

United Nations Development Programme

HACT Micro-Assessment

Department of Energy, Ministry of Public Utilities and Infrastructure

Government of Tuvalu





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28 July 2017

Dear Madam

We have completed our HACT Micro-Assessment for Department of Energy ("*DOE*" or "*IP*"), Ministry of Public Utilities and Infrastructure, Government of Tuvalu.

Our assessment may not have identified, and the comments in this report may not be a comprehensive record of, all the issues that may exist.

The responsibility for the maintenance of an adequate internal control system as well as the prevention and detection of irregularities, including fraud, rests with those charged with the governance of the IP.

This report includes internal control findings which we consider appropriate for consideration by the Department of Energy and is intended solely for the use of the IP and the UNDP Pacific Office in Fiji.

We wish to thank the staff and employees of the Government of Tuvalu and the UNDP Pacific Office in Fiji for the cooperation and courtesy extended to us during our Micro Assessment. We appreciate the opportunity to present these recommendations for your consideration.

Yours sincerely



Sikeli Tuinamuana
Partner

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1. Background, Scope and Methodology

1.1 Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

1.2 Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- ▶ A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement; and
- ▶ A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous audits and micro assessments conducted of the Implementing Partner.

1.3 Methodology

We performed the micro-assessment from 27 April 2017 to 4 May 2017 at Department of Energy, Ministry of Public Utilities and Infrastructure, Government of Tuvalu.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- ▶ The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies; and
- ▶ The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex IV.

2. Summary of Risk Assessment Results

In summary, we conclude that the overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls with regard to cash transfers is Moderate.

The current processes and procedures can be improved further. The issues identified are areas for improvement that we believe should be addressed.

We believe that it is important for the IP to understand the impact of their work on managing overall risk.

The issues highlighted warrant timely action and will remain a risk to the IP until they are addressed.

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3 below.

Tested subject area	Risk assessment	Brief justification for rating
1. Implementing partner	Moderate	Finding No. 1, No. 10 and No. 11
2. Programme management	High	Finding No. 2 and No. 3
3. Organizational structure and staffing	Moderate	Finding No. 4
4. Accounting policies and procedures	Moderate	Finding No. 5, No. 12
5. Fixed assets and inventory	High	Finding No. 6
6. Financial reporting and monitoring	Moderate	Finding No. 7 and No. 8
7. Procurement	Low	Finding No. 9
Overall Risk Assessment	Moderate	

3. Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation
1.	<p><u>Lack of assurance activities conducted for Donor Funded projects</u></p> <p><i>Checklist Category: 1.2</i></p> <p><i>Risk Ranking: High</i></p> <p>The IP has recently signed a Memorandum of Agreement wt. SPC (EU/GIZ Project) for a Biomass Project which the overseen by the Department of Energy. However, no assurance activities have been performed to date as the IP has yet to submit a financial report.</p> <p><u>Implication</u></p> <p>Assurance activities the IP's compliance with UN and other Donor Agency requirements.</p> <p>This has increased the overall risk rating for the IP.</p>	<p>We recommend that results for Assurance activities on Donor Specific programmes be shared with the Implementing Agency.</p> <p><i>IP Comment:</i></p> <p>I think this is not actually the case as there are activities specified in the work plan for the whole duration of the project. There was a report on the progress of the project submitted on December 2016 to SPC and GIZ and the next reporting was supposed to be in January but there were no activities implemented in January so the December report was taken for consideration. The next report is supposed to be submitted at the end of May which is still in progress. The main problem with implementation is the late signing of the Financial Agreement between GIZ and SPC and the MOA between SPC and Tuvalu which delays the disbursement of funds. Please find attached are the Progress report for December and the work plan for the first 6 months.</p> <p><i>UNDP Comment:</i></p> <p>UNDP will discuss and agree Assurance Activities with IP. This will be implemented throughout the life of a project and should mitigate risks.</p>

No.	Description of Finding	Recommendation
2.	<p><u>Lack of monitoring and evaluation framework</u></p> <p><i>Checklist Category: 2.4, 2.5, 2.6, 2.7 & 2.8</i></p> <p><i>Risk Ranking: High</i></p> <p>The Government of Tuvalu has recently established an Evaluation Coordination Unit (ECCU) that is in charge of the Review and Evaluation of Government Ministries in line with the National Strategy for Sustainable Development (TK III) 2016-2020.</p> <p>However to date, the ECCU has yet to establish an evaluation framework for Government Ministries and Donor Funded projects.</p> <p>At the IP level, the DOE uses the Indicators from TK II and III and the Ministry of Public Utilities Corporate Plan 2014-2016 as a means of monitoring project progress, however, reports for evaluation have yet to be released.</p> <p><u>Implication</u></p> <p>The absence of the evaluation framework and reports impairs our ability to confirm the implementation of evaluation activities on donor funded projects handled by the IP.</p>	<p>We recommend that the Implementing partner submit to the Implementing agency all potential evaluation strategies, frameworks and reports for future reference.</p> <p><i>IP Comment:</i> While the ECCU is yet to establish its evaluation framework but the DoE has its own evaluation of the project through its work plan submitted at the beginning of its implementation stage. The progress of the project against its work plan is included in its quarterly reporting to the Ministry of Public Utilities and Infrastructure's management. Quarterly reporting is attached for your information.</p> <p><i>UNDP Comment:</i> Until their M&E Frameworks is established, UNDP will closely follow the Project M&E Framework to ensure that the project is on target.</p>
3.	<p><u>Lack of budget monitoring and risk strategies on annual work plans</u></p> <p><i>Checklist Category: 2.2 & 2.3</i></p> <p><i>Risk Ranking: High</i></p> <p>The Department of Environment prepares its Annual Work Plans in line with the Te Kakeega III National Sustainable Development Strategy (Goal 1: Climate Change) and Corporate Plan 2014-2016 for the Ministry of Public Utilities. These Work plans show the proposed activities and expected timelines for project delivery.</p> <p>However, our assessments notes the absence of:</p> <ul style="list-style-type: none"> (i) a Budget component developed alongside planned activities to demonstrate the financial plans of the IP; and (ii) Risk indicators for each planned activity and mitigating factors which the IP anticipates to undertake. <p><u>Implication</u></p> <p>The absence of the budget component and risk indicators could impair the IP's ability to properly strategise project activities and monitor spending for each planned activity line.</p>	<p>We recommend that the Implementing partner submit to the Implementing agency:</p> <ul style="list-style-type: none"> (i) Planned risk indicators for the Annual work plan; and (ii) A proposed budget to accompany each activity line. <p><i>IP Comment:</i> The department was under the management of another middle management officer while the office holder was on long term study leave, but with the return of the office holder, I will ensure that the work plan for next year will take into account the budget and risks for better close monitoring and evaluation.</p> <p><i>IP Comment:</i> The department was under the management of another middle management officer while the office holder was on long term study leave, but with the return of the office holder, I will ensure that the work plan for next year will take into account the budget and risks for better close monitoring and evaluation.</p>

No.	Description of Finding	Recommendation
4.	<p><u>Lack of adequate accounting /finance function</u></p> <p><i>Checklist Category: 3.4</i></p> <p><i>Risk Ranking: High</i></p> <p>The accounting and finance functions of the IP are inherited from Ministry of Public Utilities and Infrastructure and this role is implemented by a Higher Executive Officer (HEO).</p> <p>In accordance with Section 6 of the Financial Instructions of 2016, the HEO position is referred to as a "Vote keeper" who is in charge of preparing and facilitating financial requests for the OPM and reconciling votes monthly against the Government Issued warrants (budgets).</p> <p>Our review of the Job Description for this position noted that the minimum requirements for the position are more experienced based (years of service) than qualification based (minimum of Form 6 Pass).</p> <p><u>Implication</u></p> <p>Inadequacy in training requirements and upskilling could impair the IP's ability to meet reporting timelines.</p>	<p>We recommend the Implementing partner ensure that :</p> <p>(i) the Financial monitoring position is fulfilled by a dedicated personnel to prevent possible delays in reporting.; and</p> <p>(ii) Encourage further training in Finance and accreditation such as the HACT framework in order to allow more efficient and effective reporting.</p> <p><i>IP Comment:</i></p> <p>The IP could request to the Department of Personnel and Training to transfer to the Ministry of Public Utilities and Infrastructure an Executive Officer with qualification and experience that can be able to provide efficient and effective financial reporting.</p> <p><i>UNDP Comment:</i></p> <p>The Project will maintain its own Finance and Administration Officer to fulfil the accounting finance functions and ensure Project Implementation is not compromised.</p>

No.	Description of Finding	Recommendation
5.	<p><u>Lack of proof of internal audit coverage of the IP/Donors</u></p> <p><i>Checklist Category:</i> 4.31 & 4.32</p> <p><i>Risk Ranking:</i> High</p> <p>The Internal Audit Unit has been recently re-established under Section 18 of the Financial Instructions 2016.</p> <p>Our Assessment procedures confirmed the presence of an Internal Audit Charter, job description for Unit officers and framework.</p> <p>However, the Unit has yet to provide a Work plan or reports to demonstrate coverage of the IP or prospective donor programmes within the government.</p> <p><u>Implication</u></p> <p>The lack of internal audit coverage or reports, increases the overall risk rating of the IP for non-compliance with Section of the Financial instruction.</p>	<p>We recommend that future internal audit reports for donor funded programmes be shared with the Implementing Agency.</p> <p><i>IP Comment:</i> This is a must for every project but it can always be done if a formal request is lodge to the Audit General's Office to carry out an internal audit.</p> <p><i>IAU Comment:</i> Agree with IP Comment as well as the recommendation. IAU's scope of activities cover any of the programmes and activities of the Government of Tuvalu together with any entities control by the GoT.</p> <p>The new Unit is yet to function properly and there are ongoing efforts to get a TA for capacity building, coaching and mentoring. In addition, the Unit plans to recruit more staff to be able to increase its activities within the year and it include having internal audits for the different programmes within the GoT.</p> <p><i>UNDP Comment:</i> UNDP looks forward to receiving future internal audit reports of other donor funded programmes as a means of managing risks. In the meantime, however UNDP will rely on implementing the Assurance Plan which will be discussed and agreed with the IP. Also, it has other assurance activities such as Financial Audits that will address Financial risks.</p> <p>We hope that the Macro Assessment will highlight this issue and recommend a way forward.</p>

No.	Description of Finding	Recommendation
6.	<p><u>Improper asset management</u></p> <p><i>Checklist Category:</i> 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 & 5.9.</p> <p><i>Risk Ranking:</i> High</p> <p>Chapter 15 of the Financial Instructions states that Government Assets and inventory are to be maintained on an Asset Register under the responsibility of the Accounting Officer, which is the Secretary of the Prime Minister's Office in the case of the IP.</p> <p>However, the Department of Treasury Asset unit has yet to prepare copies of a board of survey or verification documents to proof that proper management procedures of government assets is being conducted.</p> <p>Moreover, the Government of Tuvalu does not have Insurance Coverage for assets, equipment and inventory under its responsibility.</p> <p><u>Implication</u></p> <p>The lack of verification reports, increases the overall risk rating of the IP for asset management. Moreover, the absence of insurance coverage, increases the risk of ultimate loss on the part of the government and its funded projects.</p>	<p>We recommend as follows:</p> <ul style="list-style-type: none"> - The IP prepare and conduct their own asset registers and ensure this is monitored regularly; and - The government and IP consider having an insurance policy or plan put in place to ensure that assets and inventory are adequately covered. <p><i>IP Comment:</i> The DoE has its own Asset Management Register apart from the Department of Treasury Asset but it does not have an insurance Policy where assets are adequately covered. UNDP and IP could improve this Asset Management Register. A copy is attached for your information.</p> <p><i>UNDP Comment:</i> UNDP requires projects to submit updated Asset Listings (below and above USD 1,500) every quarter to accompany FACEFORMS.</p> <p>Moreover, it is important to have insurance cover to safeguard hardware procured by Government and aid funding.</p> <p>FASNETT's activities may include the establishment of an information exchange network and website for the promotion and dissemination of knowledge on low carbon development. FASNETT may also involve demonstration activities that may involve the procurement of 'floating solar PV units', off-grid solar PV units and seawater desalination units for outer islands. Therefore, it is important to have an insurance against loss and damage during the project lifetime and beyond.</p> <p>UNDP and IP to investigate insurance options and agree way forward. We hope that the Macro Assessment will highlight this issue and suggest recommendations.</p>

No.	Description of Finding	Recommendation
7.	<p><u>Qualified whole of government accounts</u></p> <p><i>Checklist Category: 6.5</i></p> <p><i>Risk Ranking: High</i></p> <p>The Office of the Auditor General of Tuvalu has expressed a Qualified Opinion on the whole of Government Accounts for financial years 2013, 2014 and 2015.</p> <p>The Auditor General's management report cited various issues as follows:</p> <ul style="list-style-type: none"> ▶ Non consolidation of the government enterprises comprising: National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) and the Tuvalu Maritime Training Institute (TMTI) as they have not produced audited financial statements; ▶ The non-inclusion of Inventory in the Financial Statements due to the absence of records for inventory; and ▶ Lack of evidence to support completeness of Accounts Receivable and Revenues in the Financial Statements <p>Moreover, we acknowledge that a contributing factor is that the whole of government's accounting system is made on an accrual basis, and most reconciliations of accrual accounts are done at financial year end.</p> <p><u>Implication</u></p> <p>Due to the absence of other Donor Funded assurance activities, the qualified opinion expressed on the Government accounts has increased the overall risk rating of the IP.</p>	<p>We recommend that the IP form an implementation reporting plan on cash basis in order to comply with the Cash reporting framework of the UNDG.</p> <p><i>IP & AG Comment:</i> Financial statements for the projects are already being performed on a cash basis.</p> <p>However, the financial statements for the Tuvalu Whole of Government will continue to be compiled on an accrual basis, as the accounting system implemented is designed to be used on an accrual basis and there is a need for the capability to account on an accrual basis (i.e. record and monitor assets and liabilities)</p> <p><i>UNDP Comment:</i> Until the Government's Public Financial Management Systems (PFMS) provides timely reconciliations, the projects will be vigilant in ensuring that Quarterly Financial Reports are accurate and reconciled.</p> <p>We hope that the Macro Assessment will recommend ways to address this issue</p>
8.	<p><u>Absence of data management policy</u></p> <p><i>Checklist Category: 6.8</i></p> <p><i>Risk Ranking: High</i></p> <p>The Government of Tuvalu ICT department is in the process of finalizing the National ICT Policy.</p> <p>However, at present, the ICT department has yet to formalize guidelines to ensure safeguards such as confidentiality, integrity and availability of the financial data, back up and recoverability.</p> <p>Data management policies are essential in ensuring that data is well maintained, secure and recoverable.</p> <p><u>Implication</u></p> <p>The lack of formal guidance on data management could result in the ultimate loss of government data.</p>	<p>We recommend that the IP and government consider formalizing guidelines to ensure confidentiality, integrity and availability of data, back up and recoverability.</p> <p><i>IP Comment:</i> It is something we should improve on while taking on project implementation but most of the energy data is uploaded and stored at the SPC portal.</p> <p><i>UNDP Comment:</i> UNDP projects will ensure that back-up and storage devices are available for back up and recoverability of project's data and information</p>

No.	Description of Finding	Recommendation
9.	<p><u>Lack of project management procedures</u></p> <p><i>Checklist Category: 7.13</i></p> <p><i>Risk Ranking: High</i></p> <p>The Procurement Coordination Unit of the Government is in charge of overall procedures in line with the Public Procurement Regulations.</p> <p>However, the Procurement unit does not have adequate control of the following:</p> <ul style="list-style-type: none"> - Tracking supplier performance; - Post facto-actions; and - Contract management <p><u>Implication</u></p> <p>Due to the absence of the above procedures, the overall risk rating has increased.</p>	<p>We recommend that the procurement and contract management responsibilities be clearly defined for the purpose of the IP.</p> <p><i>CPU Comment:</i> According to the government procurement regulation, all Government procurement is to be processed using the existing system in place – a general statement which may also include UNDP projects if agreed to by all parties in the direct project agreement)</p> <p>Agree with the recommendation even though they are clearly spelled in the regulation but there is still a need to strengthen this area of contract management responsibilities.</p> <p><i>UNDP Comment:</i> For procurement of big ticket items, in discussions with the IP, we may agree to procure through UNDP. UNDP in discussion with IP, review the procurement challenges with the Procurement unit and consider ways to strengthen it. Some of this may be addressed through the Macro Assessment</p>
10.	<p><u>Outstanding confirmation of legal actions against the IP</u></p> <p><i>Checklist Category: 1.8</i></p> <p><i>Risk Ranking: Significant</i></p> <p>We requested the Office of the Attorney General to provide us with written confirmation of any pending legal actions for or against the organisation.</p> <p>We were not provided with these written confirmations during our assessment.</p> <p>As such, we could not objectively determine whether the organisation has any pending legal actions against it.</p> <p><u>Implication</u></p> <p>The UNDG HACT Framework requires the UN agency to obtain details of all pending legal actions against the potential Implementing Partner (Department of Energy) before disbursing UN funding.</p> <p>The lack of written solicitor representation letters has increased the overall risk rating for the IP.</p>	<p>We recommend that the IP provide the UN agency with details of all pending legal actions through written representation letters from its solicitors.</p> <p><i>IP Comment:</i></p> <p><i>UNDP Comment:</i> <i>We will await from information from Attorney General and follow up at next programmatic visit.</i></p>

No.	Description of Finding	Recommendation
11.	<p><u>Budget deficit on recurrent expenditure</u></p> <p><i>Checklist Category: 1.6</i></p> <p><i>Risk Ranking: Significant</i></p> <p>We reviewed the Financial statements for the Ministry of Public Utilities and Infrastructure (the line Ministry for the IP) as a means to ascertain the financial stability of the IP and its experience in managing budgeted funds.</p> <p>According to the Financial Statements issued by the Auditor General's Office - Tuvalu; the IP incurred budget deficits of 2,712,260 of recurrent expenditure in 2015. The Financial statements for 2016 have yet to be released.</p> <p><u>Implication</u></p> <p>Consecutive budget deficits incurred has a negative implication on the financial management of the IP.</p> <p>This has increased the overall risk rating for the IP</p>	<p>We recommend that maintain proper budget requirements and deviations be properly advised to the respective donor.</p> <p><i>AG Comment:</i> The figures that were used compare to the original budget does not take into account supplementary budgets. For 2015, please refer to page 84 of the Audit report which shows the final outcome. Budget performance should be assessed on cash basis (on page 84), not accrual.</p> <p><i>UNDP Comment:</i> Quarterly advances and acquittals will be monitored closely by both Implementing Partner and UNDP. The HACT Macro Assessment to be conducted later in the year will review the Public Financial Management System (PFMS) and recommend ways to strengthen the PFMS and mitigate risks.</p>
12.	<p><u>Lack of timesheet requirements for projects</u></p> <p><i>Checklist Category: 4.16</i></p> <p><i>Risk Ranking: Significant</i></p> <p>General Administrative Orders require staff to use Time Cards as proof of time spent on various government paid positions. However, there has yet to be a policy in place for allocating time spent on projects or other responsibilities that government staff may be engaged in with Donors.</p> <p><u>Implication</u></p> <p>Absence of timesheets could impair the Human Resource Management Unit and Donor Agency's ability to ascertain the actual time spent on a project.</p>	<p>We recommend that proper timesheets be spent for Donor Funded activities as a means of allocating costs for time spent.</p> <p><i>HRM Comment:</i> Whilst HRM supports the idea of all donor funded projects using Time Cards or any other system that might work for them in keeping records of their attendance in their work areas, HRM is not involved in any donor funded project daily operations as HRM deals more with all government permanent employees and we do feel that the responsibility of managing performances of project officers in each project should be with the department that they are under and not HRM.</p> <p><i>UNDP Comment:</i> UNDP supported projects have their own dedicated staff to implement project activities. Occasionally the project request resource person (s) from the Government to provide technical support. In the event the Government requests data on government's officers time spent on project activities, the project will provide this information</p>

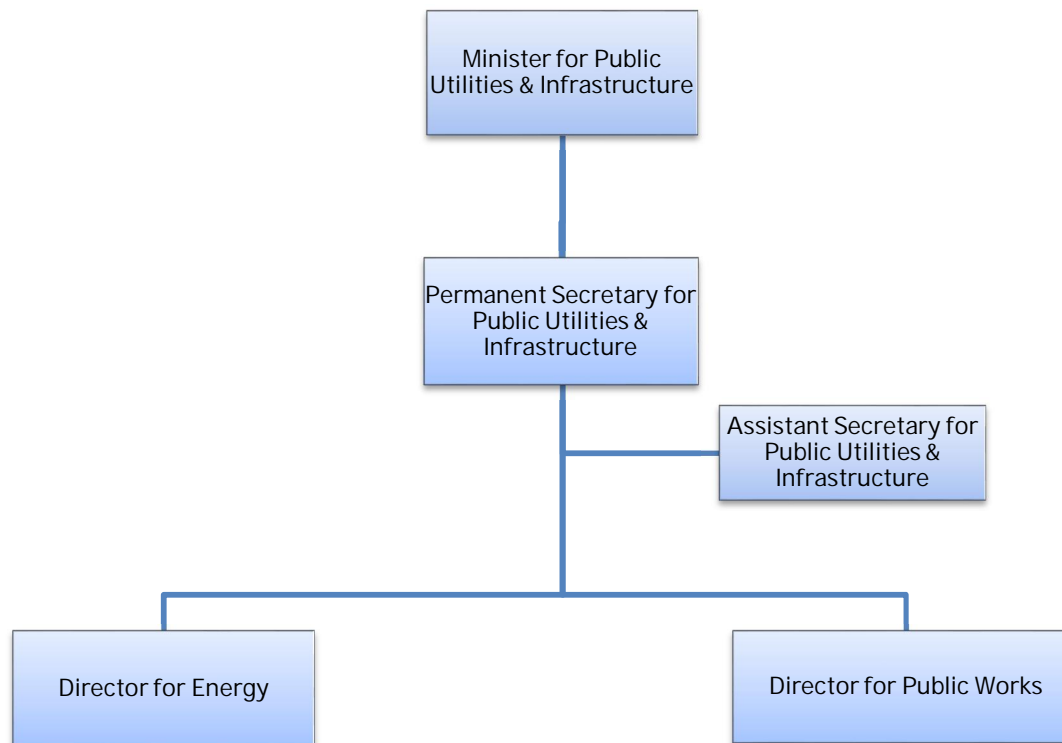
Annexes

Annex I : IP and Programme Information

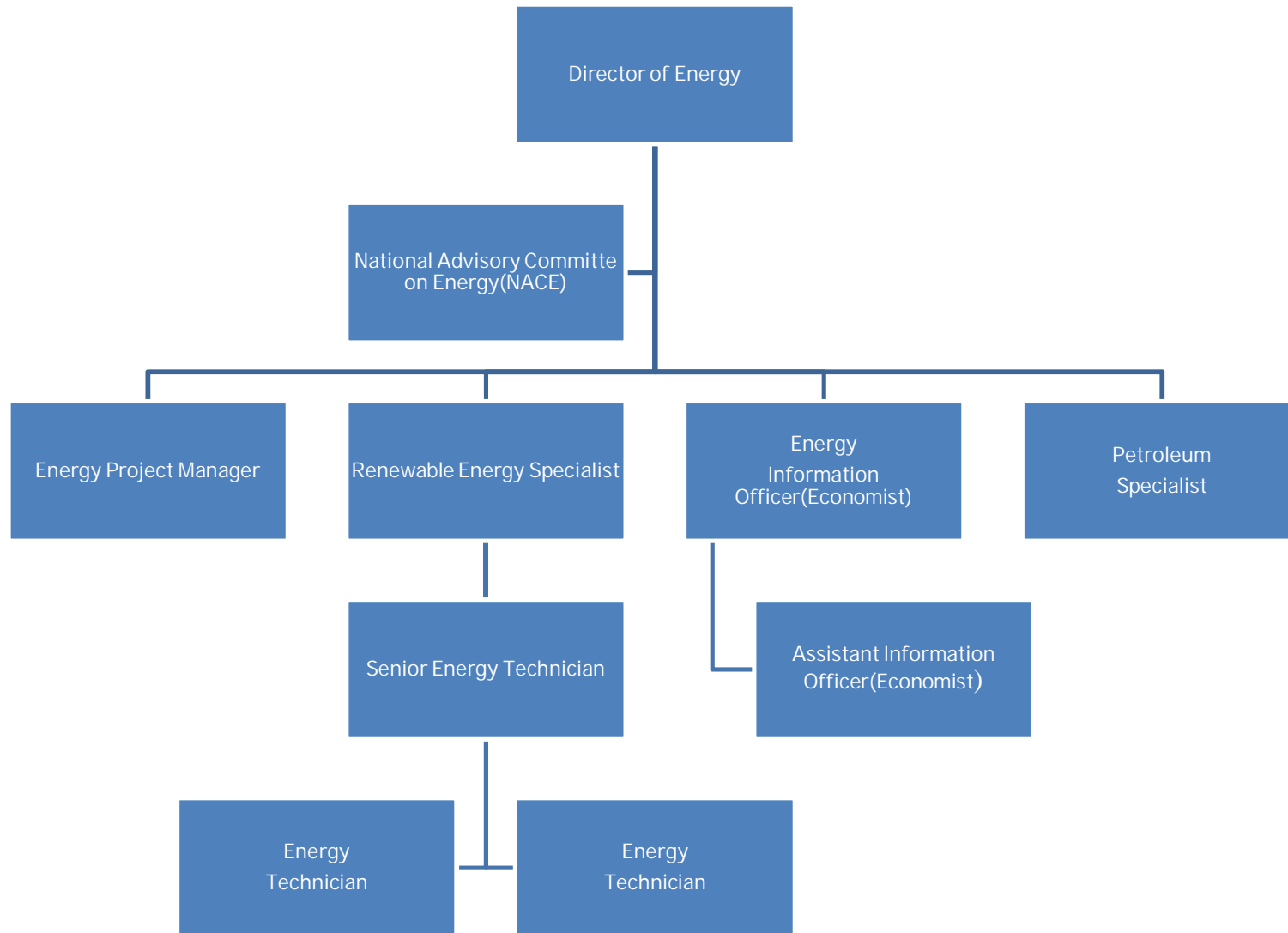
Implementing partner name:	Department of Energy (DoE), Department of Energy within the Ministry of Public Utilities and Infrastructure. Responsible Party: Tuvalu Electricity Corporation (TEC).
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	DOE
Implementing partner contact details (contact name, email address and telephone number):	Contact Name : Mr. Molipi Tausi- Director Email : molipitausi@gmail.com Phone contact: +688 20-060
Main programmes implemented with the applicable UN Agency/ies:	Energy projects
Key Official in charge of the UN Agency/ies' programme(s):	Ms. Seveleni Kapua, UN Country Development Manager for Tuvalu
Programme location(s):	Funafuti, Tuvalu
Location of records related to the UN Agency/ies' programme(s):	Department of Energy (DoE), Department of Energy within the Ministry of Public Utilities and Infrastructure.
Currency of records maintained:	AUD
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$);	N/A
Cash transfer modality/ies used by the UN agency/ies to the IP	N/A
Intended start date of micro assessment:	27 th April 2017
Number of days to be spent for visit to IP:	5 days
Any special requests to be considered during the micro assessment:	None

Annex II : Implementing Partner Organisation Chart

(a) Ministry of Public Utilities and Infrastructure



(b) Department of Energy – Implementing Partner



Annex III : List of Persons Met

- a. During the micro assessment
- b. Prior to finalising the micro assessment (discussed the results with prior to finalisation)

Name	Unit/Organisation	Position
a. During the micro assessment		
Molipi Tausi	Department of Energy, Ministry of Public Utilities and Infrastructure, Government of Tuvalu	Director
Mafalu Lotolua	Tuvalu Electricity Corporation	General Manager
Savali Matio	Department of Planning, Budget and Aid, Ministry of Finance and Economic Development, Government of Tuvalu	Aid Adviser
Amalinda Tala	Central Procurement Unit, Ministry of Finance and Economic Development, Government of Tuvalu	Procurement Officer
Lauti Argo	Human Resource Management, Office of the Prime Minister, Government of Tuvalu	Human Resource Officer
Manatu Siose	Internal Audit Unit, Ministry of Finance and Economic Development, Government of Tuvalu.	Head of Internal Audit
b. Prior to finalizing the micro assessment (discussed the results with prior to finalisation)		
Nainasa Whippy	Integrated Results & Management Unit (IRMU), UNDP Pacific Office in Fiji	UNDP Consultant
Luisa Katonibau	Integrated Results & Management Unit (IRMU), UNDP Pacific Office in Fiji	UNDP Programme Finance Associate
Emma Mario	Resilience and Sustainable Development Team, UNDP Pacific Office in Fiji	Programme Analyst

Annex IV : List of Key Documents

Doc#	Name of Document	Date Submitted	Received and Reviewed by Audit Firm prior to Field Trip
1.	Organisation Chart	12 April 2017	Yes
2.	HACT Micro Assessment Questionnaire	13 April 2017	Yes
3.	Government of Dashboard Expenditure Report	21 April 2017	Yes
4.	Public Finance Act 2014	21 April 2017	Yes
5.	Tuvalu Government Budget Manual	21 April 2017	Yes
6.	Tuvalu ODA Handbook	21 April 2017	Yes
7.	Whistle blower Policy	21 April 2017	Yes
8.	Financial Instructions 2016	21 April 2017	Yes
9.	Audit Act 2016	21 April 2017	Yes
10.	Public Finance Act 2008	21 April 2017	Yes
11.	The Whole of Government of Tuvalu Audited Accounts 2013-2015	21 April 2017	Yes
12.	CV's (Director Finance and Acting Secretary Finance)	25 April 2017	Yes
13.	Job Description - Higher Executive Officer	25 April 2017	Yes
14.	Procurement Regulations 2014	25 April 2017	Yes
15.	Central Procurement Report 2014	25 April 2017	Yes
16.	Central Procurement Report 2015	25 April 2017	Yes
17.	Sample Service Contract	25 April 2017	Yes
18.	Job Description - Head of Internal Audit	25 April 2017	Yes
19.	Audit Committee Charter	25 April 2017	Yes
20.	Draft - Government of Tuvalu ICT Policy	25 April 2017	Yes
21.	National Advisory Committee on Energy (NACE) ToR and Meeting Minutes	1 May 2017	No
22.	Te Ka Keega III - National Strategy for Sustainable Development 2016-2020	1 May 2017	No
23.	Department of Energy Annual Workplan 2017	2 May 2017	No
24.	Memorandum of Agreement - EU/GIZ ACSE Biomass Project	4 May 2017	No
25.	Ministry of Public Utilities and Infrastructure Corporate Plan 2014-2016	4 May 2017	No
26.	Tuvalu Energy Policy	4 May 2017	No

Annex V : HACT Framework Micro-Assessment Questionnaire

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
1. Implementing Partner						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.	P			Low	1	The Department of Energy was established in March 1993, consisting of a single Energy Planner whose responsibility was petroleum inspection and advisory services to Government. From 1999 the unit expanded into a Government Department with increased responsibilities that include: (1) Energy Sector Planning, Coordination and Management and (2) Inspection, Assessment of Petroleum Storage Facilities & Energy Data Collection.
1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.		P		High	8	The IP has received funding through the Adaptation to Climate Change and Sustainable Energy Program (ACSE)/Tuvalu Biogas Schemes and EU/GIZ Funded project. The Memorandum of Agreement with SPC (Implementing Partner) was signed on 2nd February 2017. Assurance activities for the project have yet to be undertaken.
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements?	P			Low	1	Chapter 16 of the Financial Instructions issued by the Ministry of Finance, requires monthly reconciliation and preparation of Financial Reports. These reconciliations (for both recurrent expenditure and Development fund accounts) are to be submitted to Office of the Auditor General. Moreover, as prescribed by Section 31 of the Act, within a period of 6 months (or such period as Parliament may appoint) after the end of the financial year there shall be transmitted to the Office of the Auditor General by the Minister accounts showing fully the financial position of Tuvalu in compliance with such requirements.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
1. Implementing Partner						
1.4 Does the governing body meet on a regular basis and perform oversight functions?	P			Moderate	2	The governance body for the IP is the National Advisory Committee on Energy (NACE) which was established in September 2016. The Committee meets quarterly throughout the year. However, based on our review, there has only been 1 meeting conducted since its inception.
1.5 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?		P		High	8	NACCC and NDC are newly established committees that oversee most Nationally Implemented Climate Change and Disaster Projects. However, neither of the Charters of the Committees require specific oversight of Donor Funded project as these are assumed to be performed by the Project Board.
1.6 Does the IP show basic financial stability in-country (core resources; funding trend)? <i>Provide the amount of total assets, total liabilities, income and expenditure for the current and prior fiscal year.</i>		P		High	8	According to the Financial Statements issued by the Auditor General's Office - Tuvalu; the Ministry of Utilities (the IP's Line Ministry) incurred surplus of budgeted recurrent expenditure amounting to AUD 192,151 in 2013 and AUD 1,215,479 in 2014. However, in 2015, the Ministry of Utilities incurred a budget deficit of AUD 2,712,260 of budgeted recurrent expenditure.
1.7 Can the IP easily receive funds? Have there been any major problems in the past in the receipt of funds, particularly where the funds flow from government ministries?	P			Low	1	Section 19 of the Public Finance Act of 2008, requires all project funding to be deposited into the Tuvalu Development Fund Account. The current bi-laterally Funded EU/GIZ project facilitated by the IP has not experienced problems with the current requirements.
1.8 Does the IP have any pending legal actions against it? <i>If so, provide details and actions taken by the IP to resolve the legal action.</i>		P		Significant	3	The Office of the Attorney General is unable to confirm whether there have been legal actions or material/significant disputes with the vendors/contractors.
1.9 Does the IP have an anti-fraud and corruption policy?	P			Low	1	The Fraud and Loss Policy of 2016 was established to support the increased awareness, understanding and transparency of the control environment to

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
1. Implementing Partner						
						support the detection and prevention of fraud.
1.10 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property? If so, does the IP have a policy against retaliation relating to such reporting?	P			Low	1	The whistle-blower Policy was established in 2016 by the Office of the Prime Minister. This has been issued to all government departments and Heads of Mission Offices.
1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. <i>Examples: foreign exchange risk; cash receipts.</i>	P			Low	1	The Government of Tuvalu has the capability to mitigate Financial and Operational Risks such as foreign exchanged differences which are absorbed into the Tuvalu Development Fund.
Total number of questions in subject area:	11				<i>Lowest score possible</i>	1.000
Total number of applicable questions in subject area:	11				<i>Highest score possible</i>	5.818
Total number of applicable key questions in subject area:	5				<i>Banding width</i>	1.205
Total number of risk points:	35				<i>Low risk: scores below</i>	2.205
Risk score	3.1818				<i>Moderate risk: scores below</i>	3.409
Area risk rating	Moderate				<i>Significant risk: scores below</i>	4.614

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
2. Programme Management						
2.1 Does the IP have and use sufficiently detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans?	P			Moderate	2	The IP prepares all Work Plans and schedules in accordance with the Te Kakeega II (The Tuvalu National Strategy for Sustainable Development 2005-2015). The Te Kakeega II is the basis for the Ministry of Public Utilities and Infrastructure's Corporate Plan 2014-2016. We have reviewed the 2017 work plan which details: (i) Outputs & Activities (ii) Responsible individual (iii) Funding Source and timelines
2.2 Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?	P			High	6	An annual workplan is developed by the Department of Energy each year which aligns with the Corporate Plan and the National Strategy for Sustainable Development however, a Budget component has yet to be developed alongside these activities to demonstrate the financial plans of the IP.
2.3 Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them?	P			High	3	Risk assessment is conducted on a project by project basis and mitigation strategies are identified accordingly. The IP does not standardise Programme Risk Delivery and mechanisms to mitigate them. The IP does not standardise Programme Risk as general risk indicators are sought from TK II and TK III.
2.4 Does the IP have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation?		P		High	4	The IP has yet to establish policies related to Project Evaluation. On a national level, the National Evaluation Coordination Unit (ECC) conducts Strategic assessments of various activities conducted within government. However, ECC's M&E Plans have yet to cover Donor Funded projects.
2.5 Does the IP have M&E frameworks for its programmes, with indicators,		P		High	4	Department of Energy uses the Te Kakeega II (2005-2015) Key Performance Indicators for monitoring and reporting its

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
2. Programme Management						
baselines, and targets to monitor achievement of programme results?						achievement which are shown on the Corporate Plan 2014-2016. However, due to the absence of an M&E Framework, the IP has yet to establish formal guidelines to assess and monitor the achievement of programme results. Moreover, a new Corporate Plan is required to be aligned to the Te Kakeega III 2016-2020.
2.6 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.		P		High	8	The National Advisory Committee on Energy (NACE) is an avenue the IP uses to report/share programme/project progress. We have yet to receive a report submitted for the purpose of the NACE. We have yet to receive a report of on-site project visits, review meetings with project personnel and other monitoring activities.
2.7 Does the IP systematically collect, monitor and evaluate data on the achievement of project results?		P		High	4	We have yet to receive a report submitted for the purpose of the NACE.
2.8 Is it evident that the IP followed up on independent evaluation recommendations?		P		High	4	The IP has yet to receive an independent evaluation.
Total number of questions in subject area:	8					<i>Lowest score possible</i> 1.000
Total number of applicable questions in subject area:	8					<i>Highest score possible</i> 5.000
Total number of applicable key questions in subject area:	2					<i>Banding width</i> 1.000
Total number of risk points:	35					<i>Low risk: scores below</i> 2.000
Risk score	4.750					<i>Moderate risk: scores below</i> 3.000
Area risk rating	High					<i>Significant risk: scores below</i> 4.000

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
3. Organizational Structure and Staffing						
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?	P			Low	1	The General Administrative Orders 2016 (GAO) and the Public Service Commission Rule 2016 clearly outlines the Processes for recruitment, employment and Human resource management for all government employees (Permanent, Temporary, Contract, Casual ect). These guidelines embrace transparency and competition for the evaluation and selection processes for prospective candidates. Public Service Commission services as a Human resource selection and management panel for all government positions. Each member of the commission is required to disclose any interest in an agenda prior to discussion and vote.
3.2 Does the IP have clearly defined job descriptions?	P			Low	1	The Human Resource Management unit, under the Office of the Prime Minister, has undergone a major JD development and review phase in an effort to clearly define JD's. A Government of Tuvalu JD Template was developed to maintain consistency and professionalism in defining job descriptions. Also the HRM unit keeps a database of all Job descriptions.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
3. Organizational Structure and Staffing						
<p>3.3 Is the organisational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.</p>	P			Significant	6	<p>The Ministry of Finance and Economic Development (MFED) has competent staff. We have reviewed the CV's for the Deputy Secretary of Finance and Director for Planning, Budget and Aid who are both responsible for oversight of key functions related to finance. These key staff are competent the role of finance management. The Director for the IP is also competent in ensuring proper monitoring of the programme. However, IP's finance role of ensuring proper recording of transactions and reconciliation of the Warrant is performed by the Higher Executive Officer (also referred to as Vote keeper in the Financial Instruction 2016). Job descriptions for this role, in accordance with HRM JD's are more experienced based (minimum of 5 years) than qualification based (minimum education qualification is a High School Form 6 Pass).</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
3. Organizational Structure and Staffing						
3.4 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?		P		High	8	Government of Tuvalu Ministries, such as the Office of the Prime Minister, are allocated two HEO's (Higher Executive Officers) for the preparation and Monthly Reconciliation of Votes to Warrants. The roles and reporting lines of these two individuals are inherited from the Ministry of Finance and Economic Development. However, the IP and the Office of the Prime Minister presently relies on a single HEO who handles all financial votes for Donor Funded Projects and Recurrent government expenditure for the Office of the Prime Minister.
3.5 Does the IP have training policies for accounting/finance/ programme management staff? Are necessary training activities undertaken?	P			Moderate	2	The Planning, Budget and Aid Coordination (PBACD) usually conduct an annual workshop and training for all the accounting voters from line ministries in accordance with Chapter 2 of the Financial Instructions. In addition, all newly recruited staff are required to undergo training by the Central Procurement Unit on induction.
3.6 Does the IP perform background verification/checks on all new accounting/finance and management positions?	P			Moderate	2	All position recruitment follows the Government of Tuvalu General Administration Orders. The Secretary for Human Resource Management is in charge of ensuring that a Criteria is set for selection.
3.7 Has there been significant turnover in key finance positions the past five years? If so, has the rate improved or worsened and appears to be a problem?		P		Moderate	2	In the past, Turnover of most finance positions are usually a result of rotation or promotion. However, with increased opportunities for migration to New Zealand, there is a risk of retention of key staff in the next couple of years.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
3. Organizational Structure and Staffing						
3.8 Does the IP have a documented internal control framework? Is this framework distributed and made available to staff and updated periodically? If so, please describe.	P			Low	1	The financial instructions 2016 is the basic internal control framework made available to relevant staff and updated periodically.
Total number of questions in subject area:	8				<i>Lowest score possible</i>	1.000
Total number of applicable questions in subject area:	8				<i>Highest score possible</i>	6.000
Total number of applicable key questions in subject area:	3				<i>Banding width</i>	1.250
Total number of risk points:	23				<i>Low risk: scores below</i>	2.250
Risk score	2.875				<i>Moderate risk: scores below</i>	3.500
Area risk rating	Moderate				<i>Significant risk: scores below</i>	4.750

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
<i>4a. General</i>						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?	P			Significant	6	All Government of Tuvalu Financial transactions are accounted for in the AccPac Accounting system in accordance with Section 39 of the Financial Instructions of 2016. However, review of the Chart of Accounts noted that only Recurrent Government Expenditure is allocated according to cost codes, Donor funds are allocated a single budget heading to which funds are drawn against.
4.2 Are controls in place for accurate cost allocations to the various funding sources in accordance with established agreements?	P			Significant	6	Section 249 of Chapter 13 of the Financial Instructions require Project Funds (such as those from UN Agencies) once authorised for receipt, have a Development Fund Warrant prepared showing the budget for the funds received to which the project intends to spend against. The AccPac System has the capability to allocate expenses according to the initial Fund Warrant, but not according to the project budget activities.
4.3 Are all accounting and supporting documents retained in an organised system that allows authorized users easy access?	P			Low	1	Accounting records are retained in Chronological order by the Department of treasury.
<i>4b. Segregation of duties</i>						
4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?	P			Moderate	2	Section 313 of the Financial Instructions of 2016 require that by no later than the 10th day of the following month, the Treasury Department shall issue from the Financial Management Information System a listing of transactions as well as a summary report which outlines the GL Allocation Item, annual estimates, actual expenditure, and Purchase Order commitments to Accounting Officers and Votekeepers. a. As the National Budget is prepared on a cash

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
						<p>basis, this report shall present both a cash and accrual position for comparison to budget estimate figures on a cash basis.</p> <p>Section 314. All Votekeepers shall be responsible for the review of monthly reports and transaction lists to ensure that transactions recorded in the FMIS reconcile to the expenditure head vote ledger.</p>
4.5 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?	P			Significant	6	<p>Depending on the value of the good, Section 114 to 129 of the Financial Instructions provide guidance from requisition to payment and receipt of goods.</p> <p>(a) Each line Ministry has an accountable Higher Executive Officer (Votekeeper) in charge of raising requests, which are approved by the Line Secretary and allowed by the Aid Officer of the Department of treasury.</p> <p>(b) Allowed transactions are recorded onto AccPacc Accounting system as they have been approved to be drawn against a specific budget head (Warrant).</p> <p>(c) Custody of the assets involved in the transaction is the responsibility of the Department of Unit for which the Warrant/Budget Heading is held.</p>
4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?	P			Significant	6	<p>In accordance with Section 114 to 135, a formal Purchase Requisition is raised by a Votekeeper who in charge of following through the approval trail until the eventual allowed purchase and payment of a good. The officer responsible for the purchase of the good is charge of receiving the good.</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
4.7 Are bank reconciliations prepared by individuals other than those who make or approve payments?	P			Significant	6	<p>Section 318 of the Financial Instructions state that: The Treasury Department in conjunction with the Planning, Budget, and Aid Coordination</p> <p>Department shall prepare a monthly financial report detailing the following items;</p> <p>(a) Monthly and year to date expenditure (including Purchase Order commitments) and revenue compared to budgeted estimates;</p> <p>(b) Current and forecast cash holdings, including adjustments to the end of financial year forecast cash position taking into account actual year to date receipts and payments;</p> <p>(c) Government borrowing and guarantee balances and details;</p> <p>(d) Account receivable balances;</p> <p>(e) Asset and inventory details; and</p> <p>(f) Summary of projects funded from the Development Fund outlining funds received, funds expended, and the remaining funds available.</p>
4c. Budgeting system						
4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?	P			Significant	6	<p>Section 4 of the Public Finance Act requires the National Budget to be prepared in terms of section 165 of the Constitution, which shall be in</p> <p>such form as the Minister may determine or as Parliament may direct:</p> <p>Section 5 CAP. 4.20 Public Finance Act</p> <p>Provided that –</p> <p>(a) the estimates of statutory expenditure shall show the sums to be issued from the Consolidated Fund to meet the expenditure on such service and shall contain a reference to the law authorising</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
						<p>expenditure on such service to be charged on the Consolidated Fund;</p> <p>(b) the estimates of each Expenditure Head shall –</p> <p>(i) describe the ambit of the Head; and</p> <p>(ii) show the sum required to be applied to such Head by appropriation from the Consolidated Fund; and</p> <p>(iii) contain a reference to the accounting officer appointed in respect of such Head.</p> <p>The budget preparation process, is done through submissions from various government Ministries, vetted by the Minister and later discussed by the Cabinet. The Cabinet of Tuvalu's spending is guided through the Te Te Kakeega III (The Tuvalu National Strategy for Sustainable Development 2016-2018) priority areas. However, as noted in Question 2.2 of this questionnaire, the IP's Annual Wokplan lacks particular reference to their own budget to monitor spending within the year and subsequent performance.</p>
4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?	P			Significant	6	The IP relies on the Government Dashboard, which is the Ministry of Finance's reporting mechanism of Total Government Budget vs Expenditure for each month, Year to Date and Compared to the same period in the prior year. Comparison of donor funded projects budgets against expenditure are done on an individual basis.
4.10 Is prior approval sought for budget amendments in a timely way?		P		Significant	3	The Tuvalu Government Budget Manual, Financial Instructions 2016 and Public Finance Act 2008 does not provide particular guidance for the approval to amendments of Budgets.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
4.11 Are IP budgets approved formally at an appropriate level?	P			Low	1	As per Question 4.9, the Whole of Tuvalu Government begins with submissions from Government Ministries to their Line minister. The line minister then reviews and refines the budget based on available resources, performance reports and TK III. The Minister's Corporate team then drafts the budget for submission to Cabinet. Cabinet approves or revises the budget.
4d. Payments						
4.12 Do invoice processing procedures provide for: <ul style="list-style-type: none"> - Copies of purchase orders and receiving reports to be obtained directly from issuing departments? - Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received? - Checking the accuracy of calculations? 	P			Low	1	The Financial Instruction 2016 states as follows: <ul style="list-style-type: none"> ▶ 155. The disbursement of public money by the Treasury Department from Government accounts shall be processed in the FMIS prior to the disbursement of funds, and must be supported by a Payment Voucher. ▶ 156. Primarily the Payment Voucher shall be prepared by the Treasury Officer following the receipt of an authorised supplier invoice or claim which shall be forwarded to the Treasury Department for payment within three days following the receipt of the supplier invoice or claim for delivered goods or services. a. TO proceed with payment, a supplier invoice or claim must be certified for payment by the relevant Accounting Officer or authorised delegate who shall clearly sign and print their full name with the words "Goods Received, Ok to Pay", on the supplier document. ▶ 157. In certifying an invoice for payment the Accounting Officer or authorised delegate must ensure that:

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
						<p>a. the goods or services identified on the invoice match the goods or services received;</p> <p>b. the amount of the invoice is in line with the quoted price for the delivery of goods and services;</p> <p>and</p> <p>c. that the details of the purchase, including the supplier details, match the relevant Purchase Order detail, and that payment shall not exceed the actual available unspent budget allocation.</p> <p>▶ 158. A Payment Voucher may relate to a batch of payment transactions, known as an FMIS Payment Batch, and a separate Payment Voucher shall not be required for each individual transaction entry or purchase.</p> <p>▶ 159. Payment Vouchers shall be made out in favour of the person, persons, or organisation to whom Purchase Orders have been issued, and as detailed on certified invoices entered in the FMIS by the Treasury Department for payment.</p> <p>a. Where, for any payment a Purchase Order or certified supplier invoice or claim is not available, such as for the payment of the Government Payroll, the Treasury Department shall prepare a Payment Voucher and attach relevant supporting detail.</p> <p>b. Such a Payment Voucher shall (except in the case of the Government Payroll) require approval by the relevant Accounting Officer, then may be utilised as the required authorisation for payment. These</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
						<p>Payment Vouchers must additionally be certified by the Secretary.</p> <ul style="list-style-type: none"> ▶ 160. Where, for any reason a commitment has been entered by an Accounting Officer or other Government official, without the issue of a Purchase Order, the Treasury Department shall reserve the right to withhold payment, and the responsible officer may be held financially accountable for the committed funds. <ul style="list-style-type: none"> a. The Secretary shall review and either accept or decline the payment of a commitment that was raised without the issue of a Purchase Order. Upon written acceptance by the Secretary, the Treasury Department may proceed with payment. ▶ 161. No Payment shall be made out in favour of the officer who shall certify and sign the Payment Voucher.
4.13 Are payments authorised at an appropriate level? Does the IP have a table of payment approval thresholds?	P			Significant	6	The Financial Instructions 2016 only provides guidance for procurement threshold limits. For payments, Section 64 only mentions requirement for two signatories for all checks and to support a review of payment details at the time of signing, signatories shall be provided with the check, Payment Voucher and printed FMIS Payment Batch for reference.
4.14 Are all invoices stamped ' <i>PAID</i> ', approved, and marked with the project code and account code?	P			Low	1	As a matter of practice, all invoices are stamped "PAID" and marked with AccPac approval for the warrant issued/committed.
4.15 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?	P			Low	1	<p>Payment of Salaries and wages is performed in accordance with the Financial Instruction 2016 as follows:</p> <ul style="list-style-type: none"> ▶ Section 206 the regular periodic payment of salaries and wages shall be made only by the Treasury Department

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
						<p>under such centralised system as shall be prescribed within these Instructions and Circulars.</p> <ul style="list-style-type: none"> ▶ Section 207. The payment of salaries and wages shall only be made by the Treasury Department at such times and in such manner as shall be prescribed within these Instructions and Circulars. ▶ Section 208. Payment of salaries and wages shall normally be made by a direct credit to the officer's bank account by the Treasury Department, and only in exceptional circumstances shall be paid via another payment method. ▶ Section 209. The Treasury Department shall prepare fortnightly payrolls in respect of all officers on permanent terms of employment, with an individual pay slip to be prepared and provided to the relevant Accounting Officer for each officer. <ul style="list-style-type: none"> a. Accounting Officers shall ensure that individual pay slips are delivered to the officer concerned as soon as possible after receipt from the Treasury Department.
4.16 Do controls exist to ensure that allocation of staff salary costs reflects the actual amount of staff time spent on a project?	P			Significant	6	General Administrative Orders require staff to use Time Cards as proof of time spent on various government paid positions. However, there has yet to be a policy in place for project paid staff.
4.17 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?	P			Low	1	Expenses that do not originate from Invoice payments such as those for Overseas Duty Travel have respective Perdiem rates for each country of destination and are used in line with the Overseas Duty Travel Policy 2014.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
4e. Policies and procedures						
4.18 Does the IP have a stated basis of accounting (i.e. cash or accrual) and does it allow for compliance with the agency's requirement?	P			Significant	3	The financial statements of the Government of Tuvalu are prepared in accordance with the accrual basis for accounting.
4.19 Does the IP have an adequate policies and procedures manual and is it distributed to relevant staff?	P			Low	1	The Financial Instructions 2016 are adequate for providing guidance on internal control procedures and is distributed to all relevant Accounts officers within governments and relative procurement thresholds.
4f. Cash and bank						
4.20 Does the IP require dual signatories for bank transactions? How many signatories are on the bank account and how many are required to execute transactions? How are names added/ removed. Provide names.	P			Low	1	Official Government treasury payments require dual signatories for the Bank of Tuvalu to process the transactions.
4.21 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?	P			Low	1	The HEO or Vote keeper is responsible for maintaining a record of all votes issued via payment requisition. At the end of each month, this vote is reconciled against the initial warrant and cross checked with records held by Treasury Department.
4.22 If the partner is participating in micro-finance advances, do controls exist for the collection, timely deposit and recording of receipts at each collection location?			P	N/A	-	The IP does not participate in micro-finance advances.
4.23 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?	P			Low	1	Treasury department conducts monthly reconciliation of Government funds. The HEO's/Vote keepers are essential to this reconciliation process as they assist in confirming payments/commitments made within a given month.
4.24 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?		P		Moderate	4	Most if not all payment transactions are made via cheque.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
4.25 Does the IP carry out a regular petty cash reconciliation?			P	N/A	-	All petty cash or spending imprest is handled by the Department of Treasury and it always reconciled before the spending imprest. Please refer to Financial Instruction, section 200 (a) under IMPREST
4.26 Are cash and cheques maintained in a secure location with restricted access? Are bank accounts protected with appropriate remote access controls?	P			Low	1	All blank cheques are maintained by the treasury department
4.27 Are there adequate controls over submission of electronic payment files that ensure no unauthorized amendments once payments are approved and files are transmitted over secure/encrypted networks?	P			N/A	-	The Department of treasury does not use Electronic payment files. Payments are made via Cheque or cash (if below AUD50). Overseas payments are made via Telegraphic Transfer.
4g. Other offices or entities						
4.28 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?	P			High	8	The Permanent Secretary of the Public Utilities has the responsibility of reviewing expenditure for the IP and external reporting entities. However, this role does not necessarily ensure compliance with the work plan and/or contractual agreement as there is no policy in place to require such.
4h. Internal audit						
4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?		P		High	4	In accordance with Chapter 18 of the Financial Instructions 2016 and the Internal Audit charter, the Internal Auditor reports to the Audit Committee formed by the Secretary of Finance. The Role of this committee is to provide independence to the Secretary for Finance and Economic Development on the Government's Financial performance reporting responsibilities, risk oversight and management.
4.30 Does the IP have stated qualifications and experience requirements for internal audit department staff?	P			Low	1	The internal audit unit has stated qualifications and experience requirements for staff and the head of the unit.

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4. Accounting Policies and Procedures						
4.31 Are the activities financed by the agencies included in the internal audit department's work programme?		P		High	4	The Internal Audit unit's activities are based on the scope agreed with the Secretary of Finance. The Strategic Plan for 2016-2018 has been prepared. However, a copy of the Internal Audit Work Plan or scope for 2017 has yet to be prepared as the unit has recently been formed.
4.32 Does the IP act on the internal auditor's recommendations?		P		High	4	The Internal audit role has recently been established and activities have yet to be planned and carried out for the year.
Total number of questions in subject area:	32				<i>Lowest score possible</i>	<i>1.000</i>
Total number of applicable questions in subject area:	29				<i>Highest score possible</i>	<i>6.621</i>
Total number of applicable key questions in subject area:	19				<i>Banding width</i>	<i>1.405</i>
Total number of risk points:	98				<i>Low risk: scores below</i>	<i>2.405</i>
Risk score	3.379				<i>Moderate risk: scores below</i>	<i>3.810</i>
Area risk rating	Mode rate				<i>Significant risk: scores below</i>	<i>5.216</i>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
5. Fixed Assets and Inventory						
<i>5a. Safeguards over assets</i>						
5.1 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?		P		High	4	Chapter 15 of the Financial Instructions states that Government Assets and inventory are to be maintained on an Asset Register under the responsibility of the Accounting Officer, which is the Secretary of the Prime Minister's Office in the case of the IP. However, the financial instructions do not have sufficient requirements with relation to ensuring that assets are appropriately tagged or verified on a regular basis as a safeguard against fraud, waste and abuse.
5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts?		P		High	4	We have not been provided with the Assets and inventory register.
5.3 Are there periodic physical counts of fixed assets?		P		High	4	We have not been provided with physical verification and/or count records for assets and inventory.
5.4 Are fixed assets and inventory adequately covered by insurance policies?		P		High	4	The Government of Tuvalu does not have insurance coverage.
5b. Warehousing and inventory management						
5.5 Do warehouse facilities have adequate physical security?		P		High	8	We have not been provided with proof of proper storage and management of inventory.
5.6 Is inventory stored so that it is identifiable, protected from damage, and countable?		P		High	4	We have not been provided with proof of proper storage and management of inventory.
5.7 Does the IP have an inventory management system that enables monitoring of supply distribution?		P		High	8	The government of Tuvalu does not use an inventory management system for monitoring supply distribution.
5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records?	P			Low	1	In accordance with the Financial Instructions Chapter 15, the responsibility of receiving and issuing inventory is that of the Line Ministry, however, the updating of inventory records are the responsibility of the

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
5. Fixed Assets and Inventory						
						Accountant of the Ministry (Permanent Secretary - Prime Minister's Office)
5.9 Are regular physical counts of inventory carried out?		P		High	4	We have not been provided with the Assets and inventory register.
Total number of questions in subject area:	9				<i>Lowest score possible</i>	1.000
Total number of applicable questions in subject area:	9				<i>Highest score possible</i>	4.889
Total number of applicable key questions in subject area:	2				<i>Banding width</i>	0.972
Total number of risk points:	41				<i>Low risk: scores below</i>	1.972
Risk score	4.556				<i>Moderate risk: scores below</i>	2.944
Area risk rating	High				<i>Significant risk: scores below</i>	3.917

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
6. Financial Reporting and Monitoring						
6.1 Does the IP have established financial reporting procedures that specify what reports are to be prepared, the frequency of preparation, what they are to contain and how they are to be used?	P			Low	1	Chapter 16 of the Financial Instructions require monthly reconciliation and preparation of a Financial Report showing: Monthly and year to date expenditure (including Purchase Order commitments) and revenue compared to budgeted estimates; b. Current and forecast cash holdings, including adjustments to the end of financial year forecast cash position taking into account actual year to date receipts and payments; c. Government borrowing and guarantee balances and details; d. Account receivable balances; e. Asset and inventory details; and f. Summary of projects funded from the Development Fund outlining funds received, funds expended, and the remaining funds available.
6.2 Does the IP prepare overall financial statements?	P			Low	1	The financial statement of the IP are consolidated with that of the Government of Tuvalu which are prepared and audited by the Office of the Auditor General.
6.3 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.	P			Low	1	The Office of the Audit General of the Government of Tuvalu is established in accordance with Part VI of the Public Finance Act 2008. The Auditor General is solely responsible for the Overall Audit of the Government, which includes the IP.
6.4 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past three years?		P		High	8	The IP has yet to receive independent assurance activities.
6.5 Have any significant recommendations made by auditors in the prior three audit reports and/or management letters not yet been implemented?	P			High	4	The Office of the Auditor General expressed a Qualified Opinion for the Whole of Government of Tuvalu Accounts for the last 3 consecutive years. The qualified opinion was mainly due to the following issues which have yet to be rectified:

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
6. Financial Reporting and Monitoring						
						<ul style="list-style-type: none"> ▶ Non consolidation of the government enterprises comprising: National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) and the Tuvalu Maritime Training Institute (TMTI) as they have not produced audited financial statements; ▶ The non-inclusion of Inventory in the Financial Statements due to the absence of records for inventory; and ▶ Lack of evidence to support completeness of Account Receivable and Revenues in the Financial Statements
6.6 Is the financial management system computerized?	P			Low	1	The Ministry of Finance uses the AccPacc Accounting system.
6.7 Can the computerized financial management system produce the necessary financial reports?	P			Significant	3	The AccPacc Accounting system is capable of producing financial reports for the Government of Tuvalu. However, as noted in Question 4.1, the financial management system is not capable of allocating financial costs for UN Funded project according to specific budget activities.
6.8 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the financial data? <i>E.g. password access controls; regular data back-up.</i>		P		High	4	The ICT Department has prepared a Draft ICT Policy. However, the Policy lacks particular guidance to ensure appropriate safeguards such as confidentiality, integrity and availability of the financial data, back up and recoverability.
Total number of questions in subject area:	8				<i>Lowest score possible</i>	<i>1.000</i>
Total number of applicable questions in subject area:	8				<i>Highest score possible</i>	<i>5.500</i>
Total number of applicable key questions in subject area:	3				<i>Banding width</i>	<i>1.125</i>
Total number of risk points:	23				<i>Low risk: scores below</i>	<i>2.125</i>
Risk score	2.875				<i>Moderate risk: scores below</i>	<i>3.250</i>

Subject <i>(key questions in bold)</i>	area	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
6. Financial Reporting and Monitoring							
Area risk rating		Moderate				<i>Significant risk: scores below</i>	4.375

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
7.1 Does the IP have written procurement policies and procedures?	P			Low	1	The Public Procurement regulations 2014 provide guidelines to all government entities on various requirements and minimum requirements per procurement threshold.
7.2 Are exceptions to procedures approved by management and documented?	P			Low	1	All exceptions to the procurement procedures require appropriate authorisation from the Line ministries in
7.3 Does the IP have a computerized procurement system with adequate access controls and segregation of duties between entering purchase orders, approval and receipting of goods? Provide a description of the procurement system.		P		Moderate	2	The IP and Central Procurement Unit (within the Ministry of Finance) use a manual tender system for the procurement of goods. Thresholds are set out in Question 7.8 and Annex VI of this questionnaire. The authorisation thresholds determine the means of solicitation and approval for each level of procurement.
7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approvers.	P			Low	1	Procurement reports are prepared quarterly and annually as a means to summarise procurements made within the period and evaluation milestones achieved for each.
7.5 Does the IP have a structured procurement unit with defined reporting lines that foster efficiency and accountability?	P			Low	1	The Central Procurement Unit was established under the Public Procurement Regulation 2014 and works within the Ministry of Finance. The responsibility of this unit is to ensure proper compliance with the Public Procurement regulations.
7.6 Is the IP's procurement unit resourced with qualified staff who are trained and certified and considered experts in procurement and conversant with UN / World Bank / European Union procurement requirements in addition to	P			Low	1	Three out of 4 Procurement Staff within the unit have successfully completed the Level 2 - Introductory to Public Procurement offered and carried out by UNDP CIPS (Chartered Institute of Procurement and Supply)

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
the IP's procurement rules and regulations?						
7.7 Have any significant recommendations related to procurement made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented?		P		High	4	The IP has yet to receive assurance activates, as such, these have yet to cover the performance of the Central Procurement Unit.
7.8 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?	P			Low	1	<p>Regulation Item Amount AUD</p> <p>Minor and Major Procurement thresholds</p> <p>10 (a) Minor procurement Not exceeding 5,000</p> <p>10(b) Major procurement Exceeding 5,000</p> <p>Authority thresholds</p> <p>12 (a) Procurement Officer Not exceeding 500</p> <p>12(b) Bid Evaluation Committee Exceeding >500<5,000</p> <p>12 (c)Procurement Review Committee Exceeding 5,000 Procurement method thresholds for goods, works and non-consulting services</p> <p>13(a) Direct contracting Not exceeding 500</p> <p>13(b) Limited Shopping Exceeding >500<25,000</p> <p>13(c) Open Shopping Exceeding >25,000<100,000</p> <p>13(d) Open Competitive Bidding >100,000</p> <p>Procurement method thresholds for consulting services</p> <p>13(e) Methods under regulations 56, 57 and 58 <50,000</p> <p>13(f) Request for proposals - shortlist established</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
						under regulation 53(3) >50,000 <100,000 13(g) Request for proposals - shortlist established under regulation 53(4) <100,000 Refer to Annex VI.
7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?	P			Low	1	Section 5 of Standard Service Provider/Supplier Contract stipulates a Declaration of Ethical Conduct which must be authorised and signed by the Contractor.
7.10 Does the IP obtain sufficient approvals before signing a contract?	P			Low	1	The IP is required to comply with the requirement of the Procurement Regulations 2014 and as such, all requirements of a formal bid must be fulfilled before the Central Procurement unit prepares contracts for signing by both the IP and Contractor.
7.11 Does the IP have and apply formal guidelines and procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest?	P			Low	1	Section 71 of the Public Procurement Act Requires all public employees directly or indirectly involved with any stage of a procurement proceeding, including management and administration of a contract awarded as a result of the procurement, shall declare to his superior a potential conflict of interest and recuse himself from involvement in that procurement and administering the Implementation of the procurement contract.
7.12 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?	P			Low	1	Procurement methods are dependent on the thresholds (Annex VI of this Report). In the case where Open Procurement is required, the following guidelines apply in accordance with the Public Procurement Act 2014:

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
						<p>Section 37 Publication of procurement notices:</p> <p>(1) The notice of invitation to bid or to pre-qualify for the Open Competitive Bidding method or the Open Shopping method, as the case may be, shall be published on the Government's website and either broadcast on radio in Tuvalu or printed media with adequate circulation to attract interested bidders.</p> <p>(2) The procuring entity may send the notice directly to potential bidders after the date of publication of the notice. The procuring entity shall keep a record of bidders to whom the notice is sent directly, which shall form part of the procurement record.</p> <p>(3) The invitation to bid or, as the case may be, the invitation to prequalify shall include information regarding:</p> <p>(a) identity and address of the procuring entity and the contact details of the person from whom further information can be obtained;</p> <p>(b) nature and time-frame of the procurement, including the place of delivery of goods or non-consulting services, and the location of any works;</p> <p>(c) manner of obtaining and the price of the bidding documents, or, if applicable, the prequalification documents;</p> <p>(d) place and deadline for submission of bids, or of applications to prequalify; and</p>

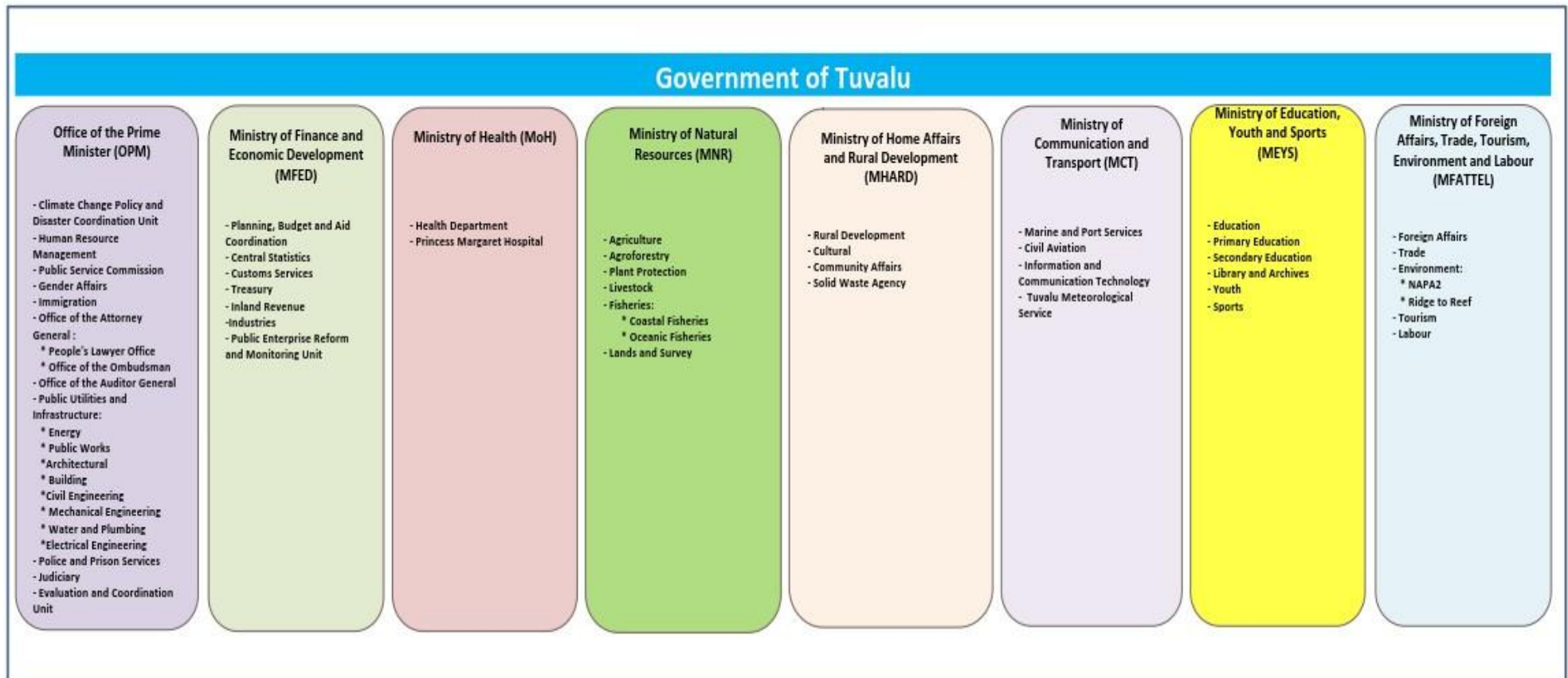
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
						(e) such other matters as may be prescribed in the standard forms issued by the Central Procurement Unit.
7.13 Does the IP keep track of past performance of suppliers? E.g. database of trusted suppliers.		P		High	4	An excel spreadsheet of past suppliers is maintained, however, this lacks sufficient information to prove that sufficient evaluation was performed post contract.
7.14 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.	P			Low	1	<p>The Bidding process has required guidelines for clarification, prequalification and submission depending on the threshold of the procurement. Opening of Open Bids require witnessing and proper transparent procedures as guided in section 47 of the Procurement Act.</p> <p>Section 48 of the Public Procurement Act Provides guidance for Bid Evaluation as follows: Evaluation of bids</p> <p>(1) The procuring entity shall first examine the bids in order to determine whether the bids are complete and include the signed Bid Form, and whether required documents to establish legal validity and required bid security or bid securing declaration have been furnished.</p> <p>(2) Bids which are not complete, not signed, not accompanied by a bid security or bid securing declaration in the prescribed form, if one is required, shall be rejected as non-conforming bids.</p> <p>(3) Where prequalification has preceded bidding, a bid received from any entity other than the prequalified bidders shall be rejected.</p>

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
						<p>(4) The procuring entity shall then check whether conforming bids are substantially responsive to the technical specification and contract conditions set forth in the bidding documents.</p> <p>(5) Bids which do not substantially comply with the technical specifications or contract conditions or other critical requirements in the bidding documents, shall be rejected as non-responsive and excluded from further evaluation and comparison.</p> <p>(6) Bids not excluded from consideration under sub-regulations (2), (3) and (5) shall be evaluated in accordance with the criteria and methodology stated in the bidding documents.</p> <p>(7) The procuring entity may seek clarification in writing from any bidder to facilitate evaluation but shall neither ask nor permit any bidder to change the price or any other aspect of the bid and if a bidder amends its bid in any manner, such a bid shall be rejected and its bid security forfeited or bid securing declaration invoked.</p> <p>(8) In carrying out the evaluation, if there are minor deviations in any bid which did not merit rejection of the bid as nonconforming or non-responsive, the cost of such minor deviation shall be ascertained, if possible, and the evaluated cost of such a bid shall then be compared to those of other bids to determine the lowest evaluated bid.</p>

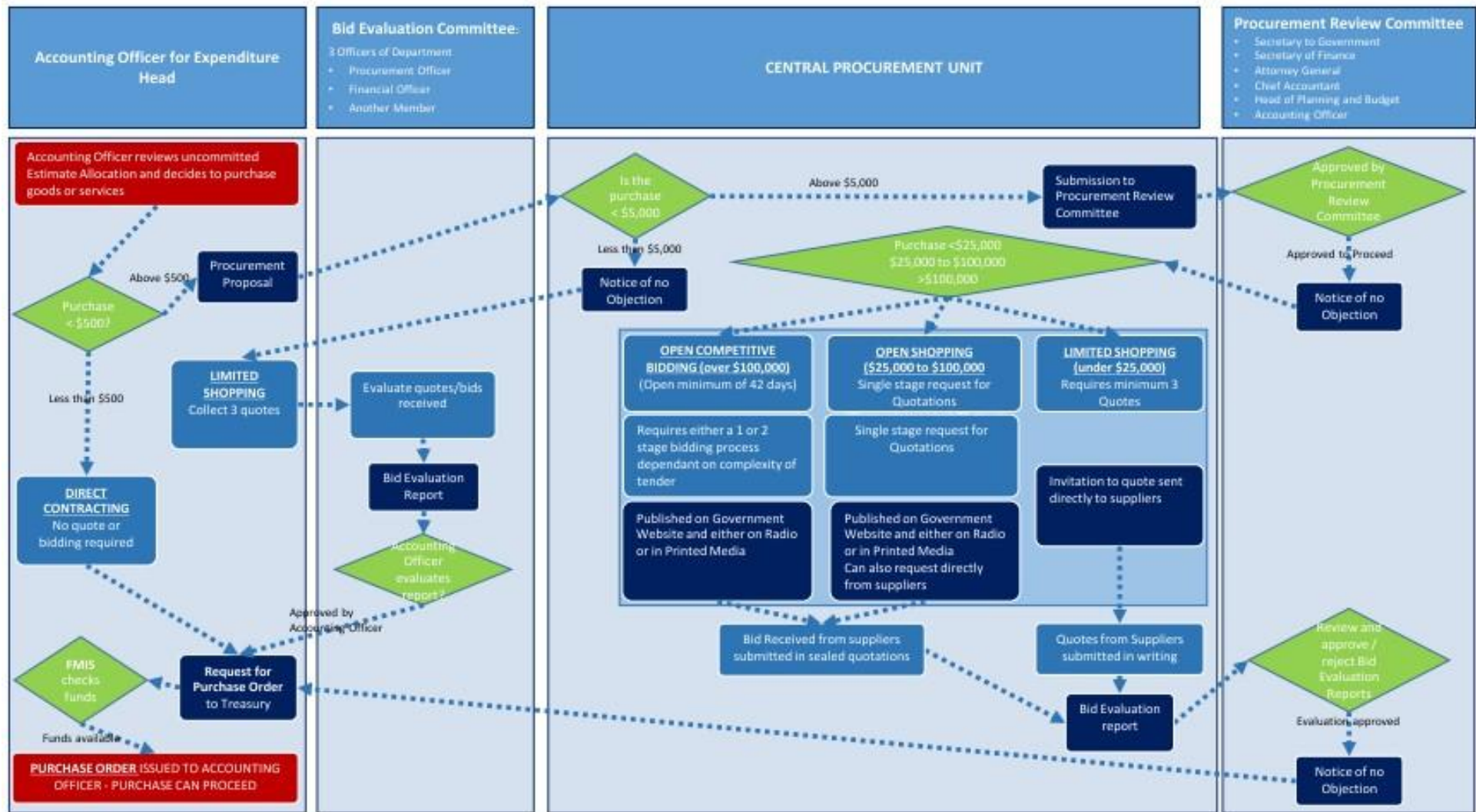
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement						
7.15 When a formal invitation to bid has been issued, does the IP award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price?	P			Low	1	Competitive Bidding procedures, in accordance with Section 25 of the Public Procurement Act requires a two stage basis of technical specifications and price responsiveness to ensure that a certain level of quality and competitive price.
7.16 If the IP is managing major contracts, does the IP have a policy on contracts management / administration?		P		High	4	The IP does not have policy to manage its own contracts.
7b. Contract Management - To be completed only for the IPs managing contracts as part of programme implementation. Otherwise select N/A for risk assessment						
7.17 Are there personnel specifically designated to manage contracts or monitor contract expirations?			P	N/A	-	
7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments?			P	N/A	-	
7.19 Does the IP have a policy on post-facto actions on contracts?			P	N/A	-	
7.20 How frequent do post-facto contract actions occur?			P	N/A	-	
Total number of questions in subject area:	20				<i>Lowest score possible</i>	1.000
Total number of applicable questions in subject area:	16				<i>Highest score possible</i>	6.222
Total number of applicable key questions in subject area:	5				<i>Banding width</i>	1.250
Total number of risk points:	26				<i>Low risk: scores below</i>	2.350
Risk score	1.625				<i>Moderate risk: scores below</i>	3.500
Area risk rating	Low				<i>Significant risk: scores below</i>	4.750

Totals						
Total number of questions:	96				<i>Lowest score possible</i>	1.000
Total number of applicable questions:	89				<i>Highest score possible</i>	5.926
Total number of applicable key questions:	39				<i>Banding width</i>	1.231
Total number of risk points:	284				<i>Low risk: scores below</i>	2.231
Total risk score	3.191				<i>Moderate risk: scores below</i>	3.463
Overall risk rating	Moderate				<i>Significant risk: scores below</i>	4.694

Annex VI : Government of Tuvalu Organisation Chart



Annex VII :Government of Tuvalu Procurement Process Flowchart



Annex VIII : Government of Tuvalu Public Service Commission – Recruitment Process Flowchart

