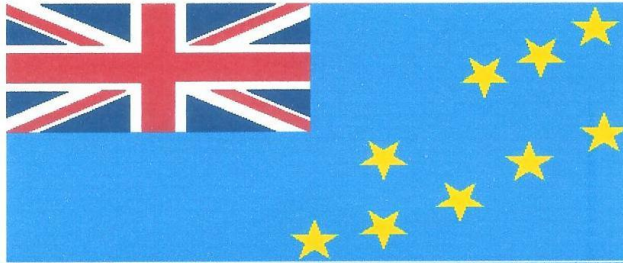


paper no: 1/2010



2008

PAC Report on the Auditor
General's Report on the
Accounts of the Government of
Tuvalu for the year ended 31
December 2008



Public Accounts Committee
Tuvalu Parliament
1/1/2008

1. INTRODUCTION

In accordance with rule 49 (1) of the Parliament Rules of Procedure, the Public Accounts Committee (PAC) will "consider any report of the Auditor-General on the accounts, finances and properties of any statutory board, body, commission or organization where a report on the examination and audit of such accounts, etc, is laid before Parliament".

During the November 11-18, 2009 session of Parliament, the Auditor General's report on the Accounts of the Government of Tuvalu for the year ended 31 December 2008 was tabled. Thereafter, the PAC considered the report from 24 November to December 21, 2009.

1.1. SCOPE OF WORK

PAC conducted the review of the Auditor General's report following the following scope of work:

- Four (4) days was spent on reviewing and discussing the general and major issues highlighted in the report, including current issues which PAC considered should be included in the review;
- Visits (5 days) were made to Ministries and Departments to hold discussions with the respective management on issues highlighted in a schedule of visits (ATTACHMENT 1);
- Site visits (half day) were paid to Princess Margaret Hospital (PMH), Augmented Foundation Programme (AFP) and Nauti Primary School (NPS) to observe the status of the buildings and facilities (ATTACHMENT 2);
- Follow-up interviews (1 session) with senior officers who were unavailable during earlier consultations;
- Plenary sessions (4 days) to review issues discussed during consultations with ministries; and
- Report writing sessions (5 days).

1.2. COMMITTEE MEMBERS

The members involved in the present review task included:

Hon. Elisala Pita	-	Chairman
Hon. Maatia Toafa	-	Member
Hon. Namoliki S. Neemia	-	Member
Mr. Isaako Kine	-	Advisor
Mr. Andrew Puga (first week only)	-	Secretariat
Mrs Lakaaga Uniuni (3 weeks)	-	Secretariat

2. FINDINGS AND RECOMMENDATIONS

Following several sessions during which PAC members reviewed the issues discussed with Ministries and matching them with those highlighted in the Auditor General's report, PAC agreed to the recommendations which are detailed hereunder.

2.1 GENERAL ISSUES

2.1.1 Reconciliations

The monthly reconciliation process remains unresolved despite efforts and recommendations from past PAC reports.

Recommendation 1

Accounting Officers are reminded of their responsibilities and duties to ensure that accurate and complete vote ledgers under their respective portfolios are strictly maintained to a high standard at all times as required under Clauses: 224 and 225 of the Financial Instructions (FI).

Recommendation 2

Treasury department should ensure that postings are timely, accurate and complete, so as to enable regular monthly reconciliation.

2.1.2 Poor Filing and Recording System

The filing and recording system in government Ministries continues to be a problem resulting in missing information and non availability of satisfactory explanations during the audit process.

Recommendation 3

A review of the filing and recording system should be undertaken including a training programme for clerical officers.

2.1.3 Availability of Key Staff during Audit Period and PAC Consultations

One problem faced during the audit process relates to the absence of key staffs, hence the unavailability of relevant information.

Recommendation 4

Accounting officers should ensure that key staff in the ministries and departments, including themselves, are available during the annual audit process as well as during the PAC consultation.

2.1.4 Unregistered Government Bank Accounts

Line Ministries and departments continue to open and operate bank account without the consent of the Ministry of Finance as required under Chapter 15 of the FI.

Recommendation 5

All unregistered bank accounts should be closed; Ministries to consult with the respective donor agencies of the closure of the accounts and that incoming funding should be deposited into the Tuvalu Development Fund account with the National Bank of Tuvalu (NBT).

2.1.5 Register for Government Contracts/Agreements and Policies

Copies of major government contracts, agreements, conventions and policies are currently with respective ministries; accessing copies of such key documents is a problem.

Recommendation 6

The office of the Attorney-General should maintain a register and keep original copies of all government contracts etc.

2.1.6 Virements of PE Votes for Travel and Allowances

Ministries continue to violate Clause 13 of the FI which states that "virement shall not be made between Personal Emolument sub heads and Other Charges sub heads".

Recommendation 7

This ongoing practice of non compliance with the FI should cease immediately.

2.1.7 Supplementaries for Travel and Allowances

The practice of including travel and allowances is not consistent with the intention under Section 15(3) of the Public Finance Act, which allows only for "urgent and unforeseen need".

Recommendation 8

Government to comply with the intention of Section 15(3) of the Public Finance Act.

2.1.8 Misuse of the Tuvalu Development Funds for Travel and Allowances

Government continues to utilize TDF for purposes other than development projects in particular to meet travel costs and allowances.

Recommendation 9

Donor funding for development projects in the TDF and others should be used for the purposes originally agreed upon between donors and government. The current practice of utilizing TDF for travel and allowances should cease.

3 MAJOR ISSUES

3.1.1 Unauthorised Expenditures

Ministries continue to overspend their respective approved budget heads. This is an indication of repeated violation of Clause 178(2) of the FI as indicated by the increasing unauthorized expenditures incurred from 2006 to 2008.

Recommendation 10

A review of the FI should be carried out to harmonize the application of the FI requirements on the programme budgeting concept.

Recommendation 11

The Accounting Officers and Treasury should ensure compliance with the FI Clause 178(2).

3.1.2 Unconstitutional Supplementaries

Any expenditures incurred above approved allocations and included in a supplementary appropriation should be submitted to Parliament session next following the date on which the Warrant was issued, as per Schedule 5 (Section 173), Clause 9(2)A.(4) of the Constitution and Section 15(3) of the Public Finance Act. These requirements have been breached during the Financial Year 2008.

Recommendation 12

The legal requirements under the Constitution and the Public Finance Act regarding supplementary appropriations should be strictly complied with to avoid illegal approval of advances.

3.1.3 Borrowings and Guarantees

Under the Borrowings and Guarantees Act (Cap 66), government is required to seek the approval of Parliament for any borrowings and guarantees before implementing such commitment. This requirement has not been complied with during the Financial Year 2008.

Recommendation 13

Government should perform due diligence to determine the risks, exposure, likelihood of recovery of outlay and alternative options before making the commitment to guarantee or borrow monies.

Recommendation 14

Government should ensure that it seeks Parliamentary approval as required under Cap 66.

3.1.4 Fixed Assets

Currently the value of major fixed assets have not been valued and recorded in government accounts. Thus, the government financial position is undervalued.

Recommendation 15

The Asset Management programme should engage a Technical Assistant to start valuating the major fixed assets for incorporation into national accounts.

3.1.5 Time Frame for Submission of National Accounts

Under Section 31 of the Public Finance Act, the Minister for Finance is required to prepare and transmit to the Auditor-General accounts showing fully the financial position of Tuvalu within a period of 6 months after the end of each financial year. This timeframe has never been satisfied and is a clear breach of the Public Finance Act and contributed to the delay in auditing the government accounts.

Recommendation 16

The Minister for Finance should comply with the requirement under Section 32 of the Public Finance Act to enable the Auditor-General to comply with the requirement under Section 32 of the Public Finance Act.

3.1.6 Legislative Compliance Monitoring System

There is no formal system in place for monitoring legislative compliance and reporting thereon.

Recommendation 17

The Government should establish a formal system to monitor compliance of key legislation and also ensure processes are in place to report breaches in legislation through to Parliament.

3.1.7 Outer Islands Projects- Implementation

The change in policy from public tender to PWD/Kaupule implementation resulted in financial, management and coordination problems. In addition the number of projects planned for implementation during the year far exceeded PWD/Kaupule capacity and resources.

Recommendation 18

Government should revert back to public tender policy to avoid the problems and to improve the management and implementation of outer islands projects.

3.1.8 Fraud Cases

Fraud cases remain unresolved for many years without legal proceedings. The situation is disappointing and is encouraging the commitment of such cases including corrupt practices.

Recommendation 19

The Law enforcement agencies (Police Department and DPP) should facilitate the resolution of outstanding fraud cases.

Recommendation 20

As a mean to provide direct deterrence, Government should establish a Commission (Tuvalu Anti-Corruption Commission, TACC) to investigate fraud and corrupt cases and where necessary to submit for legal proceedings.

3.1.9 Debt Management Policy

Currently there is no proper debt management policy as apart from the requirements under Chapter 13 of the FI. To date, a number of advances including other debts remain outstanding for significant periods.

Recommendation 21

The Government should develop and implement a debt management policy to assist in the timely recovery of debts owed to Government.

3.2.0 Capacity Building

There is unsatisfactory performance in maintaining accurate financial records in line Ministries and Treasury department.

Recommendation 22

Effective training programme for vote keepers and Treasury staff should be undertaken on a regular basis.

*** 3.2.1 Ownership of Donor Contributions into TTF**

Under the current arrangement in regards to donor contributions to TTF, government is not aware of any formal understanding regarding the ownership of such contributions, in the event that TTF is dissolved.

Recommendation 23

Government should ensure that there is a formal arrangement regarding the ownership of donor contributions to TTF.

3.2.2 FTF Deed

FTF funding has been utilized to finance a project outside Tuvalu. This is setting a precedent and is a violation of the FTF Deed provisions.

Recommendation 24

The Government should comply with the arrangement under the FTF Deed, in particular, the utilization of revenue distributions to Kaupule for in-country islands development projects.

4 CURRENT ISSUES

4.1.1 Misuse of Government Vehicles

The traffic accidents involving government vehicles have become more regular and are a public concern.

Recommendation 25

Government vehicles should not be driven by public officers and leaders who are under the influence of alcohol.

4.1.2 Tuvalu Medical Treatment Scheme (TMTS) Policy

The reduction in allowances for overseas referral patients, in particular Suva, Fiji, from F\$25 to F\$14.50 per day despite the 20% devaluation of the Fiji dollar is totally insufficient to meet the patients meals, transport and incidental expenses.

Recommendation 26

Government should increase allowances for patients under TMTS policy to meet the increase in the cost of living due to the devaluation of the Fiji dollar.

4.1.3 Price Control - Food Subsidy

There is no evidence of a Price Control being enforced and sustained in Tuvalu, hence the non utilization of the \$500K budgeted to subsidize prices of basic food items.

Recommendation 27

Government should strengthen the Price Control Board to carry out its functions and to utilize the \$500K food subsidy.

4.1.4 Leadership Code/Ombudsman Commission

The Leadership Code has long been passed in Parliament but has never been implemented.

Recommendation 28

As a matter of priority in meeting good governance practices, government should establish the Ombudsman Commission to implement the Leadership Code.

4.1.5 Transit Allowances

Continuous payments of daily subsistence allowances for officials and Ministers without confirmed return tickets is a drain and misuse of public funds. Officials and Ministers continue to receive DSAs on private arrangements and/or stopover.

Recommendation 29

Traveling officers and Ministers should travel with confirmed itineraries. DSAs should only be paid up to the end of official trips. Extended trips should not be entertained and paid for.

4.1.6 Advance – Abuse of Power/Corruptions

Approval to issue advances for personal and political commitments has led to conflict of interest on the part of the authority.

Recommendation 30

The legality of such conflict of interest versus the authority to approve personal advances should be investigated to avoid future repetitions of such practice.

4.1.7 Conflict between Parliamentary Procedures and Government Policy

The policy of the current government regarding motions which private members submit to parliament for consideration during sessions has been to

5 SPECIFIC ISSUES

A. MINISTRY OF EDUCATION, YOUTH AND SPORTS

1. TMTI Upgrading Project

The core components relating to improving the training function of TMTI remain incomplete. These include the classroom building, accommodation quarter for trainees, wharf and fire simulator. This situation might impact Tuvalu's future status in the White List.

Recommendation 39

As a matter of priority, government should ensure that immediate actions are taken to complete these major components in order to maintain TMTI status in the White List as well as improving the welfare of trainees.

2. Outstanding Fees for TMTI Trainees

The outstanding fees of approximately over \$600K for TMTI trainees remain unpaid.

Recommendation 40

Government should settle the outstanding fees during this financial year 2010 to allow TMTI implement its training programme.

3. AFP/Motufoua Form 7

The teaching standard under the AFP is highly compromised due to shortage of trained and qualified teachers.

Recommendation 41

Government should recruit sufficient qualified teachers in order to improve the standard and quality of teaching under the AFP. Government should also provide incentives to retain teaching staff.

4. Primary Schools Maintenance

The annual budget allocations for the maintenance of Primary Schools are insufficient. The maintenance includes buildings, furniture, equipment (computers, photocopiers etc) and other teaching aids.

Recommendation 42

Government should increase the budget allocation under its annual budget for the maintenance of Primary Schools. Government should also ensure that Kaupule in the respective islands utilize the funds for maintenance purposes.

5. Technical, Vocational Education and Training (TVET)

The TVET programme currently being implemented on trial basis in some of the primary schools including Motufoua Secondary School is not based on a formal curriculum and budget allocation. Kaupule currently finance this quick fix programme.

Recommendation 43

The implementation of the current TVET programme should be reviewed, aimed at providing a formal curriculum and sufficient budget allocation.

6. Tuvalu Sports Ground

The current status of the sports ground needs upgrading to match the international standards.

Recommendation 44

Government should seek and allocate funding to finance the upgrading of playground including drainage, proper facilities for tracks and field events, proper fence, lightings and other utilities. Landscaping of the areas surrounding the sports ground should also be undertaken.

B. MINISTRY OF HEALTH

1. Tuvalu Medical Treatment Scheme (TMTS)

Expenditure incurred under TMTS continues to exceed budget allocation and required regular supplementary funding during the financial year. The factors contributing to this excessive overspending include: increase in the number of referral patients due to the absence of specialized doctors (surgeon and anesthetist); the delays in returning of patients following treatment; and the lengthy stay in Suva of patients awaiting appointment and treatment (heart patients).

Recommendation 45

Government should ensure the TMTS management and coordination is improved as a matter of priority in order to minimize or avoid the excessive overspending. The current practice of sending patients to both the Suva private hospital and CWM hospital should be reviewed in order to cut costs.

Recommendation 46

Government should recruit a surgeon and anesthetist in early 2010.

2. Maintenance of Facilities and Equipment

The facilities and equipment in PMH need urgent maintenance, replacement and upgrading to allow for the proper operations and delivery of medical services.

Recommendation 47

The facilities including the core equipment in PMH should be upgraded and maintained to provide a comfortable working and living environment for staff and patients, including visiting medical teams.

3. Medical Supplies

Basic medical supplies especially on outer islands continue to run out of stock.

Recommendation 48

Ministry of Health should ensure that basic medical supplies for the outer islands are provided in sufficient amount during financial year.

C. MINISTRY OF WORKS, WATER AND ENERGY

1. Japanese Fuel Grant/Counterpart Fund

Tuvalu government's obligations under the Japanese Fuel Grant project have not been fulfilled in the past due to its failure to deposit funds into the Counterpart fund account.

Recommendation 49

Government should provide financial assistance to allow TEC and Marine department to settle the outstanding payments into the Counterpart fund account. Government to consider directing TEC to pay for fuel on cash basis to avoid accumulative outstanding

payments owed to counterpart fund. Government should also make a decision on the utilization of the Counterpart fund account monies.

2. EDF 10 – Water Project

The reallocation of project funds under EDF10 for quick fix project (landing craft) is not consistent with the criteria normally used by donors for project funding and implementation.

Recommendation 50

Government should avoid adopting this unusual practice of sourcing funds from other donor projects.

3. Outstanding Power Bills

Government fails to settle power bills for government offices on outer islands including Motufoua Secondary School from 2001 and to date.

Recommendation 51

Government should settle the outstanding bills to allow TEC to improve its financial situation.

4. Private Electrical Jobs

Most of the households electrical wiring need maintenance and repair. The tasks required provide potential revenues for TEC if it can include them as part of its functions.

Recommendation 52

Ministry of Works, Water and Energy should formalize the reengagement of TEC and staff to undertake electrical installation and repair works for government and private. This recommendation should be implemented as a matter of priority for the benefits of the public and TEC's financial situation.

5. Government Subsidies to TEC

The payment of government subsidies is being delayed thus impacting TEC cash flow position.

Recommendation 53

Government should ensure timely payment of subsidy to TEC.

D. MINISTRY OF COMMUNICATION, TRANSPORT AND TOURISM

1. Air Fiji

Attempts to revive the Air Fiji have failed and the airline has ceased operations due to insolvency.

Recommendation 54

Government to assess and determine the impact of the Air Fiji insolvency on the Tuvalu economy.

2. Air Pacific

There is a need to review the terms and conditions of the agreement due to poor services to customers, extremely poor public relations and discriminatory treatments.

Recommendation 55

Government should undertake a review of the agreement in early 2010, aimed at improving the services including additional flights, airfares and catering.

3. Ships Registry

There are so many unnecessary and costly visits by self invited Ministers and officials impacting the management of the Ships Registry.

Recommendation 56

Government should finance official visits other than the annual ministerial visit to the Ships Registry.

4. Ships Certification – Nivaga II/Manu Folau

Both vessels currently do not have valid ship certification but are continuing to provide transport services between the islands. This is a high risk means of transportation for passengers and also impacting on TMTI training needs.

Recommendation 57

Government should ensure that valid and recognized ships certification are obtained and maintained.

5. Freight Rates and Passengers Allowances

The current rates are too excessive and there is no basis for calculation of charge rates. In addition, there is no formal list of allowances for passengers accompanied luggage.

Recommendation 58

The Ministry of Communication, Transport, and Tourism should review the current charge rates down to affordable levels. A list of passengers accompanied luggage allowances should also be made available.

6. Membership ICAO

Tuvalu is still not a member of the International Civil Aviation Organisation (ICAO).

Recommendation 59

Government should take necessary steps to become a member of ICAO.

7. Pacific Forum Line (PFL)

PFL currently provides no service to Tuvalu.

Recommendation 60

Government should explore and negotiate with potential shipping Lines to service Tuvalu.

8. Tourism

The Ministry does not have a formal tourism plan at this point in time; the activities are therefore carried out on ad hoc basis.

Recommendation 61

The Ministry should complete rewriting the tourism plan and secure Cabinet approval in 2010. Staffing of the division should be strengthened to ensure the smooth implementation of the planned activities.

9. ICT

The roles of the regulator, policy maker and operator are currently being carried out by one body, the TTC.

Recommendation 62

Government should amend TTC Act and move the regulatory and policy making roles to the Ministry.

E. MINISTRY OF NATURAL RESOURCES, LANDS AND ENVIRONMENT

1. NaFICOT

The NaFICOT's domestic activities have been suspended due to financial problems faced by the corporation. The corporation in the meantime remains a partner to joint venture agreement with a Taiwanese fishing company, Fong Haur. The future of the corporation is unclear and is subject to proper assessment.

Recommendation 63

Government should make a decision on the future of the corporation based on a formal assessment. In the meantime government should provide the required financial assistance to revive and reactivate domestic activities including the administrative and legal framework required under the NaFICOT Act 1982.

2. JV Agreements – Taumoana

There is no written agreement available on the details of the financial arrangement under the JV. The benefits which Tuvalu expects under the JV remain unknown.

Recommendation 64

The Ministry should make available copies of the main and ancillary agreements.

3. Land Leases

The Ministry proposes to adopt and pay new rates in April 2010 despite no budget provision being proposed by the Ministry and approved under the 2010 national budget.

Recommendation 65

The payment of new rates should be deferred to 2011 pending the submission of the necessary documentation as required under the normal budget process.

4. Community Fishing Centres (CFCs)

The present set up regarding the operation and management of CFCs has not been successful due to financial, staffing and operational problems.

Recommendation 66

Government should handover CFCs to Kaupule and/or private operators after major repairs and maintenance of equipment and renovations of buildings have been completed.

5. National Adaptation Programme of Actions (NAPA)

No proper consultation took place between the Kaupule and the Department of Environment regarding the specific activities on each of the islands which will be financed under the coastal protection project.

Recommendation 67

The department should hold a proper meeting with Kaupule before confirming the island activities under the project

6. FAO Projects

Time taken for the negotiation, preparation of project documentation, and final approval by FAO is excessively lengthy, costly and disappointing.

Recommendation 68

The Ministry should liaise with FAO regarding the need to expedite projects approval and implementation. The Ministry should also implement a training programme to improve the capacity of local department staff on project documentation and implementation.

F. MINISTRY OF HOME AFFAIRS

1. Outer Islands Projects

The costing for individual projects were not properly prepared resulting in either insufficient funding for some projects and underspent for others. The list of projects was also not appraised through the normal budget process, and was simply included in the national budget.

Recommendation 69

The Ministry of Home Affairs should ensure that costing for individual projects are properly prepared to avoid the current problems described above. The list of outer islands projects should also be subject to the normal budget process in the same manner as other projects from Ministries.

2. Kaupule Annual Accounts

The preparation and submission of Kaupule annual accounts to the Ministry is a long standing problem, indicating lack of capacity in the respective Kaupule staff. In addition the Ministry, despite its numerous training programmes for Kaupule staff, has failed to meet its responsibility to ensure Kaupule annual accounts are completed and submitted for auditing.

Recommendation 70

The Ministry should as a matter of priority conduct specific training programmes for Treasurers in all Kaupule and should also include on island capacity supplementation and training attachment to commercial enterprises in Tuvalu and overseas.

3. Police Department - Law Enforcement and Institutional Strengthening

The police force is currently manned mostly by untrained recruits resulting in the lack of law enforcement. The number of outstanding unresolved cases to date indicates the need for specialized training in investigation.

Recommendation 71

The Ministry should reintroduce the training of police recruits at the Fiji academy or similar institutions in Australia and New Zealand, and make arrangement for specialized training of police officers in crime investigation work outside Tuvalu.

4. NZ Aid Funded Ship to Shore Project

The project has taken so many years to reach the implementation stage despite the many numerous surveys, local consultations and consultancies. The process being undertaken has greatly impacted and tied up New Zealand Government aid to Tuvalu during the past 7 to 8 years.

Recommendation 72

Government should as a matter of priority negotiate and finalize the activities under the project and ensuring the implementation of the project in 2010.

G. OFFICE OF THE PRIME MINISTER

1. Core Negotiation Team

Currently the negotiation of major Tuvalu commercial contracts and agreements is being carried out mainly by Ministry staff without the involvement of key officers (legal, financial, and foreign affairs).

Recommendation 73

Government should as a matter of policy ensure that all future negotiations on contracts and agreements are carried out by a core negotiation team composing of technical key officers from the Ministries concerned and other key officers.

2. Staffing of Overseas Missions

Currently the UN and Brussels missions are staffed by couples and family members. This is totally outside of the norms. The current staffing structure is negatively impacting the efficiency and the effectiveness of the mission.

Recommendation 74

The government should reinstate and adopt the original staffing structure for the UN and Brussels Missions under which a Deputy Permanent Representative is engaged.

3. Labour Schemes – RSE, PAC, Australian Scheme and Seafarers

There is still an outstanding advance under the first intake for the RSES. Tuvalu is currently not included in countries that are in the first intake under the Australian RSES. Employment opportunities for Tuvalu seafarers are being reduced due to the impact of global financial crisis.

Recommendation 75

Government should continue its effort to recover the advance. Government should also seek opportunities for Tuvalu workers to be included in the Australian RSES, including new employment opportunities for Tuvalu seafarers.

4. Disaster Programme

Disaster programme is enhancing the global warming and negatively contributing to the food security problems in Tuvalu through the cutting down of large trees and including traditional food trees (breadfruits, coconuts, pandanus).

Recommendation 76

The disaster programme in Tuvalu should be reviewed so as to be consistent with Tuvalu continuous statement in international forums regarding global warming and sea level rise, including the mitigation programme under the environment department.

5. Government Building Maintenance

The government building conditions are deteriorating, resulting in some major breakdowns requiring immediate major repairs and maintenance works.

Recommendation 77

The Secretary to Government should ensure that a maintenance schedule for the government building is prepared and adhered to.

6. Public Service Pay Structure and Salaries

A review of the Public Service Pay structure and salaries is long overdue in view of the impact of the financial crisis on the welfare of the civil servants.

Recommendation 78

Government should as a matter of priority ensure that a review is carried out in early 2010 and should include possible salaries increase and back dated to January 2009 in view of the 26% and 35% awarded to Ministers and Private Members respectively.

H. MINISTRY OF FINANCE, ECONOMIC PLANNING AND INDUSTRIES

1. ACCPAC

The ACCPAC system has been adopted but some of its features have not been activated to make it more effective.

Recommendation 79

The Ministry of Finance should arrange for the TA to install other features of the ACCPAC system during 2010. More training is necessary for vote keepers and Treasury staff on the operation of the system.

2. Reconciliations of Government Accounts

Reconciliations of major and other government accounts were not properly performed. Some bank reconciliations for the first six months of 2008 were also missing.

Recommendation 80

The Ministry of Finance should ensure that all government bank accounts are completely and properly reconciled. Bank reconciliation records must be kept safely. In particular the reconciliation of the Tuvalu Development Fund must be completed in early 2010.

3. Journal Processing

The Journals prepared have none or insufficient supporting documentation, thus creating errors in accounts. This indicates a weakening internal control system within Treasury.

Recommendation 81

Treasury must ensure that sufficient supporting documentation are provided for all Journal entries and strengthen its internal control system.

4. Unregistered Government Accounts

Ministry of Finance is not aware of a number of bank accounts that have been opened under the name of the government of Tuvalu by different Ministries, thus Finance is not in direct control over the operations of these unregistered government bank accounts.

Recommendation 82

Line Ministries, as required under Chapter 15 of the FI, should ensure that "no government bank account is open without the prior written approval of the Ministry of Finance". All existing unregistered government bank accounts must be reviewed by Ministry of Finance with a view to either formalise or close the accounts.

5. Link between the IRD & Finance

Currently Treasury has no access to IRD records to support tax payments by companies.

Recommendation 83

The Ministry of Finance must strengthen the IRD so as to provide Treasury with complete tax assessments.

6. Assets Management

The section responsible for assets management does not have any staff at present. The outstanding work, under the assets management programme, needs to be continued.

Recommendation 84

The Ministry of Finance should strengthen the staffing of this section and to engage a TA to carry out the proper valuation and verification of assets including the improvement needed in the asset registers in Ministries.

7. Qualified Key Staff

There is a need for qualified staff in key positions in the Ministry to enable Treasury to perform and deliver professional accounting duties in compliance with the FI and Generally Accepted Accounting Practices (GAAP) as required by the Public Finance Act.

Recommendation 85

Government should ensure qualified and experienced staff are engaged in key positions, and in cases where no local persons are available TA should be recruited to fill the posts.

8. Major Revenue Misrecording

The drawdown of funds from CIF is incorrectly recorded as revenue.

Recommendation 86

The Treasury should note that the CIF drawdown should not be treated as revenue.

9. Budget for the Auditor General's Office

The Budget for the Auditor General's office is currently determined as any other line Ministry budgets. The Audit Act 2007 requires that the Audit office budget is consulted with the Public Accounts Committee (PAC) before submission to Parliament.

Recommendation 87

The Ministry of Finance should consult with the PAC on the budget of the Audit Office as required by the Audit Act 2007.

10. Chart of Accounts

The Accounts Ledger codes in the national budget differ from the accounts codes kept in Treasury resulting in mispostings and misallocations.

Recommendation 88

The Treasury and Budget should ensure that the account codes are aligned and included in the Chart of Accounts.

4. ASSESSMENT

The issues highlighted in the Auditor General's report on the Government Accounts ended December 31, 2006, continued to occur during the financial year 2008, despite the PAC recommendations for that financial year. As such, PAC has proposed appropriate recommendations for government to consider aiming at taking timely actions.

Government should pay particular attention to the recommendations related to the major issues, including the current issues, as those will have major negative impacts on Tuvalu's financial position if no action is taken on them. The Government and in particular the Minister for Finance should ensure that the provisions of the Public Finance Act, Borrowing and Guarantees Act, and the Financial Instructions are strictly complied with, thus avoiding repeated breaches of legislations as highlighted in this report from recurring.

Overall, the situation regarding the Government Accounts for 2008 is disappointing. Government should therefore make concrete efforts to satisfy the conditions and requirement that are necessary to obtain and secure an unqualified Audit opinion.

5. ACKNOWLEDGEMENT

The cooperation of staff from Ministries and Departments during the respective visits and consultations is highly appreciated. Despite the absence of senior Officers in several Ministries on overseas travels, during the consultations, PAC managed to hold follow-up meetings and obtained the relevant information to complete its work.

The continued technical and secretariat support from the Audit Department and Parliament Office respectively is much appreciated.

Finally, I wish to acknowledge with gratitude the contributions from each of the PAC members, the Advisor, and Secretariat, especially the long hours we have spent on our work. The dedication observed in members' efforts is deeply appreciated, and has contributed to the successful completion of our work. We have finally completed our work at the end of four weeks, despite minor disruptions due to duty travels by senior Ministry staffs and our PAC Secretary.

It is with pleasure that I submit the PAC report on the Auditor General's Report on the Accounts of Government for the year ended December 31, 2008.

Thank you,



Hon. Elisala Pita
Chairman
Public Accounts Committee

ATTACHMENT 1:

PAC VISITS TO GOVERNMENT MINISTRIES

1. Tuesday 1st December 2009

09.30 – 12.00

Ministry of Education, Youths and Sports

- Ms. Olioliga Iosua (PS)
- Ms. Teimana Iete
- Mr. Nemaia
- Mr. Niuone Eliuta

14.00 – 16.00

Ministry of Health

- Mr. Lutelu Favae (PS)
- Mr. Iete Avanitele (ASH)
- Ms. Laloi Kapua
- Ms. Mila Telito

2. Wednesday 2nd December 2009

09.30 – 12.00

Ministry of Works, Water and Energy

- Mr. Paulson Panapa (PS)
- Mr. Molipi Tausi (DoE)
- Mr. Elekana Tofinga
- Mr. Mafalu Lotolua (GM, TEC)
- Ms. Minnie Katagali
- Ms. Leitusi Irata

14.00– 16.00

Ministry of Communication, Transport and Tourism

- Mr. Vitoli Iosefa
- Mr. Tanielu Italeli (DM)
- Mr. Opetala Simati (DICT)
- Mr. Fakasoa Tealei (TO)
- Ms. Tautua Vaea
- Ms. Teava Tolue

3. Thursday 3rd December 2009

09.30 – 12.00

Ministry of Natural Resources (Lands, Agriculture, Fisheries & Environment)

- Mr. Fatasi Malologa (DoL&S)
- Mr. Itaia Lausaveve (DoArg)

- Mr. Kilifi T. O'Brien
- Mr. Samuelu Telii
- Ms. Fasino Niva
- Ms. Tepoia Ailesi
- Ms. Tueli Uiga

14.00 – 16.00

Ministry of Home Affairs

- Mr. Kakee Kaitu (PS)
- Mr. Hamoa Holona (AAS)
- Mr. Lopati Samasoni (DRD)
- Mr. Tipelu Kauani (Compoi)
- Ms. Teio Tuisamoa
- Ms. Seluia Haueia

4. Friday 4th December 2009

09.30 – 12.00

Ministry OPM

- Mr. Aunese Simati (SFA)
- Mr. Petaia Meauma (AS)
- Mr. Saaga Talu (Ag. Attorney)
- Mr. Afele Kitiona (SM)

5. Monday 7th December 2009

09.30 – 12.00

Ministry of Finance, Economic Planning and Industries.

- Mr. Minute Taupo (PS)
- Mr. Semu Malona (APS)
- Mr. Taufia Patolo (GA)
- Ms. Tavau Tofiga (AM)
- Mr. Tuilagi Teii (Ag. DoC)
- Mrs. Loto Vaguna (AC)
- Mrs. Emelisa Tuilagi
- Ms. Tagi Papamau

ATTACHMENT 2:

SITE VISITS

PAC visited the PMH, AFP, and NPS on Thursday 10th December 2009, and observed the following;

- PMH – There is evidence of maintenance work being carried out on the floor tiling, and damaged ceilings. PAC also noted the completion of renovation work on the old buildings. Maintenance work is still required on fans, air conditions, and repainting of the whole building.
- AFP – The current status of the whole complex is deplorable and is evidence of poor design and overall management. The environment is totally unsuitable for teaching and learning. The facilities are in poor conditions and needed immediate and urgent repairs and upgrading to facilitate proper and sound learning environment.
- NPS – Classrooms are in total rundown conditions and unsuitable for teaching and learning. Most classrooms need urgent repairs to railings, windows, shutters, ceilings, walls, toilets, furniture and fittings.