(144,526)
O02	Labour	313,526	283,168	(30,359)
O03	Suva Mission	478,340	457,141	(21,199)
O04	Permanent Mission of Tuvalu to the UN	587,000	544,526	(42,474)
O05	Brussels Mission	554,273	390,968	(163,305)
O06	Environment	122,491	119,280	(3,211)
O07	Tuvalu Consulate in Auckland	373,687	462,441	88,754
O08	Trade Office	79,823	60,587	(19,236)
O09	Tourism	81,983	70,836	(11,147)
O10	Labour	113,639	169,313	55,674
O11	Taipei Mission	322,546	336,385	13,840
TOTAL RECURRENT EXPENDITURE		<u>67,009,607</u>	<u>70,871,822</u>	<u>3,862,215</u>

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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 all the Government accounts, dividends received from profits of companies in which the Government holds a share including Public Enterprise. Rental revenue from Government houses and buildings include leases 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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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 accrued 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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

Other Expenditure

Other expenditure related to advertising, purchasing of provisions, purchasing supplies, minor equipment, social welfare payments such as the Senior Citizen Scheme, Disability 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, purchase of heavy equipment, 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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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.

Movement in Property, Plant & Equipment is recognised in Equity and no depreciation expenses.

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.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2017

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.

NOTE 1

STATEMENT OF BALANCES ON DEPOSIT ACCOUNTS Prepared in accordance with Public Finance Act s31(1)(ix) For the Year Ended 31-12-2017

	Financial Year Ending	
	31-12-2017	31/12/2016
Consolidated Fund Accounts		
General Current Account	(1,115,068)	(115,335)
Intellectual Property Account	115,712	117,868
IBD - Housing Repurchasing (01-420005-46)	283,110	276,129
IBD -Tuvalu Parliment Building (01-420002-42)	85,966	83,850
IBD - Investment in Education Office (01-4200061-44)	166,577	162,480
<i>Total Consolidated Fund Cash account balances</i>	(463,704)	524,990
Foreign Mission Accounts		
Cash on Hand - UN Mission	11,653	145,210
Cash on Hand - Brussel Mission	42,101	28,678
Cash on hand - Suva Embassy	33,749	42,222
Cash in transit - Suva Embassy	(106,625)	0
Cash on Hand - New Zealand Consulate Office	30,417	129,651
Cash on hand - Taiwan Embassy	24,246	1,479
<i>Total Foreign Mission Cash account balances</i>	35,542	347,240
Outer Island General Accounts		
Cash on Hand Nanumaga	5	24
Cash in Transit - Niutao	762	0
Cash on Hand Nanumea	180	192
Cash in Transit - Nanumea	45	0
Cash on Hand Niutao	618	159
Cash on Hand Nui	0	100
Cash on Hand Nukufetau	162	1,421
Cash in Transit - Nukufetau	(7,959)	0
Cash on Hand Nukulaelae	82	134
Cash on Hand Vaitupu	(2,501)	320
Cash in Transit - Vaitupu	2,422	1,131
<i>Total Outer Island Cash account balances</i>	(6,186)	3,480
Total Cash Balances as at 31-12-2017	(434,347)	875,710

NOTE 2**STATEMENT OF SPECIAL FUND BALANCES**

Prepared in accordance with Public Finance Act s31(1)(v)
For the Year Ended 31-12-2017

Special Funds	Financial Year Ending	
	31-12-2017	30/12/2016
IBD - Coinage Security <i>[Refer to s5(1)-Currency Act]</i>		
Opening Balance	7,577	149,304
Proceeds of sales of coins & royalties	-7,572	-141,727
Closing Balance	5	7,577
IBD - Rehabilitation Revolving Fund (01-420002-45) <i>[Refer to Order 2 of the Community Rehabilitation Fund (Special Fund) Order]</i>		
Opening Balance	19,442	18,963
Interest Earnings	492	480
Closing Balance	19,934	19,442
IBD - Insurance Fund (01-420002-48) <i>[Refer to s20(3) of Public Finance Act]</i>		
Opening Balance	437,121	426,354
Interest Earnings	11,023	10,767
Closing Balance	448,144	437,121
IBD - NBT Insurance <i>[Refer to s4-NBT(Insurance Fund)Act]</i>		
Opening Balance	658,138	641,902
Interest Earnings	16,639	16,237
Closing Balance	674,777	658,138
Total Special Funds balance as at 31-12-2017	<u>1,142,860</u>	<u>1,122,279</u>

NOTE 3

STATEMENT OF INVESTMENTS

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

For the Year Ended 31-12-2017

	Notes	Financial Year Ending	
		31-12-2017	30/12/2016
Cash Investments			
Consolidated Investment Fund	3	21,789,332	27,421,538
Guarantee Deposit on Fiji Airways Operations 01-420002-40	3	51,157	49,895
Total Cash Investments as at 31-12-2017		21,840,489	27,471,434
Investment			
Tuvalu Trust Fund - Government of Tuvalu Contribution	4	82,597,826	73,619,020
Tuvalu Survival Fund	3a	6,999,982	4,999,986
Investments in Corporations	5	17,217,674	16,322,722
Sub total		106,815,483	94,941,728
Tuvalu Development Fund 01-751389-01	3b	9,123,320	7,279,330
IBD - Tuvalu Development Fund	3b	208,325	198,323
Sub total Tuvalu Development Fund		9,331,645	7,477,653
Total Non-current Investments as at 31-12-2017		116,147,127	102,419,381
Total Investments of Government as at 31-12-2017		137,987,616	129,890,815

NOTE 3a

TUVALU SURVIVAL FUND ACCOUNT

	31-12-2017	30/12/2016
Opening Balance	4,999,985	0
Contribution by Government of Tuvalu	2,000,000	5,000,000
Bank Fees	3	15
Closing Balance	6,999,982	4,999,985

NOTE 4

STATEMENT OF CONTINGENT ASSETS

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

For the Year Ended 31/12/2017

TUVALU TRUST FUND (TTF)

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

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

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

Tuvalu Trust Fund Balance

\$'000	Market Value (MV) (TTF) as at 31st December	Total TTF Contribution Balance	GOT Contribution Balance	GOT % of Contributions	Disclosed as GOT Asset (% cont. x MV)	GOT Contingent Asset
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	\$ 84,691	\$ 31,885	38%	\$ 54,065	\$ 89,540
2015 Closing Balance	\$ 151,787	\$ 92,478	\$ 39,667	43%	\$ 65,107	\$ 86,680
2016 Closing Balance	\$ 165,424	\$ 100,368	\$ 44,667	45%	\$ 73,619	\$ 91,805
2017 Closing Balance	\$ 176,892	\$ 108,580	\$ 50,700	47%	\$ 82,597	\$ 94,295

Reference to summary reflected on Income Statement

Year	GOT Asset in TTF	Details of the total movement on TTF	Amount
2016	\$ 73,619,020	Reinvested amount	\$ 6,000,000
2017	\$ 82,597,826	Distributed to CIF	\$ 2,000,000
Total movement on TTF	\$ 8,978,806	Unrealised Gain (Loss)	\$ 978,806

Tuvalu Trust Fund Contribution Balances

\$'000	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government of Tuvalu	31,885	31,885	31,885	31,885	31,885	31,885	39,667	44,667	50,700
UK	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Australia	19,570	22,901	26,901	28,901	30,071	30,950	30,599	33,013	34,712
New Zealand	12,579	12,579	12,579	12,579	12,579	12,579	12,935	13,411	13,891
Japan	695	695	695	695	695	695	695	695	695
Turkey						31	31	31	31
South Korea	101	101	101	101	101	101	101	101	101
Total Contributions	73,279	76,611	80,611	82,611	83,781	84,691	92,478	100,368	108,580

NOTE 5

GOVERNMENT INVESTMENT IN CORPORATIONS For the Year Ended 31/12/2017

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

<u>Corporation</u>	<u>Acronym</u>	2015		2016		2017	
		<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 1	TMTI	1,380,244	1,380,244	1,380,244	1,380,244	1,380,244	1,380,244
National Fisheries Corporation of Tuvalu 1	NAFICOT	0	0				
Development Bank of Tuvalu 2	DBT	1,109,620	1,109,620	1,202,226	1,202,226	1,170,028	1,170,028
Tuvalu Electricity Corporation 2	TEC	1,454,518	1,454,518	988,568	988,568	990,001	990,001
National Bank of Tuvalu	NBT	10,523,666	10,523,666	12,035,436	12,035,436	13,091,002	13,091,002
Vaiaku Lagi Hotel 3	VLH	455,676	455,676	260,643	260,643	0	0
Tuvalu Telecommunications Corporation	TTC	371,940	371,940	455,605	455,605	586,399	586,399
Tuvalu Post and Travel Limited 4	TPTL	0	0	0	0	0	0
		15,295,664		16,322,722		17,217,674	
Unrealised Gain (Loss) on Investment in Corporations			2,484,779.22		1,027,058.16		894,951.84

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 TMTI did not provide any financial statements since 2014. Therefore Net Assets figures from 2013 are use. The NAFICOT has not provide its financial statements since 1999.

² The Net Asset Values for these Public Enterprises have been sourced from 2017 unaudited (FS) Financial Statements.

³ VLH was sold to the Tuvalu National Provident Fund in 2017 financial year. Proceeds from the sale were received in the following financial year.

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

NOTE 6

DEBTORS & ACCRUED REVENUE

For the Year Ended 31-12-2017

Classification	Notes	Financial Year Ending	
		2017	2016
Taxation Debts		764,121	31,820
Claimed Debts Control Account		556,825	935,997
Other Debtors Control Account		216,375	128,895
Personal Loan Control Account		17,375	14,850
Special Imprest Control Account		106,708	57,162
Standing and Working Imprest Control Account		335	271
	ARREARS OF REVENUE	<u>1,661,739</u>	<u>1,168,994</u>
Accrued Revenue		2,110,877	930,215
Other Debtors NBT		14,072	14,072
Accounts Receivable Clearing Account (Imprest Matching)		408	350.00
	TOTAL DEBTORS	<u>3,787,096</u>	<u>2,113,631</u>
Less Provision for Doubtful Debts		(1,171,984)	(1,080,063)
Provision for Doubtful Debts			
	NET DEBTORS	<u><u>2,615,112</u></u>	<u><u>1,033,567</u></u>

NOTE 6(a)

STATEMENT OF BALANCES ON ADVANCES ACCOUNT FROM THE CONSOLIDATED FUND

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

For the Year Ended 31-12-2017

CATEGORIES OF s13 (1) PFA	Advance Description	Financial Year Ending	
		2017	2016
(a) issued on behalf of, and recoverable from, any other Government.	Delegation to the SIDs in Samoa	86,479	86,479
	Auditor General (PASAI Congress in Paris)	-	13,841
	Tuvalu Delegation to the signing ceremony in Paris	28,334	60,000
	Launching of Tuvalu Coastal Adaptation Project	19,929	-
	Tuvalu National PACER Plus Forum	15,000	-
	TOTAL ADVANCES	<u><u>149,742</u></u>	<u><u>160,320</u></u>

Disclosure; There are no type of advances under items (b),(d) and (c).

NOTE 7

Prepared in accordance with Public Finance Act s31(1)(i)
For the Year Ended 31-12-2017

The accompanying notes form part of these financial statements.

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	198,527	328,190
Accrued Expenses	1,291,382	367,065
Accounts Payable - Provident Fund	441,132	469,721
TOTAL	<u>1,931,040</u>	<u>1,164,976</u>
OTHER RECURRENT LIABILITIES		
Police Fund	4,463	2,827
Overseas Civil Servants Deductions to NBT-Clearing	2,250	1,500
TOTAL	<u>6,713</u>	<u>4,327</u>
GRAND TOTAL	<u>1,937,753</u>	<u>1,169,303</u>

NOTE 8

STATEMENT OF PUBLIC DEBT

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

For the Year Ended 31/12/2017

	<u>GL Account</u>	<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>2016 Debt Balance</u>	<u>2017 Debt Balance</u>
OFFSHORE														
Falekaupule Trust Fund	300200	ADB - LN1693	US\$3.972m	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	2,109,297	1,776,802
Interest Payment	796110-F01-01					76,539	36,757	53,731	28,679	32,327	42,013	35,236	36,311	29,985
Principal Repayment	300200					359611	293,758	248,230	248,543	259,728	328,795	325,234	321,000	347,584
Movement due to Currency fluctuation	460003-F01-01					800,243	405,712	-6,001	54,908	-404,314.31	-132,370	-210,566	-32,762	15,089
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	1,892,485.60	1,754,712	1,628,658
Interest Payment	796120-F01-01							26,843	27,699	12,810	29,375	26,545	27,877	25,499
Principal Repayment	300200							39,271	81,152	73,592	94,482	103,646	103,849	114,966
Movement due to Currency fluctuation	460003-F01-01					402,745	246,236	44,625	34,265	-283,770.37	-62,958	-142,946	-33,925	-11,088
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	2,015,778	1,879,436
Interest Payment	796120-F01-01								21,216	46,126	16,715	32,403	33,486	29,324
Principal Repayment	300200								42,340	111,181	53,544	111,740	110,123	122,276
Movement due to Currency fluctuation	460003-F01-01					167,765	267,967	-1,387	42,930	-323,496.65	-24,746	-164,462	-39,347	-14,067
DBT Equity Injection	300200	EIB - 22440	EUR0.3m	503,609	612,690	480,692	392,311	382,312	381,291	462,606	444,708	448,967	436,554	459,418
Principal Repayment	300200					0	0	0	0	0	0	0	0	0
Movement due to Currency fluctuation	460003-F01-01					131,998	88,381	9,999	1,020	81,314.71	-17,898	4,259	-12,413	22,864
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	6,316,341	5,744,314
Unrealised Gain (Loss) on Offshore Loans Balances				0	0	1,502,751	1,008,296	47,235	133,123	-930,267	-237,972	-513,714	-118,447	12,798
DOMESTIC														
Air Fiji O/D G'teed by Govt	300210	NBT	AUD\$600,000		604,295	690,984	774,985	895,290	920,486	920,486	920,493	920,493	920,493	0
all on Government Gaurantee Expense					604,295									600,000
Interest & Service Expense						86,689	84,000	120,305	25,196	7	4			320,493
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	920,493	920,493	0
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	7,890,254	7,236,834	5,744,314

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>	<u>2016 Debt Balance</u>	<u>2017 Debt Balance</u>
Air Pacific Guarantee (NBT Guarantee on Travel Office operations)*	NBT	AUD40,000		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
DBT Global Loan 2 - Guarantee	EIB - 22441	EURO.7m	1,175,088	1,220,309	1,118,794	696,976	161,861	532,607	542,948	414,400	315,056	203,725	107,198
National Bank of Tuvalu Deposits-Guarantee	NBT	n/a					21,206,446	22,500,408	30,149,190	33,903,636	34,361,838	48,028,154	54,678,102
			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	48,271,879	54,825,300

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

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>	<u>2016</u>	<u>2017</u>
AUD - EU	0.4896	0.6241	0.7647	0.7847	0.7847	0.7868	0.6485	0.6746	0.6682	0.6872	0.6530
AUD - USD	0.6903	0.8969	1.0163	1.0156	1.0156	1.0384	0.8948	0.8202	0.7306	0.7236	0.7800
AUD - SDR		0.5742	0.6599	0.6636	0.6636	1.2694	0.5811	0.5663	0.5268	0.5400	0.5490

NOTE 9**TAXATION INCOME**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Income Tax	2,268,906	1,689,996	2,091,623
Company Tax	1,663,472	2,315,004	1,356,533
Tuvalu Consumption Tax	539,435	249,996	279,372
Import Duty	3,035,978	2,352,840	2,626,526
Import Levy & Excise	953,074	608,892	738,040
Other Taxes	274,587	189,000	245,307
	<u>8,735,452</u>	<u>7,405,728</u>	<u>7,337,401</u>

NOTE 10**INTEREST, DIVIDENDS AND RENT INCOME**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Interest and Dividends	2,030,510	2,483,862	2,564,244
Lease, rent and hire	304,366	316,320	354,685
	<u>2,334,876</u>	<u>2,800,182</u>	<u>2,918,929</u>

NOTE 11**EXTERNAL ASSISTANCE AND GRANTS INCOME**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Republic of China (Taiwan)	8,330,630	8,333,333	8,497,938
AusAID	0	1,500,000	1,500,000
New Zealand	0	500,000	0
World Bank, IMF, ADB	4,561,274	6,794,868	4,313,486
Other Donors	71,191	0	1,090,111
	<u>12,963,095</u>	<u>17,128,201</u>	<u>15,401,535</u>

NOTE 12**OTHER INCOME**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Vessel Registrations	644,803	800,004	1,158,282
Marine Services (Nivaga III, Nivaga II & Manu Folau)	575,880	409,752	738,639
Stevedoring and Wharfage	536,969	190,440	328,133
Provision of Goods and Services	1,022,333	724,308	1,819,361
Foreign Exchange Gain	141	0	89,336
Regional Seasonal Employment Workers Repayment	0	80,004	18,622
Other Charges	3,344,647	342,276	1,460,399
	<u>6,124,773</u>	<u>2,546,784</u>	<u>5,612,772</u>

NOTE 13**TRAVEL EXPENSES**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Overseas Travel & Subsistence	2,560,831	923,622	2,035,520
Local Travel & Subsistence	926,266	870,625	822,509
Leave Travel Entitlements	212,914	453,151	205,757
Statutory Travel	999,601	632,567	812,257
	<u>4,699,613</u>	<u>2,879,965</u>	<u>3,876,044</u>

NOTE 14**GRANTS AND SUBSIDIES EXPENSES (incl. Scholarship Support)**

	<u>2017</u> Actual	<u>2017</u> Budget	<u>2016</u> Actual
Grants and Subsidies	6,170,579	5,308,164	3,925,971
Outer Island Projects (SDE)	2,532,557	2,880,000	2,784,100
Scholarships and Support	4,997,701	11,399,350	9,986,259
Contribution to Japan Grant Counterpart Fund	0	278,847	293,847
Overseas Contributions	644,555	861,492	575,942
	<u>14,345,392</u>	<u>20,727,853</u>	<u>17,566,120</u>

NOTE 15**OTHER EXPENSES**

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Actual	Budget	Actual
Advertising and Provisions	1,278,920	1,152,682	1,032,885
Supplies and Equipment	5,914,244	6,439,115	6,870,164
Senior Citizen Scheme / Pension	385,074	398,700	434,637
Land & Property Rent	1,121,281	1,166,407	1,107,309
	<u>8,699,519</u>	<u>9,156,904</u>	<u>9,444,995</u>

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)(vi)
For the Year Ended 31/12/2017

The accompanying notes form parts of these financial statements.

Donor	ACCTID	Project Name	2017 Opening Balance	Payments	Receipts	Movements	2017 Closing Balance	
NZAID	2009010038	Ship to Shore	62,040	-	-	-	62,040	
	2009010039	ECCCE Summer School Course	2,023	-	-	-	2,023	
	2009010040	Pre-School Awareness W/Shop	1,291	-	-	-	1,291	
	2009010041	Pre-School Resources	676	-	-	-	676	
	2009010042	Pre-School Council Meeting	211	-	-	-	211	
	2010010044	Nanumaga Guest House	42,043	-	-	-	42,043	
	2010010045	Nui Shredder	24,717	-	-	-	24,717	
	2011010046	Tuvalu Ship to Shore Transport (PWD Works Manager)	12,170	-	-	-	12,170	
	2011010047	TK II MID TERM REVIEW	342	-	-	-	342	
	2012010048	TEC GRANT	1,041	-	-	-	1,041	
	2012010050	Cost of 1 year for the Aid Adviser & Budget Adviser	523	-	-	-	523	
	2013010051	NZ GRANT FOR NIVAGA II	1,162	-	-	-	1,162	
	2013010053	Tuvalu Short Term Technical Assistance for the Tuvalu Equity	626	-	-	-	626	
	2013010054	FISHERIES ADVISOR TRAVEL	27,837	27,837	27,837	-	27,837	
	2014010055	Oceanic Fisheries	10,430	-	-	-	10,430	
	2014010057	Coastal Fisheries	1,227	-	-	-	1,227	
	2014010058	Human Resource Development	194	-	-	-	194	
	2015010059	Rooftop Solar Project (Local Wages)	1	-	-	-	1	
	2015010060	TC PAM Fishery Related Infrastructure	1,913	881	30	911	1,002	
	2015010061	Tropical Cyclone PAM and Recovery and Vulnerability Reduction	-	1,226	-	1,226	1,226	
	2016010062	Visa Fees - RSE Scheme	899	-	-	-	899	
2016010063	RV TALAMOANA	215,704	559,611	471,445	88,166	127,538		
2016010064	Leadership Training	8,877	10,633	2,000	8,633	244		
2017010065	Trip to Noume (DSA iro Matini Vallopa)	-	2,102	4,216	2,114	2,114		
	Total NZAID		414,596	602,291	505,468	- 96,823	317,773	
AUSAID	2009020009	TVET	1,595	-	-	-	1,595	
	2009020010	Upgrading of Accpac Treasury	367	-	-	-	367	
	2011020016	Pre-School & Primary School materials-resources & supplies	2,673	-	-	-	2,673	
	2011020017	WATER TANKS FOR PRIMARY & SECONDARY	118	-	-	-	118	
	2011020018	TK II MTR Forum	1,391	-	-	-	1,391	
	2011020019	Tuvalu National Climate Change Summit	401	-	-	-	401	
	2013020020	NAPA 1+	621	-	-	-	621	
	2013020021	Supply of materials & construction of store room (Police)	873	-	-	-	873	
	2014020022	Tuvalu National Oral Health Survey	5,549	3,867	-	3,867	1,682	
	2015020024	Funafuti classroom Building Project	1,944,490	126,386	1,500,000	1,373,614	3,318,104	
	2015020025	Australia Contribution to Tuvalu NDP	240	-	-	-	240	
	2015020026	Tuvalu Early Human Capacity Index	8,510	8,510	7,708	16,218	7,708	
	2016020027	SCS Coordinator Salary for 2 Years	14,023	13,621	2	13,619	404	
	2016020028	Disaster Preparedness consortium	588	398	-	398	190	
	2017020029	2017 Population & Housing Mini - Census	-	154,710	174,855	20,145	20,145	
	2017020030	Feasibility Study for a School of Nursing in Tuvalu	-	-	11,000	11,000	11,000	
		Total AUSAID		1,973,333	307,491	1,678,149	1,370,657	3,343,991
Canada	2016030049	Women Leadership	807	1,307	1,006	301	506	
	2017030050	Improving Sight Word Literacy of Children	-	-	34,149	34,149	34,149	
	Total Canada		807	1,307	35,155	33,848	34,655	
SPREP	2016040017	POP Education and Awareness Programme	3,386	4,418	1,600	2,818	569	
	Total SPREP		3,386	4,418	1,600	- 2,818	569	
UNDP	2002050009	Office Equipment & Training Attachment	6,402	-	-	-	6,402	
	2003050010	National Adaptation Programme of Action (NAPA)	1,719	496	1,071	1,567	3,286	
	2005050015	National Biosafety Frame Work	1,318	-	-	-	1,318	
	2006050019	GEF Operational Focal Point Activities	156	-	-	-	156	
	2006050027	Support to Local Governance	35	-	-	-	35	
	2009050031	TUVALU MGD PROJECT	25,128	-	-	-	25,128	
	2011050033	Parliament Support Project	27	-	-	-	27	
	2013050034	EIF-Tuvalu Trade Capacity Development & Institutional Stren	3,530	853	0	853	2,677	
	2014050035	National Population Policy Social Development & PD Technical	4,328	-	-	-	4,328	
	2014050036	NAPA II	58,506	948,593	901,794	46,799	11,706	
	2015050037	Family Planning & Psychosocial	1,917	-	-	-	1,917	
	2015050038	For Savali Fatoaga Ticket	30	-	-	-	30	
	2015050039	Grant Agreement Anit-Corruption Day	100	-	-	-	100	
	2015050040	Salary Aug-Nov 2015 Taufala Nia/Temilo Seono	10,333	-	-	-	10,333	
	2015050041	Napa II-Marine - based Coastal Livelihood	259	336,373	379,416	43,042	42,783	
	2015050042	Napa II-Climate Finance Access capacity	7,185	110,346	118,138	7,792	14,978	
	2016050043	Global Fund Project	5,199	65,903	61,181	4,722	477	
	2016050044	Reproductive Health (UNFPA)	17	-	15	15	32	
	2016050045	International Women's Day	48	-	-	-	48	
	2016050046	LoCal Performance Based Climate Resilient Grant	54,069	-	122,029	122,029	176,099	
2016050047	R2R-Tuvalu Ridge to Reef Project	25,838	1,076,171	1,610,853	534,682	560,520		
2016050048	Reproductive Health Activities	3,192	6,909	3,394	3,515	323		
2016050049	GEF International Waters Tuvalu R2R	3,046	52,416	55,292	2,876	5,923		
2016050050	climate change Resilience Week	188	-	11,996	11,996	11,808		
2017050051	CRC PROJECT	-	11,010	13,400	2,390	2,390		
2017050058	TCAP/Ministry of Natural Resources(MNR)-Land and Survey	-	26,616	29,518	2,902	2,902		
	Total UNDP		211,033	2,634,694	3,308,097	673,403	884,436	
FFA	2005060036	Vesel Monitoring System Operation (VMS Operation)	3,078	12,824	26,747	13,923	17,001	
	2009060044	FISHERIES OBSERVER FEE PROJECT	220,462	673,390	913,524	240,134	460,596	
	2011060052	Fisheries Programme Activities	2,851	-	-	-	2,851	
	2012060053	Western & Central pacific Fisheries	1,439	-	-	-	1,439	
	2013060054	Surveillance Fuel Contribution	41,453	-	-	-	41,453	
	2013060055	Island Council Consultation on Inshore Fisheries	14,658	-	-	-	14,658	
	2014060056	Upgrading of Government Network System	21	-	-	-	21	
	2014060057	10th Special PNA Meeting 10-14th Nov 2014	422	-	-	-	422	
	2015060059	Tuna Data Collectors	216	-	-	-	216	
	2016060060	High Level Dialogue Meeting, Suva Fiji	405	398	-	398	7	
	2017060061	Advance for PM - Ocean Conference UN, NY	-	8,948	-	8,948	8,948	
		Total FFA		284,571	695,559	940,271	244,712	529,284
	Japan	2010070018	Nanumea Health Centre	19,370	-	-	-	19,370
		2010070019	Nanumaga Clinics	27,252	-	-	-	27,252
2011070021		NUKULAEAE CLINIC CENTRE	25,194	-	-	-	25,194	
2011070022		NUKUFETAU CLINIC CENTRE	44,517	-	-	-	44,517	
2012070023		Princess Margaret Pediatric Ward	162	-	-	-	162	
2013070024		Improvement of Water Supply System for Nanumea Island	3,995	-	-	-	3,995	
2014070025		Improvement of Infection Disease Laboratory at PMH	124	-	-	-	124	
2015070026		The Project for Improvement of Water Supply System for Nui I	43,474	-	-	-	43,474	
2015070027		The Project for Improvement of water	247	-	-	-	247	
2016070028		Improvement of Water Supply System for Vaitupu Island	16,876	-	-	-	16,876	
2016070029		Improvement of Water Supply System for Nukufetau Island	34,845	30,206	-	30,206	4,639	
2017070030		Provision of School Bus - Nauti Primary School	-	69,613	69,617	4	4	

	2017070031	Provision of Garbage Truck in Funafuti	-	65,816	79,724	13,907	13,907
	Total Japan		216,055	165,635	149,340	-	16,295
WHO	2005080034	DE- Worming Program in Tuvalu	18	-	-	-	18
	2010080055	Develop STG to promote & Excess Medicine in Tuvalu	769	600	-	600	169
	2010080060	H1N1 Campaign	6	-	-	-	6
	2010080061	Junior Nurses Refreshing W/shop	13	9,752	14,123	4,370	4,383
	2010080062	Infection Control W/shop	78	-	-	-	78
	2010080064	Tu8 World Blood day	91	-	-	-	91
	2010080065	Lymphatic Filarisis	94	6,430	22,460	16,030	16,124
	2010080067	Measles Rubella Campaign	9	-	-	-	9
	2010080069	Workshop on IHR (Implemented with MOH & Others Agencies)	559	460	-	460	99
	2011080072	In-country Training Workshop	299	-	-	-	299
	2011080074	Supervisory Visit for Pharmacy Staffs to Centrl Is.	25	-	-	-	25
	2011080075	World NO Tobacco Day 2011	3,284	6,897	4,000	2,897	487
	2011080076	EHE's Climate Change & Health Training for Health Workers	1,451	-	-	-	1,451
	2011080077	Drugs & Therapeutical Committee Training	58	-	-	-	58
	2011080078	Global School Base Health Survey	958	-	-	-	958
	2012080081	Human Resources for Health Plan	67	-	-	-	67
	2012080083	Revising of Standard Treatment Guideline in Tuvalu	19	-	-	-	19
	2012080085	Household Survey for Medicines Use and Access	874	-	-	-	874
	2012080087	Food REgulations Consultations	81	-	-	-	81
	2012080088	Workshop/Seminar/Presentation of NCCHAP Plan	44	-	-	-	44
	2012080089	TUV-PEN and Salt Reduction & TUV-Crisis Response	4,922	20,800	18,649	2,150	2,772
	2013080090	Support for Biomedical Technician Salary and Maintenance	371	-	-	-	371
	2013080091	Health Budget Analysis/Tracking	191	330	-	330	140
	2013080092	Workshop for Nurses on Managing Drug Supplies & POLHN	949	840	-	840	109
	2013080094	To Support Purchasing of Supplies & Equipments for Health In	894	850	-	850	44
	2013080095	Local Consultation & Meetings on Draft Legislation Bill	262	-	-	-	262
	2013080096	Procurement of Equipments for the POLHN Center	374	-	-	-	374
	2013080097	To Purchase Computers for the Pharmacy Dept	160	-	-	-	160
	2014080094	WORLD IMMUNIZATION WEEK	1	-	-	-	1
	2015080095	Human Resources for Health Workshop with Health Staff on Fun	2,135	-	-	-	2,135
	2015080096	Training and Seminar for Outer Island & PMH Nurses for IPV	2,210	-	-	-	2,210
	2015080097	Mass drug against Lymphatic Filarisis Tuvalu	287	-	-	-	287
	2015080098	Support the computerized pharmaceutical inventory management	4,338	11,120	8,098	3,022	1,316
	2016080099	Support Official Launch of the Tuvalu Health Reform Strategy	37	-	-	-	37
	2016080100	EPI Program for Immunization	1,028	11,195	13,334	2,139	3,167
	2016080101	Mental Health Action Plan	569	2,304	1,759	544	25
	2016080102	Tuvalu strategic Plan for NCD 2011-2015	27,642	27,642	-	27,642	-
	2017080103	TC Pam Healthcare Project	-	303,099	307,942	4,843	4,843
	2017080104	Activity to Celebrate World Washing Day	-	3,968	4,033	65	65
	2017080105	Health National Forum	-	44,443	46,359	1,916	1,916
	2017080106	World Diabetes Day	-	6,361	6,655	294	294
	Total WHO		54,665	457,090	447,412	-	9,678
Forum Secretariat	2010090010	SIS Catalytic Fund for Women	258	-	-	-	258
	2013090013	Support for Pacific Plain Review- Country Consultation	21	-	-	-	21
	2013090014	Support to Nukulaelae Local Government	4	-	-	-	4
	2013090015	Funds for Tuna Data Providers	733	-	-	-	733
	2013090016	To Purchase Office Equipment for Nui Kaupule	164	-	-	-	164
	2013090017	To Purchase Office Equipment for Nanumaga Kuapule	21	-	-	-	21
	2014090017	Support for Tuvalu-Talofa Trade Fair	746	446	-	446	301
	2015090018	Services Assistancess for National Disability Policy	4,895	4,815	6	4,821	74
	Total Forum Secretariat		6,835	5,261	6	-	5,267
SPC	2011100012	Tuvalu National Strategic Plan for NCD 2011-2015	1,087	60	-	60	1,027
	2011100013	Endangered Cultural Heritage Mapping in Tuvalu	3,413	-	-	-	3,413
	2012100011	Tuvalu Grant PMH	67	-	-	-	67
	2013100014	International Women's Day Celebration (4-8 Marh 2013)	3,089	-	-	-	3,089
	2013100015	Funafuti FADS Fishing Skills Workshop Allowances	354	-	-	-	354
	2013100018	Global Climate Change Alliance(Adaptation Fund)	16	-	-	-	16
	2014100001	Pacific Appliance Labelling Standard Project (PALS)	14,077	9,865	190	9,675	4,402
	2014100019	Payment of Service for IDDR Project	293	-	-	-	293
	2014100021	Tuvalu National Steering Committee Project - BSRP	1,583	431	-	431	1,152
	2015100001	International Women's Day	3	-	-	-	3
	2015100022	Tuvalu HIES 2015-2016 - SPC	4,157	196	10,493	10,689	14,845
	2015100024	Funds for Consultation Allowances MOU SPC	4,326	-	-	-	4,326
	2016100026	Improving Soil Health Agricultural Productivity and food Sec	5,500	9,301	18,195	8,895	14,395
	2016100027	Te Kaniwa Climate Change Policy Review	15,771	-	8,660	8,660	7,111
	2016100028	building Safety & Resilience Pacific (BSRP)	96,700	117,985	155,275	37,290	133,990
	2017100029	Strengthening of Water Security in Vulnerable Island States	65,425	423,987	369,003	54,984	10,441
	2017100030	Year 13 Supervisor's Fee 2016	-	982	1,121	139	139
	2017100031	Bio Gas	-	13,118	13,166	47	47
	2017100032	Institutional Strengthening of PICS to Adapt to climate Chan	-	85,476	188,925	103,450	103,450
	2017100033	PACTVET	-	-	2,675	2,675	-
	Total SPC		178,141	661,008	767,703	106,695	284,836
ROC	2006110024	Backwages of Nauru Workers	3,144	-	-	-	3,144
	2008110036	INTERNATIONAL PRIMARY SCH & SECONDARY SCH GAME	1,407	-	-	-	1,407
	2012110039	Support to Tuvalu Delegation to the UNFCCC	716	-	-	-	716
	2012110041	Defects List and Maintenance	4,916	-	-	-	4,916
	2012110042	Fuel for Charter Vessel and Nivaga II	28,338	-	-	-	28,338
	2012110043	Victualling for MV Nivaga II & MV Manufolau	12,562	-	-	-	12,562
	2012110045	Establishment Taipei Mission	44	-	-	-	44
	2013110047	Printing of Primary School Textbooks	585	-	-	-	585
	2013110048	Establishment of the Tuvalu Mission to Taipei	11	-	-	-	11
	2013110049	Pediatric Ward in the Princess Margaret Hospital	52	-	-	-	52
	2013110051	Tuvalu Trade Fair Contribution	1,240	5,707	5,000	707	533
	2014110052	Tuvalu Participant in Nan Ying Folkore Festival	1	-	-	-	1
	2014110053	Funding Support for UNGA Delegation	317	-	-	-	317
	2015110055	NCD STEPS SURVEY	6,112	3,878	3,958	80	6,192
	2016110059	ROC-Assistance for the Spouse(MFED) travel to Tahiti	122	-	-	-	122
	2016110060	Support PM and Delegations at PIFLM in FSM Pohnpei	433	-	-	-	433
	2016110061	PM Delegation to the UNCA Meeting in New York	6,412	6,412	-	6,412	-
	2016110062	PM Trip to COP 22 Marrakech, Morocco	13,356	13,356	-	13,356	-
	2017110063	Renovation of Building at the Sport Ground	-	9,621	10,000	379	379
	2017110064	Support for MCH Clinic Renovation	-	97,006	113,837	16,831	16,831
	2017110065	Annual Salary of Admin Assistant	-	2,824	6,849	4,024	4,024
	2017110066	Support Prime Minister and Delegation at 72nd UNGA NY and PI	-	66,397	66,966	569	569
	2017110067	Support GG Travel	-	16,909	19,073	2,164	2,164
	2017110068	CRC Project	-	-	2,500	2,500	2,500
	2017110069	PRIVATE SECTOR DEVELOPMENT PLAN	-	10,725	20,000	9,275	9,275
	2017110070	Support Tuvalu National Health Forum	-	19,887	20,000	113	113
	2017110071	COP 23 Delegation (OPM)	-	46,277	46,221	56	56
	Total ROC		69,301	299,001	314,404	15,404	84,704

UNICEF	2010130005	Conductive Learning Environment	133	-	-	-	133
	2011130008	Education Management Information System (EMIS)	753	-	-	-	753
	2012130009	Funding Support for Vaccination	290	-	-	-	290
	2013130010	UNICEF: Implement the MEYS-UNICEF 2012 Cooperation Agreement	7,539	-	-	-	7,539
	2013130011	World Immunization Week 2013	742	660	-	660	82
	2014130012	Achieving Education for All in Tuvalu	8,135	-	-	-	8,135
	2016130015	World Breastfeeding Week	595	594	-	594	1
	2017130016	Human Rights Disability Day	12,575	12,742	168	12,575	0
	2017130017	CRC Advocacy and Awareness	-	73,860	93,955	20,095	20,095
	2017130018	CRC Funafuti Consultation	-	27,656	28,975	1,319	1,319
Total UNICEF			2,092	115,512	123,098	7,586	5,494
SOPAC	2010140010	Water & Sanitation with MOH	2,459	-	-	-	2,459
	2012140011	Advance Payment for PUI-Diasater REduction Program	1,458	-	-	-	1,458
	2012140012	Disaster Awareness Commemoration Day	2,065	-	-	-	2,065
Total SOPAC			5,982	-	-	-	5,982
USP	2011150009	Global Monitors POP	6,707	-	-	-	6,707
	2012150010	Training Fiji School of Medicine (FSMED)	455	-	-	-	455
Total USP			7,162	-	-	-	7,162
ASIA	2017160002	Training CPU Staffs-Introductory Certificate in Dubai	-	9,412	9,412	0	0
	Total ASIA			9,412	9,412	0	0
UNESCO	2005180015	Tuvalu Children Conference	810	-	-	-	810
	2009180031	Cultural Heritage & Identities	137	-	-	-	137
	2011180034	UNESCO TESP II	240	-	-	-	240
	2011180035	UNESCO Activities	1,475	-	-	-	1,475
	2015180037	Training on the World Heritage Convention (Funafuti, Tuvalu)	731	-	-	-	731
	2015180038	Climate Change Education	1,915	-	-	-	1,915
	2016180039	Training for Tuvalu National Library and Archive	268	-	3,579	3,579	3,846
	2017180039	ICH Capacity Building	-	19,390	19,395	5	5
	2017180040	Multi Stakeholder consultation on TNCP	-	3,750	7,950	4,200	4,200
	Total UNESCO		5,302	23,140	30,924	7,784	13,085
India	2009210003	Hospital equipment	851	90	-	90	762
	2013210004	PAYMENT FOR GRASS-CUTTERS	18,270	-	-	-	18,270
	2015210001	Medical Equipment for Princess Margaret Hospital (PMH)	318,674	318,619	-	318,619	55
	2015210002	New Ambulance for Princess Margaret Hospital(PMH)	51,096	-	-	-	51,096
	2015210003	YOGA International Day of India	562	1,796	3,680	1,884	2,446
	2017210004	COP 23 TRAVEL	-	68,587	-	68,587	68,587
	2017210005	Talofa Trade Fair	-	9,104	9,980	876	876
Total India		389,453	398,195	13,660	384,535	4,918	
British High Commission	2009220002	Tuvalu Law Revision	-	20,540	-	-	20,540
Total British High Commission			20,540	-	-	-	20,540
UNON	2005240002	3rd Installment- National Biosafety Framework	1,412	-	-	-	1,412
	Total UNON		1,412	-	-	-	1,412
UNIFEM	2012260003	Cedaw Report	133	-	-	-	133
	Total UNIFEM		133	-	-	-	133
EU	2013270005	EU SANITATION PE	6,217	-	-	-	6,217
	2014270006	CHARTER OF MATAILI	894	-	-	-	894
Total EU		7,111	-	-	-	7,111	
CLGP	2010290003	Government Vehicles Shed	12,206	-	-	-	12,206
	Total CLGP		12,206	-	-	-	12,206
Singapore (Ship Registry)	2010310008	Tuvalu Island Leadership Assembly	-	3,378	-	-	3,378
	2011310001	Kaupule Election	-	88	-	-	88
	2012310002	Contribution LEL Rollout	-	113	-	-	113
	2013310003	Unforeseen Expenses-LEL and ISP Training of Trainer's W/S 12	-	653	-	-	653
	2013310004	Local Elected Leadership 2013 Roll Out Workshops Activity	-	73	-	-	73
	2017310005	REIMBURSEMENT OF AIR FARES (STI)	-	-	2,322	2,322	2,322
	Total Singapore (Ship Registry)		2,853	4,253	2,322	2,322	532
Sweden	2016320001	Improving Library Collection of TNLA	3,000	1,448	1,311	138	2,862
Total Sweden		3,000	1,448	1,311	138	2,862	
Turkey	2014360001	Tuvlau Participation 45th PIF Meeting in Koror	1,638	-	-	-	1,638
	2014360002	Turkey Funding Assistance for Construction of Kaupule Office	348	-	-	-	348
	2014360004	Motufoua Secondary School Truck	12,369	-	-	-	12,369
	2014360005	Support for Tuvalu's Delegation to COP20 (LIMA PERU)	397	-	-	-	397
Total Turkey		14,752	-	-	-	14,752	
Italy	2009370001	Feasibility Study Energy	6,239	-	-	-	6,239
	2009370002	Tuvalu Photovoltaic Electricity Network Integration Project	1,212	-	-	-	1,212
	2015370003	PV Standalone Home system (SHS) and cooling Storage Facility	329,089	207,774	800	206,974	122,116
Total Italy		336,541	207,774	800	206,974	129,567	
OSSHHM	2009380001	HIV TRAINING IN TUVALU	1,833	-	-	-	1,833
Total OSSHHM		1,833	-	-	-	1,833	
UNEP (United Nation Environment Program)	2010390001	Ozone Depleting Substances (ODS)	7,137	53,654	64,198	10,544	17,681
	2010390002	HCFC Phase - Out Mgmt Plan (HPMPP)	3,954	6,417	6,301	116	3,838
	2014390003	Support to Tuvalu for the Revision of the NBSAPs & Develop.	43,464	21,525	312	21,213	22,251
	2016390004	National Implementing Entity Preparation	26,575	25,111	-	25,111	1,464
	2016390005	ODS Alternative Survey	17,252	16,697	83	16,780	472
	2017390006	NIP - Persistent Organic Pollutant	-	304	36,638	36,334	36,334
Total UNEP (United Nation Environment Program)		98,382	123,708	107,367	16,342	82,040	
Commonwealth	2014410002	Minister's and Leaders Retreat	3	-	-	-	3
	2016410002	Technical and Vocational Skills Development (TVSD) Pilot Pro	89	-	-	-	89
Total Commonwealth		92	-	-	-	92	
SPBEA South Pacific Board of Education Assessment & South Pacific Board of Education Assessment	2011420001	Examination Admin	2,719	-	-	-	2,719
Total SPBEA South Pacific Board of Education Assessment & South Pacific Board of Education Assessment		2,719	-	-	-	2,719	
Korea	2014430002	Office Partitioning Project	64,369	450	-	450	64,819
	2015430003	Renovation & Maintenance of Electric Pillar Boxes Project	5,800	-	-	-	5,800
Total Korea		70,169	450	-	450	70,619	
Tuvalu	2012440001	Disaster Relief Fund	5,080	6,224	106,882	100,658	105,738
	2015440002	Disaster Relief Fund/ Cyclone PAM	1,061,390	387,631	5,185	382,446	678,944
	2015440003	Vaiaaku Waterfront Recreation Area Project	-	1,000	-	1,000	1,000
	2015440004	Renovation of Government Complex	288,514	-	-	-	288,514
	2015440005	Upgrade and Renovate Agriculture Elisefou office & causeway	99,981	6,427	-	6,427	93,554
	2015440006	Deferred Maintenance Fund	447,454	-	-	-	447,454
	2015440007	School Improvements	769,856	589,901	-	589,901	179,955
	2016440008	Counterpart Fund (Outer Island Maritime Infrastructure Proje	12,520	73,894	76,375	2,481	15,001
	2016440009	Construction of Nukufetau Seawall	56,230	-	-	-	56,230
	2016440010	Cash Refund - Photocopying Machine	221	-	-	-	221
	2017440011	Tuvalu National Council of Women	-	7,439	7,439	-	-
	2017440012	TMTS Programme	-	454,505	452,792	1,712	1,712
	2017440013	Beauty Agent(Tourism Dept)	-	23,036	28,950	5,914	5,914
	2017440014	Procurement Revolving Fund for PROP	-	20,152	200,000	179,848	179,848
	Total Tuvalu		2,741,246	1,570,209	877,623	692,585	2,048,660
	UNFPA	2012450001	Tuvalu National Population Policy	112	-	-	-
2012450002		Tuvalu National Census 2012	5,732	-	-	-	5,732
2013450003		RH & FP PROGRAMME	3,052	322,019	319,790	2,229	823
2015450005		Support to COP 21	-	2,662	-	-	2,662
Total UNFPA		6,233	322,019	319,790	2,229	4,004	

University of Auckland	2012460001	Climate Change Education for Sustainable Development	905	-	-	-	905
Total University of Auckland			905	-	-	-	905
UN Office at Geneva	2012470001	LEG 22nd Workshop	-	320	-	-	320
Total UN Office at Geneva			-	320	-	-	320
Russia	2013480001	OFFICE EQUIPMENT FOR FOREIGN AFFAIRS	197	-	-	-	197
	2013480002	Funding Assistance for Delegation to 44th PIF Leader's Meeti	956	-	-	-	956
Total Russia			1,153	-	-	-	1,153
International Labour Organisation	2013490001	Labour Market Survey	242	-	-	-	242
	2013490002	1st Payment ILO MLC MTG	940	-	-	-	940
Total International Labour Organisation			1,182	-	-	-	1,182
Kazakhstan	2013500002	Tourism Marketing and Promotion	-	698	-	-	698
Total Kazakhstan			-	698	-	-	698
FAO	2013510001	FOOD & AGRICULTURE ORGANIZATION OF THE UN	7,041	-	-	-	7,041
	2017510002	FAO TCP (Agriculture) Boat Fares	-	2,525	2,525	-	-
Total FAO			7,041	2,525	2,525	-	7,041
France	2013520001	Workshop on Record Keeping and Information Management	64	-	-	-	64
Total France			64	-	-	-	64
Pacific Islands Trade	2013540001	Tuvalu Trade Fair contribution	741	-	-	-	741
Total Pacific Islands Trade			741	-	-	-	741
SAUDI ARABIA	2013550001	DSA FOR UNGA DELEGATION	25,523	-	-	-	25,523
Total SAUDI ARABIA			25,523	-	-	-	25,523
ROC - part 2	2014560001	PV/Hybrid/Generator System Tuvalu Maritime Training Insitute	39,101	23,905	-	23,905	15,196
Total ROC - part 2			39,101	23,905	-	23,905	15,196
ASCAP	2014570001	PM's Trip to Bangkok	-	20	-	-	20
	2016570002	CANCC Activities	30	-	-	-	30
	2016570003	KANIVA Program	8,298	5,350	-	5,350	2,948
	2016570004	Climate Change Migration Project	17,388	2,000	-	2,000	15,388
Total ASCAP			25,696	7,350	-	7,350	18,346
UN (United Nation)	2015580001	Funds for Urban Profiling Activities	3,812	-	-	-	3,812
	2016580002	16th Days of Activisms	70	1,120	4,182	3,062	3,132
	2017580003	GMP POPs Project	45,521	452	-	452	45,069
Total UN (United Nation)			49,403	1,572	4,182	2,610	52,013
UNITED ARAB EMIRATES (UAE)	2015590001	Support to COP21 Paris France	-	1,511	-	-	1,511
Total UNITED ARAB EMIRATES (UAE)			-	1,511	-	-	1,511
ADB	2017600001	DSA Public Procurement Training in Copenhagen	-	3,949	3,949	-	-
	2017600002	CIPS Australasia Annual Conference (Advance)	-	6,090	7,521	1,431	1,431
	2017600003	Counterpar Fund (Outer Island Maritime Infrastructure Project	-	84,535	51,090	33,445	33,445
	2017600004	UNDP CIPS LEVEL 3 TRAINING	-	12,983	11,981	1,002	1,002
Total ADB			-	107,557	74,541	33,016	33,016
Vanuatu	2017610001	Tuvalu National Pacer Plus Forum (TNPPF)	-	10,800	12,029	1,229	1,229
Total Vanuatu			-	10,800	12,029	1,229	1,229
GRAND TOTAL			7,239,245	8,758,431	9,727,175	968,744	8,207,989

Non Project Related:	
Bank Fees, Interest and Charges	- 1,314
Unidentified payments and deposits allocated to TDF	624,254
Allocation Error	18,324
	<u>8,812,606</u>
add Unpresented Cheques	219,230
Adjusted Balance	<u>9,031,835</u>
Tuvalu Development Fund statement balance as at 31/12/2017	9,116,466
Unreconciled Amount	84,630
TUVALU DEVELOPMENT FUND	
IBD - Tuvalu Development Fund Balance as at 31/12/2017	203,325
TUVALU DEVELOPMENT FUND as at 31/12/2017	<u>9,116,466</u>
Total TUVALU DEVELOPMENT FUND	<u>9,319,790</u>

NOTE 17

REPORTING 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 31/12/2017

<u>CODE</u>			<u>2017</u>		<u>2016</u>		<u>Movement</u>
A01	Office of the Governor General	\$	19,630	\$	5,324	\$	14,306
B01	Corporate Services - Office of the Prime Minister	\$	13,399,208	\$	16,240,114	\$	(2,840,906)
B04	Personnel and Training	\$	32,649	\$	41,962	\$	(9,313)
B08	Tuvalu Media Department	\$	-	\$	5,170,344	\$	(5,170,344)
B10	Department of Women	\$	2,209	\$	3,178	\$	(969)
B11	Immigration	\$	23,224	\$	15,317	\$	7,906
C01	Office of the Attorney General	\$	33,837	\$	50,837	\$	(17,000)
C02	People's Lawyer	\$	9,732	\$	15,576	\$	(5,844)
C03	Office of the Ombudsman Commission	\$	24,867	\$	12,740	\$	12,127
D01	Office of the Parliament	\$	11,943	\$	29,661	\$	(17,718)
E01	Office of the Auditor General	\$	34,404	\$	36,721	\$	(2,318)
F01	Corporate Services - Finance	\$	50,833	\$	61,487	\$	(10,654)
F02	Planning and Budget	\$	16,483	\$	24,338	\$	(7,855)
F03	Central Statistics Division	\$	9,991	\$	19,576	\$	(9,585)
F04	Customs	\$	22,811	\$	38,211	\$	(15,400)
F06	Treasury	\$	11,103	\$	20,654	\$	(9,551)
F07	Inland Revenue	\$	3,902	\$	7,245	\$	(3,344)
F08	Public Enterprise Reform and Monitoring Unit	\$	4,906	\$	2,032	\$	2,875
F09	Industries	\$	7,391	\$	12,270	\$	(4,879)
G01	Corporate Services - Public Utilities	\$	2,050,667	\$	2,109,392	\$	(58,725)
G03	Public Works Department	\$	589,441	\$	124,662	\$	464,779
H01	Corporate Service - Health	\$	18,746	\$	31,193	\$	(12,447)
H02	Health Administration	\$	8,298,831	\$	5,958,190	\$	2,340,641
H03	Curative	\$	-	\$	-	\$	-
I01	MNRE Headquarters	\$	10,554	\$	8,957	\$	1,597
I02	Agriculture	\$	4,745	\$	31,134	\$	(26,389)
I03	Fisheries	\$	4,642,184	\$	160,940	\$	4,481,245
I04	Lands and Surveys	\$	149,772	\$	137,711	\$	12,061
J01	Corporate Services - Home Affairs	\$	12,763	\$	21,641	\$	(8,878)
J02	Department of Rural Development	\$	10,372	\$	8,331	\$	2,041
J03	Community Affairs	\$	752	\$	2,461	\$	(1,709)
J08	Solid Waste Agency of Tuvalu (SWAT)	\$	27,979	\$	124,831	\$	(96,852)
K01	Police and Prison Services	\$	2,669,336	\$	1,264,476	\$	1,404,860
L01	Corporate Services - Communications and Transport	\$	9,798	\$	14,614	\$	(4,816)
L02	Marine	\$	19,989,938	\$	18,790,731	\$	1,199,207
L03	Aviation	\$	4,811,297	\$	1,087,364	\$	3,723,933
L04	Information, Communication and Technology	\$	15,977	\$	27,982	\$	(12,005)
L07	Meteorological Office	\$	22,283	\$	71,697	\$	(49,414)
M01	Corporate Services - Educations, Youth and Sports	\$	30,164	\$	25,630	\$	4,534
M02	Education Department	\$	9,682	\$	17,191	\$	(7,509)
M04	EFA Secondary School	\$	-	\$	-	\$	-
M05	Library	\$	27,366	\$	70,574	\$	(43,208)
N01	Judiciary	\$	49,079	\$	31,671	\$	17,408
O01	MFAETLT Headquarter	\$	7,603	\$	13,741	\$	(6,139)
O02	MFAETLT Staffs room (Conference Room)	\$	6,194	\$	11,629	\$	(5,435)
O03	Suva Mission	\$	686,980	\$	4,668	\$	682,312
O04	Permanent Mission of Tuvalu to the UN	\$	1,609	\$	4,238	\$	(2,629)
O05	Brussels Mission	\$	10,472	\$	11,373	\$	(901)
O06	Environment	\$	5,631	\$	10,851	\$	(5,221)
O07	Tuvalu Consulate in Auckland	\$	43,121	\$	85,643	\$	(42,521)
O08	Trade Office	\$	2,959	\$	12,925	\$	(9,966)
O09	Tourism	\$	2,734	\$	6,991	\$	(4,257)
O10	Labour	\$	5,192	\$	9,092	\$	(3,901)
O11	Taipei Mission	\$	4,455	\$	8,910	\$	(4,455)
TOTAL VALUE AFTER DEPRECIATION 2017:		\$	57,947,798	\$	52,109,024	\$	5,838,774

NOTE 18 (a)**STATEMENT OF PROPERTY, PLANT AND EQUIPMENT BY ASSET CATEGORY**

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

For the Year Ended 31/12/2017

<u>Class Code</u>	<u>Class Descriptions</u>	<u>Values at 31/12/2017</u>	<u>Values at 31/12/2016</u>	<u>Movement</u>
AUTO	Automobile and Bikes	\$ 1,365,847	\$ 402,509	\$ 963,338
BUDI	Building & Structures	\$ 37,419,128	\$ 30,660,202	\$ 6,758,926
EQU	Equipments	\$ 384,004	\$ 634,192	\$ (250,189)
FFIM	Furnitures and fittings	\$ 256,501	\$ 282,262	\$ (25,761)
PLAN	Plants and Machinery	\$ 194,510	\$ 174,689	\$ 19,820
SHIP	Vessel, Ships and Boats	\$ 18,326,971	\$ 19,954,242	\$ (1,627,270)
TECH	Technical Equipments	\$ 837	\$ 928	\$ (91)
				\$ -
	TOTAL VALUE AFTER DEPRECIATION:	\$ 57,947,798	\$ 52,109,024	\$ 5,838,774

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 31-12-2017
 Budget Approved on the Cash Basis

<u>Head of Expenditure / Government Function</u>			<u>2017</u> <u>Expense</u>	<u>2017</u> <u>AP Accrual</u> <u>Movement</u>	<u>2017</u> <u>Accrual</u> <u>Journal</u>	<u>2017</u> <u>Accrual</u> <u>Movement</u>	<u>2017</u> <u>Payments</u>	<u>2017</u> <u>Final Budget</u> <u>Provision</u>	<u>Variance</u> <u>(Bud-Act)</u>
Office of the Governer General									
Parliament									
D01	711210D01ST	Speaker's Salary	44,173	0	0	0	44,173	44,004	-169
Office of the Auditor General									
E01	711210E01ST	Auditor General Salary	29,335	0	0	0	29,335	29,223	-112
Finance and Economic Development									
F01	711210F01ST	Minister's Salary	44,086	0	0	0	44,086	42,747	-1,339
Transport and Communications									
L01	711210L01ST	Minister's Salary	42,910	0	0	0	42,910	42,747	-163
Total Statutory Spending			160,505	0	0		160,505	158,721	-1,784
Office of the Prime Minister									
B01	72120BB0100	PM's Housemaids Leave Travel	2,300	0	0	0	2,300	2,298	-2
B01	72343AB0101	State Funeral	-2,981	0	0	0	-2,981	-4,000	-1,019
B08	711110B0801	Salaries	11,787	0	0	0	11,787	0	-11,787
B08	711120B0801	Allowances	185	0	0	0	185	0	-185
B08	719100B0801	TNPF	1,197	0	0	0	1,197	0	-1,197
B08	722500B0801	Vehicle Maintenance	300	0	0	0	300	0	-300
B08	723540B0801	Office Stationery	340	0	0	0	340	0	-340
B08	723910B0801	Electricity	379	0	0	0	379	0	-379
Legal Services									
C01	723010C01SD	Implementation of the Legal Practitioner	11,391	0	0	0	11,391	11,390	-1
C02	711110C0201	Salaries	91,322	0	0	0	91,322	91,235	-88
Parliament									
D01	711110D0101	Salaries	75,058	0	0	0	75,058	73,606	-1,452
D01	711120D0101	Allowances	13,884	0	0	0	13,884	5,000	-8,884
D01	719100D0101	TNPF	32,246	0	0	0	32,246	7,861	-24,385
D01	72120AD0100	Speaker's Travel	116,325	0	0	0	116,325	115,325	-1,000
D01	723460D01SD	Workshop Expenses(MP's)	14,070	0	0	0	14,070	10,861	-3,209
D01	723620D01SD	Constitutional Review	-54,900	0	0	0	-54,900	-55,466	-566
D01	783200D01SD	Institutional Strengthening	9,274	0	0	0	9,274	7,500	-1,774
Office of the Auditor General									
E01	723460E01SD	PASAI Congress Funding	69,837	0	0	0	69,837	69,655	-182
Finance and Economic Development									
F01	711110F0102	Salaries	79,016	0	0	0	79,016	78,929	-87
F01	711120F0101	Allowances	19,218	0	0	0	19,218	11,923	-7,295
F01	721300F0101	Telecom & Internet	604	0	0	0	604	600	-4
F03	78226AF03SD	Tuvalu Mini Population Census 2017	98,697	0	0	0	98,697	93,485	-5,212
F04	711110F0402	Salaries	86,986	0	0	0	86,986	86,900	-86
F04	719100F0402	TNPF	8,628	0	0	0	8,628	8,593	-35
F04	721100F0401	Overseas Travel & Subsistence	8,036	0	0	0	8,036	7,910	-126
F06	729990F0601	Doubtful Debts (Expense)	91,921	0	91,921	0	91,921	0	-91,921
F06	742100F0601	Bank Charge & Interests	46,359	0	0	0	46,359	12,078	-34,281
F06	742110F0601	Foreign Exchange Cost	658,840	0	567,647	0	658,840	178,830	-480,010
F09	711120F0902	Allowances	4,041	0	0	0	4,041	1,460	-2,581
F09	719100F0902	TNPF	3,059	0	0	0	3,059	2,511	-548
Public Utilities									
G02	711110G0201	Salaries	58,227	0	0	0	58,227	51,900	-6,327
G02	719100G0201	TNPF	6,097	0	0	0	6,097	5,790	-307
G03	711110G0302	Salaries	130,798	0	0	0	130,798	121,404	-9,394
G03	711110G0305	Salaries	104,834	0	0	0	104,834	99,734	-5,100
G03	711110G0306	Salaries	155,436	0	0	0	155,436	152,928	-2,508
G03	711110G0308	Salaries	57,126	0	0	0	57,126	41,962	-15,164
G03	711110G0309	Salaries	70,103	0	0	0	70,103	67,723	-2,380
G03	711120G0301	Allowances	10,227	0	0	0	10,227	6,619	-3,608
G03	711120G0302	Allowances	7,979	0	0	0	7,979	1,340	-6,639
G03	711120G0303	Allowances	2,892	0	0	0	2,892	702	-2,190
G03	711120G0305	Allowances	3,798	0	0	0	3,798	593	-3,205
G03	711120G0306	Allowances	2,569	0	0	0	2,569	823	-1,746
G03	711120G0307	Allowances	9,962	0	0	0	9,962	8,836	-1,126
G03	711120G0308	Allowances	42,310	0	0	0	42,310	26,026	-16,284
G03	711120G0309	Allowances	1,814	0	0	0	1,814	1,395	-419
G03	719100G0302	TNPF	13,878	0	0	0	13,878	12,274	-1,604
G03	719100G0305	TNPF	10,863	0	0	0	10,863	10,033	-830
G03	719100G0306	TNPF	15,794	0	0	0	15,794	15,375	-419
G03	719100G0308	TNPF	9,944	0	0	0	9,944	6,799	-3,145
G03	719100G0309	TNPF	7,192	0	0	0	7,192	6,912	-280
G03	72110AG0301	Local Travel & Subsistence	14,680	0	0	0	14,680	1,000	-13,680
G03	721110G0301	Leave Travel Entitlements	14,548	0	0	0	14,548	13,783	-765
G03	723540G0301	Office Stationery	2,426	0	0	0	2,426	1,300	-1,126
Health									
H01	721110H0101	Leave Travel Entitlements	21,467	0	0	0	21,467	21,417	-50
Natural Resources									
I03	712900I0302	Relieving Staff	22,508	0	0	0	22,508	18,325	-4,183

I03	721300I0301	Telecom & Internet	5,416	0	4,013	0	5,416	2,400	-3,016
I04	719100I0404	TNPF	5,177	0	0	0	5,177	5,084	-93
I04	72110AI0401	Local Travel & Subsistence	5,228	0	0	0	5,228	2,300	-2,928
I04	723030I045D	Land Use Plan & Policy	-25,214	0	0	0	-25,214	-25,400	-186
Home Affairs									
J01	719100J0101	TNPF	13,972	0	0	0	13,972	13,907	-65
J03	723530J0301	Computer Supply	0	0	0	0	0	-100	-100
J03	773211J0301	Disability Support Scheme	91,490	0	7,280	0	91,490	86,716	-4,774
J05	719100J0501	TNPF	1,039	0	0	0	1,039	951	-88
J05	723460J0501	National Drafting Comm of Cultural Polic	0	0	0	0	0	-403	-403
J05	723460J055D	Endorsement of National Cultural Policy	-6,745	0	0	0	-6,745	-26,421	-19,677
Police and Prison Services									
K01	711110K0102	Salaries	576,401	0	0	0	576,401	575,288	-1,113
K01	711110K0103	Salaries	279,233	0	0	0	279,233	276,308	-2,925
K01	711110K0104	Salaries	53,283	0	0	0	53,283	52,209	-1,074
K01	711120K0102	Allowances	88,640	0	0	0	88,640	82,000	-6,640
K01	712310K0102	Police Special Allowances	43,507	0	0	0	43,507	42,467	-1,040
K01	719100K0101	TNPF	11,359	0	0	0	11,359	11,203	-156
K01	719100K0102	TNPF	71,312	0	0	0	71,312	68,385	-2,928
K01	719100K0104	TNPF	6,205	0	0	0	6,205	5,741	-464
K01	722550K015D	Mataili Slipping	2,160	0	0	0	2,160	0	-2,160
K01	723340K0104	Gas/Kerosene Supplies	861	3	0	0	861	859	-2
Transport and Communications									
L01	711110L0101	Salaries	68,873	0	0	0	68,873	66,089	-2,784
L01	711120L0101	Allowances	15,077	0	0	0	15,077	5,770	-9,307
L01	711120L0102	Allowances	13,653	0	0	0	13,653	4,698	-8,955
L01	719100L0101	TNPF	11,969	0	0	0	11,969	7,186	-4,783
L01	762100L01TG	Overseas Contribution	125,186	0	27,452	0	125,186	97,734	-27,452
L02	711110L0204	Salaries	92,010	0	0	0	92,010	88,087	-3,923
L02	711120L0201	Allowances	17,237	0	0	0	17,237	9,299	-7,938
L02	711120L0202	Allowances	109,180	0	0	0	109,180	98,317	-10,863
L02	711120L0204	Allowances	55,863	0	0	0	55,863	53,000	-2,863
L02	711120L0205	Allowances	187,221	0	0	0	187,221	116,344	-70,877
L02	711120L0206	Allowances	18,528	0	0	0	18,528	14,068	-4,460
L02	712410L0204	Stevedoring	399,295	0	0	0	399,295	374,132	-25,163
L02	719100L0201	TNPF	6,569	0	0	0	6,569	4,700	-1,869
L02	719100L0203	TNPF	29,835	0	0	0	29,835	29,550	-285
L02	719100L0204	TNPF	56,178	0	0	0	56,178	53,431	-2,747
L02	719100L0205	TNPF	44,877	0	0	0	44,877	40,309	-4,568
L02	719100L0206	TNPF	6,013	0	0	0	6,013	5,340	-673
L02	722550L0205	Vessel Maintenance	313,868	0	0	0	313,868	279,759	-34,108
L02	723330L0203	Vessel Fuel	458,646	0	0	0	458,646	455,383	-3,262
L02	723510L0204	Office Expenses	350	0	0	0	350	142	-208
L02	723920L0202	Water	1,677	0	0	0	1,677	1,500	-177
L02	723920L0205	Water	13,804	0	0	0	13,804	10,300	-3,504
L03	711120L0301	Allowances	388	0	0	0	388	50	-338
L03	711120L0302	Allowances	6,188	0	0	0	6,188	5,824	-364
L03	711120L0303	Allowances	1,857	0	0	0	1,857	1,820	-37
L04	711110L0401	Salaries	39,687	0	0	0	39,687	39,651	-36
L04	711110L0402	Salaries	49,984	0	0	0	49,984	49,924	-60
L04	711120L0402	Allowances	921	0	0	0	921	659	-261
L04	712590L0401	Volunteer Allowances	4,078	0	0	0	4,078	3,630	-448
L04	719100L0401	TNPF	4,033	0	0	0	4,033	3,733	-300
L04	762101L0403	APT Contribution	9,830	0	0	0	9,830	9,800	-30
L07	711110L0701	Salaries	146,413	0	0	0	146,413	144,313	-2,100
L07	711110L0702	Salaries	19,913	0	0	0	19,913	19,873	-40
L07	711110L0703	Salaries	23,888	0	0	0	23,888	23,172	-715
L07	711120L0701	Allowances	8,546	0	0	0	8,546	8,436	-110
L07	719100L0703	TNPF	2,412	0	0	0	2,412	2,285	-127
L07	721100L0701	Overseas Travel & Subsistence	6,023	0	0	0	6,023	0	-6,023
Education, Youth and Sports									
M01	721100M0101	Overseas Travel & Subsistence	111,909	0	10,761	0	111,909	101,310	-10,599
M03	712210M0303	Contract Teachers	520,273	0	4,000	0	520,273	516,273	-4,000
M04	711110M0404	Salaries	19,743	0	0	0	19,743	16,178	-3,565
M04	721300M0401	Telecom & Internet	10,072	0	0	0	10,072	9,158	-914
M04	729990M0401	Vehicle Hire	1,040	0	0	0	1,040	1,000	-40
M08	721100M0801	Overseas Travel & Subsistence	43,025	0	21,118	0	43,025	22,307	-20,719
Judiciary									
N01	711110N0101	Salaries	96,529	0	0	0	96,529	94,191	-2,338
N01	711120N0101	Allowances	4,060	0	0	0	4,060	3,762	-298
N01	721100N0101	Overseas Travel & Subsistence	8,132	0	0	0	8,132	7,530	-602
N01	72346AN015D	Training & Workshop Expenses	171,645	0	0	0	171,645	169,059	-2,586
Foreign Affairs, Trade, Tourism, Environment & Labour									
O01	721100O01TG	Overseas Contribution	216,117	0	73,295	0	216,117	159,413	-56,704
O01	72303AO015D	New Posting Missions (Travel Expenses)	-165,251	0	0	0	-165,251	-313,126	-147,875
O02	711110O0201	Salaries	93,066	0	0	0	93,066	88,892	-4,174
O02	711120O0201	Allowances	3,694	0	0	0	3,694	3,511	-183
O02	719100O0201	TNPF	9,676	0	0	0	9,676	9,383	-293
O03	711110O0302	Salaries	41,593	0	0	0	41,593	36,158	-5,435
O03	711120O0302	Allowances	15,085	0	0	0	15,085	8,276	-6,809
O03	711121O0301	Children Allowance	9,779	0	0	0	9,779	6,240	-3,539
O03	711160O0301	Overseas allowances	104,163	0	0	0	104,163	98,810	-5,353
O03	719100O0302	TNPF	4,470	0	0	0	4,470	4,444	-26
O03	721100O0301	Overseas Travel & Subsistence	67,447	0	0	0	67,447	26,207	-41,240
O03	721300O0302	Telecom & Internet	4,232	0	0	0	4,232	3,480	-752
O03	722108O035D	Maintenance of THC Residence in Suva	8,130	0	0	0	8,130	0	-8,130
O03	722350O0301	Building & Office Maintenance	17,313	0	0	0	17,313	16,000	-1,313
O03	723420O0301	Hospitality	12,460	0	0	0	12,460	10,000	-2,460
O03	723510O0301	Office Expenses	11,875	0	0	0	11,875	10,045	-1,830
O03	723740O0301	Household Items	6,052	0	0	0	6,052	3,629	-2,423
O03	723910O0301	Electricity	7,861	0	0	0	7,861	7,850	-11
O03	725040O0301	Medical Treatment	5,357	0	0	0	5,357	3,500	-1,857

O03	7811000301	Rent & Rates	11,499	0	0	0	11,499	7,500	-3,999
O04	7111100401	Salaries	71,408	0	0	0	71,408	53,928	-17,480
O04	7111200401	Allowances	2,652	0	0	0	2,652	1,757	-895
O04	7111400401	Clothing Allowances	4,678	0	0	0	4,678	3,333	-1,345

004	71118000401	Ambassordor Entertainment	17,729	0	0	0	17,729	10,000	-7,729
004	71910000401	TNPF	6,779	0	0	0	6,779	5,569	-1,210
004	72110000401	Overseas Travel & Subsistence	57,729	0	0	0	57,729	20,000	-37,729
004	72130000401	Telecom & Internet	35,767	0	0	0	35,767	7,708	-28,059
004	72332000401	Petrol & Oil	16,963	0	0	0	16,963	15,000	-1,963
004	72351000401	Office Expenses	6,220	0	0	0	6,220	3,500	-2,720
004	74210000401	Financial Institution Fees	8,308	0	0	0	8,308	5,754	-2,554
004	762100004TG	UN Membership Contributions	54,503	0	0	0	54,503	54,296	-207
004	79122000401	Office Equipment	9,878	0	0	0	9,878	2,000	-7,878
005	71111000501	Salaries	69,894	0	0	0	69,894	67,481	-2,413
005	71112A00501	Education Allowances	75,535	0	12,633	0	75,535	32,895	-42,640
005	71114000501	Clothing Allowance	7,169	0	0	0	7,169	5,170	-1,999
005	71118000501	Entertainment Allowance	9,468	0	0	0	9,468	7,747	-1,721
005	71123000501	Household Furniture Allowance	895	0	0	0	895	583	-312
005	71260000501	COLA	92,561	0	0	0	92,561	91,200	-1,361
005	72110000501	Overseas Travel & Subsistence	36,200	0	0	0	36,200	9,564	-26,636
005	721100005TG	Repatriation	41,616	0	0	0	41,616	0	-41,616
005	72215000501	Vehicle Insurance	2,996	0	0	0	2,996	2,913	-83
005	72250000501	Vehicle Maintenance	11,921	0	0	0	11,921	3,800	-8,121
005	722500005SD	New Brussel Car	3,100	0	3,100	0	3,100	0	-3,100
005	72332000501	Petrol & Oil	4,766	0	0	0	4,766	4,369	-397
005	72344000501	Representations	27,284	0	0	0	27,284	14,564	-12,720
005	72351000501	Office Expenses	8,353	0	0	0	8,353	2,913	-5,440
005	72374000501	Household Items	1,930	0	0	0	1,930	1,520	-410
005	72391000501	Electricity	21,974	0	0	0	21,974	10,195	-11,779
005	78120000501	Office Rent	64,872	0	0	0	64,872	27,360	-37,512
005	79122000501	Office Equipment	2,948	0	0	0	2,948	2,913	-35
006	71111000602	Salaries	14,095	0	0	0	14,095	11,562	-2,533
006	72351000601	Office Expenses	35,557	0	0	0	35,557	29,276	-6,282
007	71111000701	Salaries	68,217	0	0	0	68,217	55,431	-12,786
007	71112100701	Children Allowance	17,754	0	0	0	17,754	15,360	-2,394
007	71118000701	Entertainment Allowance	8,329	0	0	0	8,329	6,000	-2,329
007	72110100701	Local Travel & Subsistence	29,610	0	0	0	29,610	10,000	-19,610
007	72130000701	Telecom & Internet	10,153	0	0	0	10,153	8,000	-2,153
007	72374000701	Household Items	4,112	0	0	0	4,112	4,000	-112
009	71111000901	Salaries	24,386	0	0	0	24,386	24,358	-28
009	72110000901	Overseas Travel & Subsistence	13,985	0	0	0	13,985	13,883	-102
010	71910001001	TNPF	0	0	0	0	0	-536	-536
Total Non Statutory Spending			8,361,625	3	823,220	0	8,361,625	6,591,626	-1,770,000
GRAND TOTAL			8,522,130	3	823,220	0	8,522,130	6,750,347	-1,771,784

NOTE 20

PRIOR ERROR ADJUSTMENTS

In reference to revised amounts in the statement of Income and Expenditure;

20 (a). Decrease by \$873,374 results from reclassification of "Transshipment" revenues from "Fisheries Licence" to the correct classification under "Other Income".

20 (b). Increase by \$1,141,413 results from 20(a) and accrued transshipments amount \$268,038 earned in 2016 but receipted in 2017

In reference to revised amounts in the statement of Assets and Liabilities;

20 (c). Correct the categorising of Tuvalu Development IBD investment account \$198,323 from Current Asset category "Cash Investment" to Tuvalu Development Fund category in Non Current Assets

THE END