

FINANCIAL MANAGEMENT ASSESSMENT

A. Objective and Purpose

1. ADB conducted an update of the financial management assessment (FMA) in February 2020 for the Proposed 2nd Additional Financing of the Outer Island Maritime Infrastructure Project (OIMIP), Tuvalu in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects¹ and the publication Financial Due Diligence: A Methodology Note.² The updated FMA, which follows the update in April 2018, considered the capacity of the Government of Tuvalu's (GOT) Ministry of Finance (MOF)³ as the Executing Agency (EA) and the Ministry Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster (MPWIELMD) as the new Implementing Agency (IA)⁴, and revisited funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The FMA consisted of: (i) interviews with key staff of MOF and MPWIELMD and with the existing PMU; (ii) evaluating the organizational structure, personnel, accounting policies and procedures, internal and external auditing, financial reporting and budgeting with the assistance of responses to the FMAQ and other documents; (iii) identification of potential risks and mitigation measures. The overall pre-mitigation financial management risk is considered moderate and key findings of the financial management assessment undertaken on MOF and MPWIELMD are as described in Table 1:

Table 1. Financial Management, Internal Control, and Risk Management Assessment

Risk Type	Risk Assessment Rating	Risk Description	Mitigation Measures
A. Inherent Risk (the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment (assuming absence of any counter checks or internal controls)).			
1. Country-specific Risks	Substantial	2011 PEFA assessment identified risks associated with segregation of duties, FMIS implementation and regular reconciliations to facilitate good internal control. The 2015 PEFA self-assessment reported progress on addressing identified weaknesses OAG issued disclaimers of opinion for the 2016 and 2017 TWOG statements, mainly due to converting cash basis to accrual basis.	All payments are initiated and approved by the Line Ministries and payments are centralised at Treasury Division, MOF. Reconciliations are done on a monthly basis by MOF. The latest TWOG audit report is for year ended 31 December 2017, which was submitted to Parliament in 2018. OAG noted improvements in the annual reporting process and MOF are working towards implementing the outstanding recommendations.
2. Entity-specific Risks	Moderate	MOF is the Borrower/Recipient for all ADB-funded projects and the EA for two ongoing ADB-funded projects. MOF staff are well trained in ADB procedures MPWIELMD is a first time IA for an ADB-funded project. The project	ADB will arrange for the new MOF and MPWIELMD staff who will be grant withdrawal application reviewers and authorised signatories to be trained on ADB's CPD system and disbursement procedures.

¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila.

² ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila

³ Previously MFED (Ministry of Finance and Economic Development).

⁴ Under the original and first additional financing, the EA and IA was the Ministry of Communication and Transport (MCT), now known as the Ministry of Transport, Energy and Tourism (MTET).

Risk Type	Risk Assessment Rating	Risk Description	Mitigation Measures
		accountant in the PMU under the ongoing project, will continue to handle the disbursements and financial management work for the proposed additional financing.	
Overall Inherent Risk	Substantial		
B. Control Risk (the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported).			
1. Implementing Entity	Moderate	MPWIELMD is a first time IA and its staff are not familiar with ADB's financial management requirements.	Existing PMU will continue to manage the project. ADB will arrange for the MPWIELMD staff to be trained on ADB's CPD system and disbursement procedures.
2. Funds Flow	Low	As under the ongoing project, contractors/consultants will be paid directly by ADB, while the local PMU consultants' salaries and small recurrent PMU expenses will be paid from the project advance account.	Reimbursement procedure to liquidate the advance will be submitted with complete documentation.
3. Staffing	Moderate	The project accountant under the ongoing project is a qualified finance person well-versed with ADB's disbursements and financial management requirements, having attended three of ADB's training.	Another person is being trained to support the current project accountant.
4. Accounting Policies and Procedures	Low	Under the ongoing project, the project financial statements have been prepared on a cash basis in accordance with IPSAS and this will continue under the proposed additional financing.	Project accountant was advised to ensure that records are regularly reconciled with ADB's GFIS.
5. Internal Audit	Substantial	GOT's IAD was established in MOF in December 2016 and the staff complement of two do not have knowledge of ADB requirements.	Will explore possibility of MOF extending internal audit function to PMU; will invite the IAD staff to future training on disbursements and financial management.
6. External Audit	Moderate	OAG audits all ADB-funded projects and their staff have attended various ADB training on disbursements and financial management.	During project review missions, ADB will meet with OAG, to ensure that ADB's auditing requirements are complied with. Project team will advise project staff on revised ADB FM requirements
7. Reporting and Monitoring	Moderate	The project accountant under the ongoing project is well-versed with ADB's financial reporting requirements. The project accountant provides inputs to the progress report and prepares the project financial statements for auditing.	Project accountant will be informed of ADB's revised PPR rating procedures that emphasizes timely compliance with financial management requirements.
8. Information systems	Moderate	MOF uses Sage 300 software. Under the ongoing project, MYOB accounting software is being used.	MYOB will continue to be used under the proposed additional financing.
Overall Control Risk	Moderate		

Risk Type	Risk Assessment Rating	Risk Description	Mitigation Measures
Overall Financial Management Risk	Moderate		

* H = High; S=Substantial; M = Moderate; L = Low.

ADB = Asian Development Bank; CPD = Client Portal for Disbursements; FMIS = Financial Management Information System; GAAP = Generally Accepted Accounting Practice; GOT = Government of Tuvalu; IAD = Internal Audit Division; IPSAS = International Public Sector Accounting Standards; ISSAI = International Standards of Supreme Audit Institutions; MOF = Ministry of Finance; MPWIELMD = Ministry of Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster; MYOB = Mind Your Own Business; OAG = Office of the Auditor General; PEFA = Public Expenditure and Financial Accountability; PMU = project management unit; TWOG = Tuvalu Whole of Government.

Source: Asian Development Bank.

2. MOF/MPWIELMD have agreed to implement an action plan, as key measures to address the deficiencies:

Table 2: Proposed Action Plan under 2nd Additional Financing

Issue	Action	Timeline
1. The role of MPWIELMD as a whole and the PMU for the ongoing project and proposed additional financing is to be clearly defined.	The PMU with its existing organisation structure, with TORs, for the ongoing project, will continue under the proposed additional financing.	By grant effectiveness.
2. New MOF/MPWIELMD staff to be trained on CPD viewer/ authorised signatories responsibilities and ADB disbursement procedures.	ADB to arrange CPD and disbursement procedures training for new MOF/ MPWIELMD grant withdrawal application reviewers/authorised signatories.	During inception mission.
3. Only the project accountant under the ongoing project, prepares grant withdrawal applications.	ADB to arrange training for an MPWIELMD staff who can alternate for the project accountant.	During inception mission.

ADB = Asian Development Bank; CPD = Client Portal for Disbursements; MOF = Ministry of Finance; MPWIELMD = Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology and Disaster; PMU = project management unit; TOR = terms of reference.

Source: Asian Development Bank.

B. Status of Issues under the Action Plans in FMA of 2016 and update in 2018

Issues	Action	Status
2016 Action Plan		
1. Weaknesses in project accounting, delays in release of counterpart funds	Counterpart funds incorporated in government budget; project accountant trained well in ADB procedures	Issue mitigated but will be closely monitored.
2. Incomplete project audit	AGO who conducts the audits were briefed on ADB requirements	Issue mitigated. APFS submitted regularly; unqualified opinion
3. Unreconciled donors' accounts and co-mingling of project funds	Separate books of accounts were maintained, frequent reconciliation of project funds. Assistance provided to the MFED and Treasury through TA.	Issue mitigated; but will be closely monitored.
4. No internal audit function	Internal audit was established under MFED.	Issue partly mitigated. Internal audit function not extended to other ministries.
5. Fixed asset register (FAR) should be maintained	Asset management system is being maintained and audited; will ensure that the	Issue partly mitigated as FAR is maintained in spreadsheets only.

	investment will be included in the FAR and the books of MCT.	Future actions will be closely monitored.
2018 Action Plan		
1. Staffing - PMU	Need to ensure that PMU is adequately staffed due to increasing workload from additional financing	PMU staffing was adequate during 1 st additional financing. Will assess workload under the end additional financing.
2. Reimbursement procedure for PMU expenditures	Full documentation required for reimbursement. Advance account has been approved for small PMU expenditures	Advance account managed effectively.
3. ACCPACC being used for FAR but not all government units are using ACCPACC	ACCPACC to be used by other government units and staff trained for its use.	Not yet done. Some government units still using spreadsheets; GOT need to acquire additional licenses.

ADB = Asian Development Bank, APFS = Audit Project Financial Statements, MFED = Ministry of Finance and Economic Development, FAR = fixed asset register, MCT = Ministry of Communication and Transport, PMU = project management unit, GOT = Government of Tuvalu.

Source: Asian Development Bank

C. Project Description

3. On 16 November 2016, ADB approved the original project (Grant Nos. 0511/0512/0513), totalling \$11.8 million, to finance the OIMIP. The original project will: (i) construct a small workboat harbour in Nuku'laelae and rehabilitate boat ramps of Nanumaga and Niutao; (ii) improve the capacity to operate and maintain harbours; and (iii) create a transport sector master plan for future harbour development in the outer islands.

4. On 13 September 2018, ADB approved a 1st additional financing (Grant No. 0603) for the original project, totalling \$15.4 million, to cover cost overruns of the original project and scale up the project outputs with an additional small workboat harbour in the outer island of Niutao.

5. GOT has requested a second additional financing from ADB, to continue scaling up the project outputs, constructing an additional small workboat harbour in the outer island of Nui.

6. The proposed additional financing is: (i) consistent with the project rationale, extending the project benefits to the outer island of Nui; and (ii) is included in ADB's country operations business plan, 2020–2022 for Tuvalu⁵. The Pacific Approach 2016-2020, which is ADB's operational framework for the Pacific, serves as the country partnership strategy for Tuvalu.⁶

D. The Public Finance Environment in Tuvalu

7. Statutory provisions relating to public finance are enshrined in Part IX of the Constitution⁷ which gives the Parliament, control over public finance in a number of ways, such as approval of the annual budget and appropriations including supplementary budgets and supplementary appropriations, tabling of audited accounts of the government and public enterprises, deliberations through the Public Accounts Committee and questions raised on the floor of the Parliament.

⁵ ADB. 2019. *Country Operations Business Plan: 11 Small Pacific Island Countries, 2020–2022*. Manila.

⁶ ADB. 2016. *The Pacific Approach, 2016–2020*. Manila.

⁷ Available at: http://www.tuvaluislands.com/const_tuvalu.htm

8. The Public Finance Act 2008⁸ details the responsibilities, rules and regulations relating to the Minister of Finance, operation of the Consolidated Fund (CF) and other public funds, management of deposits, powers of the Auditor General (AG) and audit of public accounts. Pertinent provisions include: (i) the appointment of an Accounting Officer for each expenditure head of the budget who is personally accountable for the monies collected/received and disbursed; (ii) creation of a Development Fund separate from the CF as a repository for bi-lateral aid to operate in accordance with rules and regulations under the Public Finance Act; (iii) the Tuvalu whole of government accounts (TWOOG) to be submitted to the AG within six months of the financial year end and to include a statement of assets and liabilities, in addition to a statement of receipts and payments, comparison of actual and estimated revenue and expenditure, and statements of funds, deposits and public debt; (iv) AG is required present the audited financial statement to Parliament within nine months of the end of the financial year; and (v) the AG shall be the auditor of every public body set up by an Act of Parliament.

9. **Public Financial Management (PFM) initiatives.** Public Financial Management (PFM) is the legal framework which institutions (laws, processes, procedures, entities and systems) use to prepare, plan, execute and control the national budget. The last published PFM assessment on Tuvalu was carried out by PEFA in June 2011 and concluded that: (i) the budget formulation process is satisfactory with a meaningful classification system and clear budget calendar. However, there have been instances of the lack of expenditure restraint and over use of supplementary budgets; (ii) the budget classification used is consistent with IMF Government Finance Statistics and is comprehensive and informative although greater dissemination of information to the public is encouraged; (iii) the Medium Term Fiscal Framework provides estimates of future budget aggregates; (iv) release of budget through the warrant system is effective and so is the payroll. However, revenue collection and procurement need improvement; (v) reconciliation delays in bank and vote ledgers, and in the submission of the government financial statements for audit within the statutory period of six months; and (vii) external scrutiny and audit. AG's audit report has been on time and the Public Accounts Committee (PAC) plays an active role in scrutiny. The lack of an internal audit division was a weakness and a number of the AG's recommendations remain outstanding.

10. In September 2015, an Update on the Assessment of National Systems (ANS) was conducted, jointly, with a PEFA self-assessment, which was supported by Pacific Technical Assistance Centre. The 2015 ANS noted that budget management had been strengthened, a payroll reconciliation exercise is conducted annually, non-salary expenditure controls have been tightened by reforms to Treasury and accounting systems, an internal audit function is expected to be established by 2017⁹, and changes that were introduced to reporting systems have been sustained.

11. An IMF Article IV consultation was conducted with the GOT in June 2018 and concluded that medium-term budget framework (MTBF) needs strengthening and improvements are needed to the PFM framework. MTBF could be improved with better revenue and spending forecasting methodologies, which would help improve the credibility of the annual budget process. PFM reform priorities include introducing competitive tendering for procurement under a centralised unit, ensuring adequate maintenance spending on capital assets, and standardising fiscal account classification between the Treasury and Budget Divisions. The authorities also need to improve the reliability of monthly fiscal reporting. Aligning these priorities with program grants of development partners, would help accelerate key reforms.

⁸ Available at: <https://www.global-regulation.com/law/tuvalu/9334495/public-finance-act.html>

⁹ An internal audit division was established in MOF in December 2016.

E. The Executing Agency - Ministry of Finance (MOF)

12. **Introduction.** MOF is headed by a Minister and has a Chief Executive Officer, a Deputy Secretary and Directors of the following Divisions: (i) treasury; (ii) planning, budget and aid coordination; (iii) inland revenue; (iv) customs; (v) public enterprise monitoring; (vi) business and private sector; (vii) climate change; (viii) internal audit; (ix) central procurement; (x) statistics. The Treasury Division, where all TWOG payments are centralized, is headed by the Government Accountant and there are 3 Teams: (i) office and administration; (ii) payroll and imprest; (iii) financial reporting. The total number of staff in MOF is 85 and there are 21 staff in the Treasury Division. Refer to Appendix 3 for the Organisation Chart of MOF and Appendix 4 for the Organisation Chart of the Treasury Department.

13. **Experience with ADB projects.** MOF was the Recipient of L1921/L2088-TUV: Maritime Training Institute Project which closed in May 2011 and is the Recipient of the ongoing project. MOF is also the EA for 2 other ongoing ADB-funded projects: (i) G0625-REG: Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project, which was approved in November 2018¹⁰; and (ii) G0674-TUV: Increasing Access to Renewable Energy Project, which was approved in November 2019.¹¹ MOF is also the EA for World Bank, EU, GCF, UN Agency and bilateral projects.

14. Currently, only the ongoing project is using ADB's Client Portal for Disbursements (CPD)¹² system, which facilitates online submission of grant withdrawal applications to ADB, resulting in faster disbursement. CPD registration arrangements are underway for the other 2 ADB-funded projects, to also use the system. For the ongoing project, some of the grant withdrawal application authorized signatories, who are based in MOF and MTET¹³, are well-versed with the CPD system, as they attended ADB's disbursements and financial management training in-country in 2016 and in Fiji in 2019. Also, for the ongoing project, other MOF staff are viewers in the CPD system, where they can view the grant withdrawal applications that are created by the project accountant, who is based in the PMU.

15. **Budgeting.** As a government ministry, MOF forms part of the GOT budget. MOF takes the lead in the preparation of the budget preparation, according to an established schedule, working towards the approval of the budget in Parliament, in October each year. The budget includes actual expenditure, both recurrent and non-recurrent for the budget year, forecast for the previous year, actual for the year prior to the immediately previous year, and projections for next two years. It also provides a commentary of the major activities and achievements. The government financial year is the calendar year.

16. **Disbursements.** The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time)¹⁴, and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.¹⁵ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

¹⁰ Available at: <https://www.adb.org/projects/50282-001/main>

¹¹ Available at: <https://www.adb.org/projects/49450-015/main>

¹² The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Recipient are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

¹³ Under this proposed second additional financing, new authorized signatories from the new IA, MPWIELMD, will replace the current authorised signatories from the previous IA, MTET, previously known as MCT.

¹⁴ ADB. 2017. *Loan Disbursement Handbook*. Manila.

¹⁵ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

17. Direct payment and reimbursement disbursement procedures will be used for the civil works and consulting firm contracts, while the local PMU consultants' salaries and the small recurrent PMU office expenses will be paid from the advance account. The project accountant in the PMU will create the grant withdrawal applications, with complete supporting documents, for review and approval of MOF/MPWIELMD staff, and then to ADB for the processing of payments. All these processes will be done online in the CPD system.

18. **Advance fund procedure.** The advance fund procedure is a disbursement procedure where the ADB makes an advance disbursement from the loan account for deposit to an advance account to be used exclusively for ADB's share of eligible expenditures. Separate advance accounts should be established and maintained by MOF/MPWIELMD for each funding source. The currency of the advance account is the Australian dollar. The advance account is to be used exclusively for ADB's and ADB-administered co-financier funds share of eligible expenditures. MOF/MPWIELMD, who administer the advance account, is accountable and responsible for the proper use of advances to the advance accounts.

19. The total outstanding advance to the advance accounts should not exceed the estimate of ADB's share of expenditures to be paid through the advance accounts for the forthcoming 6 months. MOF/MPWIELMD may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet¹⁶ setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by MOF/MPWIELMD, in accordance with ADB's *Loan Disbursement Handbook* when liquidating or replenishing the advance accounts.

20. Before the submission of the first grant withdrawal application (WA), the Recipient should submit to ADB sufficient evidence of the authority of the person(s) who will sign the grant withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per WA is stipulated in the *Loan Disbursement Handbook*. Individual payments below such amount should be paid (i) by MOF/MPWIELMD and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The Recipient should ensure sufficient category and contract balances before requesting disbursement. Use of ADB's CPD system is encouraged for submission of grant withdrawal applications to ADB.

21. For ADB-administered cofinancier funds, the recipient should submit one original of the WA and copies of supporting documents to ADB-administered cofinancier, and one original of the WA and copies of supporting documents to ADB. ADB will review each WA and advise ADB-administered cofinancier to make the necessary payment, if any.

22. **Financial reporting.** MOF's financial operations are reported using the TWOG financial statements which, for the year ended 31 December 2017, was prepared on an accrual basis, in accordance with the Tuvalu GAAP, which looks to the IPSAS and IFRS to guide general accounting policy. TWOG statements include those of public enterprises. MOF uses Sage 300¹⁷ software as its financial management information system to prepare the TWOG. Sage 300 is only used by the Treasury Division, MOF for the consolidation of TWOG, and not by any of the other government Ministries/Departments, who continue to use manual Votes Ledger on MS Excel to record actual expenditure against budgeted expenditure. These expenditures are then re-entered into Sage 300 by the Treasury Division, MOF for the purpose of TWOG. Once done, the

¹⁶ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),

¹⁷ Formerly known as Sage ACCPAC.

transactions are then converted from cash basis to accrual basis, by incorporating fixed assets, accounts receivable and payables through journal entries. This approach is error-prone and time consuming, and it is against the principal of double entry accounting where single entry transactions are converted in this manner. The TWOG financial statements for the year ended 31 December 2018, were prepared on a modified cash basis in accordance with IPSAS.

23. MOF is planning to change to a new accounting system, which TWOG can use, and have hired a local consultant to start work on this. MOF will also look into the new system having a project module, which the various PMUs can use for their project accounting work. For the project, the PMU will continue to use the MYOB accounting software, which it has been using since the original and 1st additional financing.

24. MOF/MPWIELMD will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standard for cash-based accounting. MOF/MPWIELMD will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

25. **Internal Auditor.** An Internal Audit Division (IAD) was established in MOF in December 2016, following recommendations from the Auditor General (AG) and the PEFA assessment. The objective of internal audit is to provide assurance of internal controls and compliance with policies and procedures of GOT. The Head of the Division, who has bachelor's degree in commerce in accounting and economics, was appointed in 2017 and a 5-member audit committee was also established, to meet quarterly. DFAT provided a short-term technical advisor to the IAD, who assisted with their first internal audit in 2018. A second staff, who has a bachelor's degree in finance, was appointed to the IAD in 2019. In February 2020, DFAT funded a 2-week secondment of the Head of the Division, to the IAD of the Ministry of Economy in Fiji, which he found very useful. As the IAD staff do not have knowledge or experience with ADB-funded projects, they will be invited to future training on ADB's disbursements and financial management requirements.

26. **External Auditor.** GOT's external auditor is Tuvalu's Supreme Audit Institution (SAI), the OAG. The establishment and independence of the AG is granted under the Constitution of Tuvalu, (Part IX: Finance) and the Audit Act provides for an annual appropriation of a minimum of 0.6%, of the total appropriation of the GOT, to the AG's office. The TWOG financial statements are presented to the AG, GOT's external auditor, for auditing in accordance with the International Standards of Supreme Audit Institutions (ISSAI). OAG audits all ADB-funded projects and the AG and some of his staff attended training on ADB's disbursements, financial reporting and auditing requirements in-country in 2016 and in Fiji in 2019. OAG staff will continue to be invited to future training on ADB's disbursements and financial management requirements.

27. MOF/MPWIELMD will cause the detailed consolidated project financial statements to be audited in accordance with International Standards for Supreme Audit Institutions, by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by MOF/MPWIELMD.

28. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the

purpose(s) of the project; and (iii) whether the Recipient/MOF/MPWIELMD was in compliance with the financial covenants contained in the legal agreements (where applicable).

29. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

30. The government/MOF/MPWIELMD have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹⁸ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

31. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Access to Information Policy.¹⁹ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.²⁰

F. The Implementing Agency - MPWIELMD

32. **Introduction.** MPWIELMD is a ministry of the GOT and is headed by a Minister and reporting to him is a Chief Executive Officer, Deputy Secretary and Directors. There are six divisions reporting to the Minister: (i) public works, (ii) infrastructure, (iii) environment, (iv) labour, (v) meteorology, and (vi) disaster. The Higher Executive Officer (HEO) and Executive Officer (EO) of the Ministry are responsible for executing the budget, through expending approved warrants. No actual expenditure takes place within the Ministry, which simply facilitates payments through the approval and preparation of payment vouchers and supporting documents. All payments are centralized within the Treasury Division, MOF.

33. **Experience with ADB projects.** This will be the first ADB-funded project where MPWIELMD will be the IA, although under the ongoing project, there is already a separate project management unit (PMU), which is responsible for project implementation. The OIMIP PMU was

¹⁸ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

¹⁹ ADB. 2018. [Access to Information Policy](#). Manila.

²⁰ Such information generally falls under access to information policy exceptions to disclosure (ADB. 2018. *Access to Information Policy: Disclosure and Exchange of Information*. Manila [para. 17(1-7)].

established in 2016 and is staffed by a project manager, deputy project manager and a project accountant. The project manager and project accountant are funded by OIMIP, while the deputy project manager is funded by WB. All 3 staff have attended training by ADB. The project accountant and project manager have attended ADB training on disbursements and financial management, project design and implementation, and project evaluation report. The deputy project manager has attended ADB’s training on project design and implementation. The project accountant has attended 3 of ADB’s disbursements and financial management training and is well-versed with ADB’s Client Portal for Disbursement system, which she uses to create grant withdrawal applications for ongoing project and submits them to the previous MCT and MOF for approval, before submission to ADB for processing. As under the ongoing project, direct payment and reimbursement disbursement procedures will be used for the civil works and consultant firm contracts, and the advance account disbursement procedure will be used for the local PMU consultants’ salaries and small recurrent PMU office expenses.

34. **Financial reporting.** MPWIELMD prepares their financial statements on a cash basis which are then forwarded to MOF for consolidation as the TWOG financial statements. MPWIELMD continues to use manual worksheets to record actual expenditure against budgeted expenditure. The details of expenditure per account head, or Vote Ledger, is maintained on a MS Excel spreadsheet, with each payment voucher recorded on a separate worksheet and added to the relevant Vote Ledger. There are no payments, either by cash or cheque, being carried out by MPWIELMD, as payments are centralized at the Treasury Division, MOF. All government payroll, including for MPWIELMD, is also centralized at the Treasury Division, MOF. MPWIELMD staff generate payment vouchers, have them approved and transmitted to the Treasury Division, MOF for payment. Every month, the MPWIELMD HEO/EO reconciles the Vote Ledger with the Treasury Division, MOF, to ensure the remaining balances of each vote is correct.

35. **Budgeting.** As a government Ministry, MPWIELMD is allocated part of the GOT budget. MPWIELMD provides their own budget inputs to MOF. The budget includes actual expenditure, both recurrent and non-recurrent for the budget year, actual for the previous year, and projections for two years into the future. It also provides a commentary of the major activities and achievements. MOF takes the lead in the budget preparation according to an established schedule working towards the approval of the budget in Parliament in October each year.

36. **Auditing.** MPWIELMD is not audited separately as it forms part of the TWOG financial statements. Under the ongoing project, the OAG conducts annual audits of the project financial statements. All the required audited project financial statements have been submitted to ADB and the latest was for the year ended 31 December 2018, which was received before the 30 June 2019 deadline. The same arrangements will continue for the proposed additional financing

Appendix 1	Financial Management Assessment Questionnaire – MOF
2	Financial Management Assessment Questionnaire – MPWIELMD
3	Ministry of Finance Organisation Chart
4	Treasury Division, MOF Organisation Chart
5	OIMIP-TUV Project Accountant Contract

**Proposed 2nd Additional Financing for the Outer Island Maritime Infrastructure Project
Financial Management Assessment Questionnaire²¹
Ministry of Finance
February 2020**

Topic	Response	Potential Risk Event
1. Implementing Agency		
1.1 What is the entity's legal status/registration?	Government ministry.	
1.2 How much equity (shareholding) is owned by the Government?	Not applicable.	
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any. ²²	Not applicable.	
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes, Borrower/Recipient for ADB-funded closed L1921/L2055 and ongoing project. EA for ongoing ADB-funded G0625-REG and G0674-TUV, as well as for WB, EU, GCF, UN and bilaterals.	Low. EA has sufficient experience with ADB and other donor projects.
1.5 Briefly describe the statutory reporting requirements for the entity.	Financial reporting monthly through TWOG budget versus actual expenditure and remaining expenditure on each vote ledger. TWOG financial statements are audited by the OAG, presented to the Public Accounts Committee and tabled in Parliament.	Low. 2017 Audited TWOG tabled in Parliament in 2018.
1.6 Describe the regulatory or supervisory agency of the entity.	Parliament and the Public Accounts Committee.	
1.7 What is the governing body for the project? Is the governing body for the project independent?	EA is MOF, IA is MPWIELMD and Project Steering Committee comprises CEOs of MOF, MPWIELMD, MOH, MLGA and other relevant Ministries/Departments.	Moderate. MPWIELMD is a new IA for ADB-funded projects.
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Headed by the Minister, with CEO, Deputy Secretary and Directors of Divisions: (i) treasury; (ii) planning, budget and aid coordination; (iii) inland revenue; (iv) customs; (v) public enterprise monitoring; (vi) business and private sector; (vii) climate change; (viii) internal audit; (ix) central procurement; (x) statistics. MOF staff will continue to be grant withdrawal application reviewers and authorised signatories.	Low.
1.9 Does the entity have a Code of Ethics in place?	Yes, as a government ministry MOF is subject to Administrative Orders and violations reported to the Public Services Committee.	
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	None.	

²¹ This questionnaire should be administered by ADB staff or consultant (the Reviewer), and utilized only to obtain information, and to identify and describe potential risk events. Rating of risks should be carried out separately by assessing their likelihood and impact.

²² In such cases, consult OAI on the need for integrity due diligence on non-governmental beneficial owners.

Topic	Response	Potential Risk Event
2. Funds Flow Arrangements		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	Civil works and consultant firm contracts will be paid via direct payment or reimbursement disbursement procedures by ADB. Local PMU consultants' salaries and small recurrent PMU expenses will be paid via the advance account facility. Under the ongoing project, the project accountant based in the PMU creates WAs on CPD, submits them to MCT/MOF to review/approve and then to ADB to process payment. The same process, although MCT will now be MPWIELMD, will be followed for the proposed additional financing.	Low. Reimbursement procedure will require full documentation.
2.2 Are the (proposed) arrangements to transfer the proceeds of the grant (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Not applicable.	
2.3 Are the disbursement methods appropriate?	Yes, direct payment, reimbursement and advance account disbursement procedures.	Low.
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	The closed ADB-funded TMTI-TUV project of 2002 was deemed partly successful due to protracted delays and poor quality of work. Under the ongoing project, disbursements and financial management requirements are satisfactory and the same arrangements will continue for the proposed additional financing.	Low.
2.5 In which bank will the Advance Account (if applicable) be established?	Under the ongoing project, there is an advance account of US\$100,00 and MOF opened the bank account at the National Bank of Tuvalu. The same will be done for the proposed additional financing.	
2.6 Is the bank in which the Advance account is established capable of – • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	Yes.	
2.7 Is the ceiling for disbursements from the Advance account and SOE appropriate/required?	Yes.	
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, under the ongoing project, in the PMU, the project manager and project accountant joined the project, after it was approved in 2015 and have remained. Both have attended ADB training,	Low.

Topic	Response	Potential Risk Event
	including training on disbursements and financial management. The same PMU will continue for the proposed additional financing.	
2.9 Does the PIU have adequate administrative and accounting capacity to manage the Advance fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	Yes, the project accountant has been with the ongoing project since it was approved in 2015 and is well-versed with ADB's disbursements requirements, after having attended 3 training on disbursements and financial management.	Low.
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No.	
2.11 How are the counterpart funds accessed?	Through government budget.	Low. Counterpart funding is for taxes and duties.
2.12 How are payments made from the counterpart funds?	Counterpart funding (taxes and duties) will be included in the government budget. Once budget allocation available, MOF issues a warrant against which payments can be made.	Low.
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	Not applicable.	Low.
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Not applicable.	
3. Staffing		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	MOF's Treasury Division is headed by the Government Accountant who is in charge of 3 Teams: (i) office and administration; (ii) payroll and imprest; (iii) financial reporting. Organisation Charts for MOF and Treasury Division are attached. Under the ongoing project, the project accountant handles all the disbursements and financial management requirements, which will continue under the proposed additional financing.	Low.
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	The project accountant in the PMU of the ongoing project, will continue as the project accountant for the proposed additional financing.	Low.

Topic	Response	Potential Risk Event
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	Under the ongoing project, the project accountant is a full-time position and is an accounting graduate who has worked in the PMU since the project was approved in 2015. Attached is her current contract.	Low.
3.4 Is the project finance and accounting function staffed adequately?	Yes.	Low.
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes, under the ongoing project, the project accountant is a full-time position and is an accounting graduate who has worked in the PMU since the project was approved in 2015.	Low.
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Under the ongoing project, the project accountant is well-versed with ADB's disbursements and financial requirements, after having attended 3 training.	Low.
3.7 What is the duration of the contract with the project finance and accounting staff?	The project accountant's current contract is from 1 July 2019 to 31 December 2021.	
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	Not applicable.	
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	Not applicable.	
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes.	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	The longest serving staff in the Treasury Division, MOF has worked there for over 20 years. Some staff are currently on training and MOF has recruited relieving staff to replace them.	Low.
3.12 What is training policy for the finance and accounting staff?	Policy for government in general is to provide a Scholarship program on long term training / Public and Private. For Treasury staff without accounting qualification, MOF are sending them to the USP Campus in TUV, to attain a certificate in accounting.	Low. MOF staff have also attended ADB in-country training on disbursements and financial management in 2016.
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	ACCPAC training USP's Certificate in Accounting.	
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement	Although MOF uses Sage 300 accounting system, expenditure and revenue are inputted manually into Sage 300 from the votes ledgers and from revenue generating activities.	Medium. Use of manual entry twice, once into Excel at line ministry level and a second time by MOF into Sage 300.

Topic	Response	Potential Risk Event
<p>categories, and sources of funds (in particular, the legal agreements with ADB)?</p> <p>Will the project use the entity accounting system? If not, what accounting system will be used for the project?</p>	<p>Under the ongoing project, MYOB accounting software is already being used and this will continue under the proposed additional financing.</p>	<p>Low.</p>
<p>4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?</p>	<p>All payments requests are initiated and approved by the requesting Line Ministries and payments are centralised at Treasury Division, MOF, where the Govt Accountant authorizes all transactions.</p> <p>The authorization includes the amount and calculations and review of supporting documents.</p> <p>For amounts greater than \$500 the modality for purchase is under the Procurement Unit for the government reporting to MOF.</p> <p>Under the ongoing project, MOF staff are reviewers and authorised signatories of grant withdrawal application and this will continue under the proposed additional financing.</p>	<p>Low.</p> <p>Treasury Division, MOF staff require authorization before they release warrants.</p>
<p>4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.</p>	<p>Yes, the classifications provide a comprehensive coverage of MOF activity.</p>	<p>Low.</p>
<p>4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?</p>	<p>Yes.</p>	
<p>4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?</p>	<p>Yes, reconciliations are completed on a monthly basis and immediate action is taken to resolve differences.</p>	<p>Low.</p>
<p>4.6 Describe the IA's policy for retention of accounting records including supporting documents (e.g. ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?</p>	<p>Accounting records are kept for 5 years.</p>	<p>Low.</p> <p>Record keeping exceeds ADB requirements.</p>
<p>4.7 Describe any previous audit findings that have not been addressed.</p>	<p>For the TWOG of 2017, OAG raised the following issues: (i) uncertainty surrounding valuation, completeness and existence of property plant and equipment in the financial statements; (ii) lack of evidence to support prior year comparatives; (iii) cash unable to be reconciled to bank statements, and movement in cash balances unable to</p>	<p>High.</p> <p>MOF are committed to implementing the outstanding OAG issues.</p>

Topic	Response	Potential Risk Event
	be reconciled to the statement of assets and liabilities; (iv) inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the financial statements; (v) non-consolidation of 3 public enterprises ²³ ; (vi) lack of evidence to support completeness of account receivable and revenues financial statements; (vii) the non-inclusion of inventory in the financial statements; and (viii) limitation of scope surrounding cabinet minutes and decisions.	
Segregation of Duties		
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	(i) Govt Acct or alternate are the only ones authorized to execute transactions (ii) HEO records transactions on the computerized system (iii) Technical Managers have custody of assets and vote keepers record their possession; and (iv) reconciliations done by HEO/EO	Low.
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	There is a threshold of \$500 for spending limits in MOF and anything above this threshold needs to go through the Procurement Unit, MOF. Once approved, Treasury, MOF prepares purchase orders and arranges payment, after.	Low
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes, Budget presentation is detailed and comprehensive.	Low.
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes	Low.
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Yes, every month financial reports are produced on revenue and spending budgets vs actual. Quarterly reports are submitted to Cabinet.	Low.
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance, however there are some virements and supplementary requests.	Medium.
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No Ceiling. Virement system approved in advance of payment.	Low.
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	MOF.	
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	July: Macroeconomic Policy Committee decides on the parameters of ceilings and CEO MOF distributes Circular to all Ministries to submit their budget requests.	Low. Budget cycle is known and used by TWOG.

²³ National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) and Tuvalu Maritime Training Institute (TMTI)

Topic	Response	Potential Risk Event
	July-Aug: Budget rounds and MOF consults with Line Ministries. Aug-Sep: Development Coordination Committee meets on the Budget submission. Sep: Consolidated Budget submitted to Cabinet. Oct: Budget presented to Parliament.	
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Minister of Finance approval required for \$750,000 above budget for TWOG	
Payments		
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes.	
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes.	
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Treasury Division, MOF prepares the payroll, which the Payroll Committee checks before submitting to National Bank of Tuvalu for payment.	
Policies And Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	(i) MOF prepared the 2017 TWOG financial statements on an accrual basis and the 2018 TWOG financial statements were prepared on a modified cash basis. (ii) under the ongoing project, the project financial statements are prepared on a cash basis.	High. MOF changed the basis of accounting for the 2018 TWOG financial statements.
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector	For the 2017 TWOG FS - generally accepted accounting practice in Tuvalu,	

Topic	Response	Potential Risk Event
Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	which looks to IPSAS and IFRS to guide general accounting policy. For the 2018 TWOG FS – IPSAS modified cash.	
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, will follow the Financial Instructions issued (and revised) under the Public Finance Act 2008.	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, will follow the Financial Instructions issued (and revised) under the Public Finance Act 2008.	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Only Chief Executive Officer, MOF can issue circulars	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.28 Are manuals distributed to appropriate personnel?	Yes.	
4.29 Describe how compliance with policies and procedures are verified and monitored.	Director of each Division, Internal Audit Division, MOF and OAG.	
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Chief Executive Officer, Deputy Secretary, Government Accountant and Senior Accountant, MOF.	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Sage 300 accounting system.	
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes.	
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes, on a monthly basis. Yes, on a daily basis.	
4.34 Are all reconciling items approved and recorded?	Yes.	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.36 Are there any persistent/non-moving reconciling items?	No.	
4.37 Are there appropriate controls in safekeeping of unused cheques, USB	Yes.	

Topic	Response	Potential Risk Event
keys and passwords, official receipts and invoices?		
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	No.	
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Not applicable.	
Safeguard over Assets		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	All assets tagged and recorded in fixed assets register (FAR). Annual verification is carried out.	Medium. The FAR is maintained on MS Excel which is time consuming to maintain and error prone. OAG raised the issue of the uncertainty valuation, completeness and existence of property plant and equipment in the financial statements
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes.	
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes.	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	Yes.	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes.	
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Yes.	
4.46 Are assets sufficiently covered by insurance policies?	No.	GOT does not insure assets.
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	In Financial Instructions and the Public Tenders Board Regulations.	Medium.
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	Not applicable.	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.		
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?		
4.51 Does information among the different offices/ implementing agencies flow in		

Topic	Response	Potential Risk Event
an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?		
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.		
4.53 If any sub-accounts (under the Advance Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.		
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Yes, while the project is ongoing, contract records will be kept with the PMU and after closing, will be kept by MPWIELMD for 5 years.	Low.
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes.	Low.
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Reporting fraud and corruption is historically done through the Attorney General and Police. An Office of the Ombudsman was established in 2014.	
5. Internal Audit		
5.1 Is there an internal audit division in the entity?	Based on recommendations from the PEFA and OAG, GOT's IAD was established in MOF in December 2016 and by 2019, had a full staff complement of 2.	Low.
5.2 What are the qualifications and experience of the IA staff?	The Director has a bachelor's degree in commerce (accounting and economics) from USP and worked as an accountant with the National Bank of Tuvalu for 3 years. His staff is a new graduate who has a bachelor's degree in finance from India. Both have no previous experience in internal auditing but DFAT funded a technical adviser who helped with a first internal audit exercise. DFAT also funded a 2-week secondment to the IAD, Ministry of Economy in Fiji in Feb-Mar 2020.	
5.3 To whom does the head of the internal audit report?	Internal Audit Committee.	
5.4 Will the internal audit department include the project in its annual work program?	The scope of the internal audit program includes TWOG, public enterprises and development partner projects.	

Topic	Response	Potential Risk Event
5.5 Are actions taken on the internal audit findings?	The first audit was carried out in 2019 and a follow-up is yet to take place.	
5.6 What is the scope of the internal audit program? How was it developed?	The scope of the internal audit program includes TWOG, public enterprises and development partner projects.	
5.7 Is the IA department independent?	Yes.	
5.8 Do they perform pre-audit of transactions?	Yes, they will.	
5.9 Who approves the internal audit program?	Internal Audit Committee.	
5.10 What standards guide the internal audit program?	International Internal Auditing Standards.	
5.11 How are audit deficiencies tracked?	Division will include this in the program.	
5.12 How long have the internal audit staff members been with the organization?	3 years and 1 year.	
5.13 Does any of the internal audit staff have an IT background?	No.	
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	According to the Charter, they are to meet quarterly and can invite management to these meetings.	
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not yet.	
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	No.	Medium. IAD staff will be invited to ADB's training on disbursements and financial management.
6. External Audit – entity level		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes. OAG.	Low. OAG audits all ADB-funded projects.
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No. For the 2018 TWOG, the draft financial statements are due to OAG by June, audit is to be completed by September and are tabled in the next Parliament sitting in October.	
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	ISSAI.	
6.4 Were there any major accountability issues noted in the audit report for the past three years?	Yes.	
6.5 Does the external auditor meet with the audit committee without the presence of management?	Management can be called to join the meeting, if needed.	
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	OAG only out-sources the financial audits of SOEs.	

Topic	Response	Potential Risk Event
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	Yes, (i) valuation, completeness and existence of property plant and equipment in the financial statements; (ii) lack of evidence to support prior year comparatives; (iii) cash unable to be reconciled to bank statements, and movement in cash balances unable to be reconciled to the statement of assets and liabilities; (iv) inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the financial statements; (v) lack of evidence to support completeness of account receivable and revenues financial statements.	Medium. MOF are committed to implementing the outstanding OAG issues.
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, AG and staff have attended ADB's training on disbursements, financial reporting and auditing requirements in 2016 and 2019	Low
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	Outstanding receipts not accounted for by the Line Ministries but AG advised that this was not a pervasive finding	Low
External Audit – project level		Low
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Entity auditor.	Low
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	Not applicable.	Low
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	OAG.	Low
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, follows the ADB TOR template.	Low
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	Not yet applicable.	
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, AG and staff have attended ADB's training on disbursements, financial reporting and auditing requirements in 2016 and 2019.	Low
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	Not applicable.	
6.17 [For second or subsequent projects] Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there	Not applicable.	

Topic	Response	Potential Risk Event
any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7. Reporting and Monitoring		
7.1 Are financial statements and reports prepared for the entity?	Yes.	
7.2 Are financial statements and reports prepared for the implementing unit?	Yes.	
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Monthly, half yearly and annually. Yes.	
7.4 Does the entity reporting system need to be adapted for project reporting?	Currently, only MOF can use the Sage 300 accounting software. MOF are looking into procuring a new system which TWOG can use, including having a module specifically for project accounting. The ongoing project uses MYOB and will continue for the proposed additional financing.	Moderate.
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes.	
7.6 Are financial management reports used by management?	Yes.	
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly using Sage 300.	Medium. FAR still prepared on Excel.
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, at the PMU.	
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, WB, EU, GEF, UN and bilaterals.	Low.
8. Information Systems		
8.1 Is the financial accounting and reporting system computerized?	Yes, MOF uses Sage 300 software.	
8.2 If computerized, is the software off-the-shelf, or customized?	Off-the-shelf Sage 300 software.	
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Only MOF uses the Sage 300 software. Other Ministries use Excel worksheets.	Medium.

Topic	Response	Potential Risk Event
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	The Project financial data will be held separate from this system and will entail manual entry into GOT's financial statements.	
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes.	
8.6 Can the system automatically produce the necessary project financial reports?	Yes.	
8.7 Is the staff adequately trained to maintain the computerized system?	Yes and seller's online support is provided from New Zealand	
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes.	Low.
8.9 Are there back-up procedures in place?	Yes.	Low.
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Separate server for Sage 300 and also a dropbox.	Medium. Offsite back up through hard drive etc is also needed.

**Proposed 2nd Additional Financing for the Outer Island Maritime Infrastructure Project
Financial Management Assessment Questionnaire²⁴
Ministry Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster
February 2020**

Topic	Response	Potential Risk Event
1. Implementing Agency		
1.1 What is the entity's legal status/registration?	Government ministry.	
1.2 How much equity (shareholding) is owned by the Government?	Not applicable.	
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any. ²⁵	Not applicable.	
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes, GEF, SOPAC, EU, WMO and bilaterals.	Low.
1.5 Briefly describe the statutory reporting requirements for the entity.	Financial reporting monthly to MOF and monthly reconciliations with MOF, to incorporate adjustments if needed. TWOG financial statements are audited by the OAG, presented to the Public Accounts Committee and tabled in Parliament.	Low.
1.6 Describe the regulatory or supervisory agency of the entity.	Parliament.	
1.7 What is the governing body for the project? Is the governing body for the project independent?	EA is MOF, IA is MPWIELMD and Project Steering Committee which comprises CEOs of MPWIELMD, MOF, MOH, and other relevant Ministries/Departments.	
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	For MPWIELMD, the Ministry is headed by the Minister, with CEO, Deputy Secretary and Directors of Divisions: (i) public utilities; (ii) infrastructure; (iii) environment; (iv) labour; (v) meteorology; (vi) disaster. Under the ongoing project, a PMU was established in 2015 and will continue under the additional financing. PMU well-versed with ADB's disbursements and financial management requirements.	Low.
1.9 Does the entity have a Code of Ethics in place?	Yes, as a government ministry MPWIELMD is subject to Administrative Orders and violations reported to the Public Services Committee	
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	None.	
2. Funds Flow Arrangements		

²⁴ This questionnaire should be administered by ADB staff or consultant (the Reviewer), and utilized only to obtain information, and to identify and describe potential risk events. Rating of risks should be carried out separately by assessing their likelihood and impact.

²⁵ In such cases, consult OAI on the need for integrity due diligence on non-governmental beneficial owners.

Topic	Response	Potential Risk Event
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	As under the ongoing project, civil works contractors and consulting firms will be paid via direct payment disbursement procedure by ADB. The 2 local PMU consultants' claims and small recurrent PMU expenses will be paid via advance account disbursement procedure. The project accountant based in the PMU will create WAs on CPD, submit them to MPWIELMD and MOF to review/approve and then to ADB to process payment	Low. Reimbursement procedure will require full documentation.
2.2 Are the (proposed) arrangements to transfer the proceeds of the grant (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Not applicable.	
2.3 Are the disbursement methods appropriate?	Yes, direct payment, reimbursement and advance account disbursement procedures.	Low.
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	The closed ADB-funded TMTI-TUV project of 2002 was deemed "partly successful" due to protracted delays and poor quality of work. Under the ongoing project, which was approved in 2015, disbursements and financial management requirements are satisfactory.	Low.
2.5 In which bank will the Advance Account (if applicable) be established?	Under the ongoing project, an Advance Account of \$100,000 has already been established with the National Bank of Tuvalu. For the additional financing, an Advance Account will also be established with the National Bank of Tuvalu.	
2.6 Is the bank in which the Advance account is established capable of – <ul style="list-style-type: none"> • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly? 	Yes.	
2.7 Is the ceiling for disbursements from the Advance account and SOE appropriate/required?	Yes.	
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, under the ongoing project, in the PMU, the project manager and project accountant joined the project, after it was approved in 2015 and have remained. Both have attended ADB training, including training on disbursements and financial management. The same PMU will continue for the proposed additional financing.	Low.
2.9 Does the PIU have adequate administrative and accounting capacity	Yes, the project accountant has been with the ongoing project since it was	Low.

Topic	Response	Potential Risk Event
to manage the Advance fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	approved in 2015 and is well-versed with ADB's disbursements requirements, after having attended 3 training on disbursements and financial management.	
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No.	
2.11 How are the counterpart funds accessed?	Through government budget.	Low. No issues under ongoing project.
2.12 How are payments made from the counterpart funds?	Counterpart funding (taxes and duties) will be included in the government budget. Once budget allocation available, MPWIELMD issues a warrant against which payments can be made by MOF.	Low. No issues under ongoing project.
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	Not applicable.	
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	Not applicable.	
3. Staffing		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	The HEO and EO handle the finances of MPWIELMD but all payments are centralised at Treasury Division, MOF. The PMU for the ongoing project will continue for the proposed additional financing.	Low.
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	The PMU for the ongoing project, which includes a project accountant, will continue as the project accountant for the proposed additional financing.	Low.
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The PMU for the ongoing project includes a project accountant, who is an accounting graduate and has worked on the ongoing project, since 2015 and will continue for the proposed additional financing. A copy of her current contract is attached.	Low.
3.4 Is the project finance and accounting function staffed adequately?	Yes, the ongoing project has a full-time project accountant who will continue on for the additional financing.	Low.

Topic	Response	Potential Risk Event
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes, the project accountant under the ongoing project, who will continue on for the additional financing, is an accounting graduate. She has worked on the ongoing project since 2015 and is well-versed with ADB's disbursements and financial management requirements, after having attended 3 ADB training.	Low.
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Yes, the project accountant under the ongoing project joined the PMU in 2015 and is well-versed with ADB's disbursements and financial management requirements, as she has attended 3 of ADB's training.	Low.
3.7 What is the duration of the contract with the project finance and accounting staff?	The project accountant's current contract is from 1 July 2019 to 31 December 2021.	
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	Not applicable.	
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	Not applicable.	
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes.	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	The project accountant has been with the ongoing project since it was approved in 2015.	Low.
3.12 What is training policy for the finance and accounting staff?	Policy for government in general is to provide a Scholarship program on long term training / Public and Private.	
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	The project accountant under the ongoing project has attended 3 of ADB's training on disbursements and financial management.	Low.
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	MPWIELMD uses excel spreadsheets and only MOF uses Sage 300 accounting system and manually inputs each Ministry's expenditure and revenue. Under the ongoing project, the PMU has used MYOB accounting software since 2015 and will continue to use it for the additional financing.	Low.

Topic	Response	Potential Risk Event
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	For MPWIELMD, all payments requests are initiated by the HEO/EO and approved by the CEO before forwarding to the Treasury Division, MOF for the Govt Accountant's authorisation, before the Treasury Division, MOF, processes payment. Under the ongoing project, civil works/consultant firm claims are approved by the project manager and MCT (will change to MPWIELMD) management. The project accountant then creates a WA in CPD for MCT/MOF approval.	Low.
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Yes, uniform Chart of Accounts for entire government operation	Low.
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5 Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	Yes, reconciliations are completed on a monthly basis and immediate action is taken to resolve differences.	Low.
4.6 Describe the IA's policy for retention of accounting records including supporting documents (e.g. ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Accounting records are kept for 5 years. While the project is ongoing, records will be kept with the PMU and after closing, will be kept by MPWIELMD for 5 years.	Low. Record keeping exceeds ADB requirements.
4.7 Describe any previous audit findings that have not been addressed.	For the TWOG of 2017, OAG raised the following issues: (i) uncertainty surrounding valuation, completeness and existence of property plant and equipment in the financial statements; (ii) lack of evidence to support prior year comparatives; (iii) cash unable to be reconciled to bank statements, and movement in cash balances unable to be reconciled to the statement of assets and liabilities; (iv) inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the financial statements; (v) non-consolidation of 3 public enterprises ²⁶ ; (vi) lack of evidence to support completeness of account	High.

²⁶ National Fishing Corporation of Tuvalu (NAFICOT), Tuvalu Post Limited (TPL) and Tuvalu Maritime Training Institute (TMTI)

Topic	Response	Potential Risk Event
	<p>receivable and revenues financial statements; (vii) the non-inclusion of inventory in the financial statements; and (viii) limitation of scope surrounding cabinet minutes and decisions. MOF are committed towards resolving the issues raised by OAG.</p> <p>Under the ongoing project, the last APFS for the year ended 31Dec18, did not have any audit issues.</p>	Low.
Segregation of Duties		
<p>4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?</p>	<p>For the Ministry:</p> <ul style="list-style-type: none"> (i) CEO only or substitute are the only ones authorized to execute transactions (ii) HEO records transactions (payment vouchers) on MS Excel spreadsheet (iii) Technical Managers have custody of assets and vote keepers record their possession (iv) reconciliations done by HEO/EO and MOF. <p>Under the ongoing project:</p> <ul style="list-style-type: none"> (i) the CEO, MPWIELMD and project manager (ii) project accountant (iii) contractor, until handover to the IA (iv) project accountant with MOF. 	<p>Low.</p> <p>Although the accounting section in each Line Ministry is too small for proper segregation of duties, no cash transactions or payments are being made, as it is centralized in the Treasury Division, MOF.</p> <p>Low.</p> <p>The additional financing will follow same responsibilities as under the ongoing project.</p>
<p>4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?</p>	<p>Yes, purchase orders above A\$500 needs approval and go through the Procurement Unit housed in the MOF.</p>	Low.
Budgeting System		
<p>4.10 Do budgets include physical and financial targets?</p>	<p>Yes, Budget presentation follows MOF template and is detailed and comprehensive.</p>	Low.
<p>4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?</p>	<p>Yes</p>	Low.
<p>4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?</p>	<p>Yes, every month financial reports are produced on revenue and spending budgets vs actual. Quarterly reports are submitted to Cabinet.</p>	Low.
<p>4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?</p>	<p>In advance.</p>	
<p>4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?</p>	<p>No Ceiling.</p>	<p>Low.</p> <p>Virement system approved in advance of payment.</p>
<p>4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?</p>	<p>MOF.</p>	

Topic	Response	Potential Risk Event
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	July: Macroeconomic Policy Committee decides on the parameters of ceilings and CEO MOF distributes Circular to all Ministries to submit their budget requests. July-Aug: Budget rounds and MOF consults with Line Ministries. Aug-Sep: Development Coordination Committee meets on the Budget submission. Sep: Consolidated Budget submitted to Cabinet. Oct: Budget presented to Parliament.	Low. Budget cycle is known and used by GOT.
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Yes. No. No. Minister of Finance approval required for \$750,000 above budget for TWOG	
Payments		
4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes.	Low.
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes.	Low.
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Not applicable – centralised at MOF.	
Policies And Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	(i) Accrual for 2017 TWOG FS and modified cash for 2018 TWOG FS. (ii) Cash basis.	High. A change in the basis and standards of accounting to be followed.
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector	For 2017 TWOG FS - generally accepted accounting practice in Tuvalu,	

Topic	Response	Potential Risk Event
Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	which looks to IPSAS and IFRS to guide general accounting policy. For 2018 TWOG FS – IPSAS modified cash.	
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes, follows the Financial Instructions issued (and revised) under the Public Finance Act 2008.	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes, Financial Instructions.	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Only Chief Executive Officer, MOF can issue circulars.	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.28 Are manuals distributed to appropriate personnel?	Yes.	
4.29 Describe how compliance with policies and procedures are verified and monitored.	Director of each Division, Internal Audit Division, MOF and OAG.	
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Not applicable to MPWIELMD – centralised at MOF.	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?		
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?		
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?		
4.34 Are all reconciling items approved and recorded?		
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?		
4.36 Are there any persistent/non-moving reconciling items?		
4.37 Are there appropriate controls in safekeeping of unused cheques, USB		

Topic	Response	Potential Risk Event
keys and passwords, official receipts and invoices?		
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?		
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.		
Safeguard over Assets		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Not applicable to MPWIELMD - centralized fixed asset register and asset verification procedures at MOF.	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?		
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?		
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?		
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?		
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?		
4.46 Are assets sufficiently covered by insurance policies?	No – GOT does not insure assets.	
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	Not applicable to MPWIELMD - centralized fixed asset register and asset verification procedures at MOF.	
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	Not applicable	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.		
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?		
4.51 Does information among the different offices/ implementing agencies flow in		

Topic	Response	Potential Risk Event
an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?		
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.		
4.53 If any sub-accounts (under the Advance Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.		
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	The project contract records will be held in the PMU and handed-over to MPWIELMD after the project closes.	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes, by the PMU.	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Reporting fraud and corruption is historically done through the Attorney General and Police. An Office of the Ombudsman was established in 2014.	
5. Internal Audit		
5.1 Is there an internal audit division in the entity?	Yes, GOT's IAD was established – based on recommendations from the PEFA assessment and OAG – in MOF in December 2016.	Low.
5.2 What are the qualifications and experience of the IA staff?	The Director has a bachelor's degree in commerce (accounting and economics) from USP and worked as an accountant with the National Bank of Tuvalu for 3 years. His staff is a new graduate who has a bachelor's degree in finance from India. Both have no previous experience in internal auditing but DFAT funded a technical adviser who helped with a first internal audit exercise. DFAT also funded a 2-week secondment to the IAD, Ministry of Economy in Fiji in Feb-Mar 2020.	Medium. IAD staff will be invited to ADB's in-country training on ADB's disbursements, financial reporting and auditing requirements.
5.3 To whom does the head of the internal audit report?	Internal Audit Committee.	
5.4 Will the internal audit department include the project in its annual work program?	The scope of the internal audit program includes TWOG, public enterprises and development partner projects.	

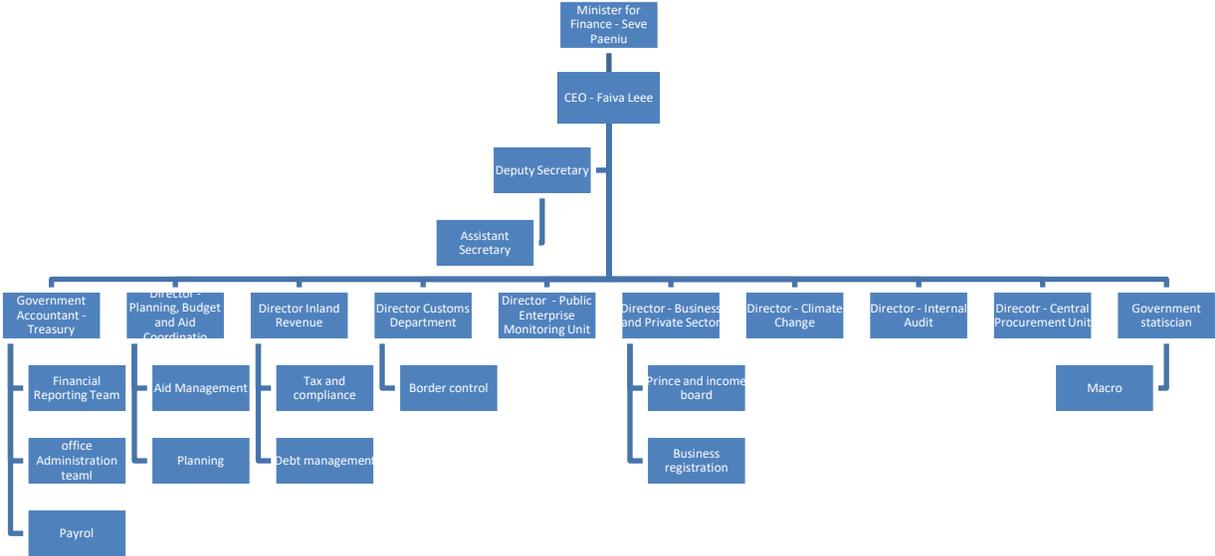
Topic	Response	Potential Risk Event
5.5 Are actions taken on the internal audit findings?	The first audit was carried out in 2019 and a follow-up is yet to take place.	
5.6 What is the scope of the internal audit program? How was it developed?	The scope of the internal audit program includes TWOG, public enterprises and development partner projects.	
5.7 Is the IA department independent?	Yes.	
5.8 Do they perform pre-audit of transactions?	Yes, they will.	
5.9 Who approves the internal audit program?	Internal Audit Committee.	
5.10 What standards guide the internal audit program?	International Internal Auditing Standards.	
5.11 How are audit deficiencies tracked?	Division will include this in the program.	
5.12 How long have the internal audit staff members been with the organization?	3 years and 1 year.	
5.13 Does any of the internal audit staff have an IT background?	No.	
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	According to the Charter, they are to meet quarterly and can invite management to these meetings.	
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not yet.	
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	No.	Medium. IAD staff will be invited to ADB's in-country training on ADB's disbursements, financial reporting and auditing requirements.
6. External Audit – entity level		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes. OAG.	Low. OAG has audited all ADB-funded projects
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No. For the 2018 TWOG, the draft financial statements are due to OAG by June, audit is to be completed by September and are tabled in the next Parliament sitting in October.	Low.
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	ISSAI.	Low.
6.4 Were there any major accountability issues noted in the audit report for the past three years?	Yes.	
6.5 Does the external auditor meet with the audit committee without the presence of management?	Management can be called to join the meeting, if needed.	
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	OAG only out-sources the financial audits of SOEs.	

Topic	Response	Potential Risk Event
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	Yes, (i) valuation, completeness and existence of property plant and equipment in the financial statements; (ii) lack of evidence to support prior year comparatives; (iii) cash unable to be reconciled to bank statements, and movement in cash balances unable to be reconciled to the statement of assets and liabilities; (iv) inability to obtain satisfactory explanations and documentation regarding a sample of entries for expenses in the financial statements; (v) lack of evidence to support completeness of account receivable and revenues financial statements.	Medium. MOF are committed to implementing the outstanding OAG issues.
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, AG and staff have attended ADB's training on disbursements, financial reporting and auditing requirements in 2016 and 2019	Low.
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	Outstanding receipts not accounted for by the Line Ministries but AG advised that this was not a pervasive finding	Low.
External Audit – project level		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Entity/GOT auditor.	Low.
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	No.	Low.
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	OAG.	Low.
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Yes, follows the ADB TOR template.	Low.
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	No.	Low.
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes, AG and staff have attended ADB's training on disbursements, financial reporting and auditing requirements in 2016 and 2019.	Low.
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No.	Low.
6.17 [For second or subsequent projects] Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there	Not applicable.	

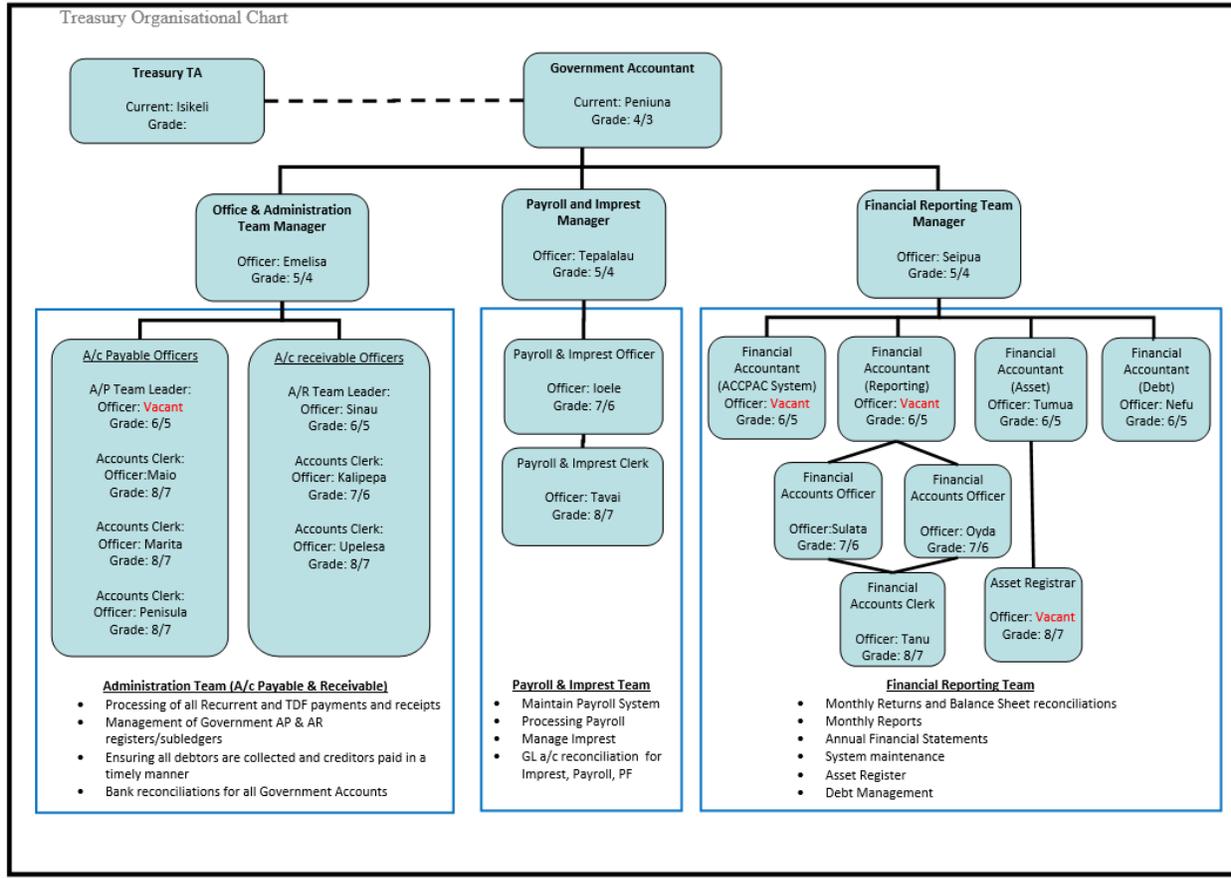
Topic	Response	Potential Risk Event
any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7. Reporting and Monitoring		
7.1 Are financial statements and reports prepared for the entity?	Yes.	
7.2 Are financial statements and reports prepared for the implementing unit?	Yes, under the ongoing project, the project accountant prepared the financial statements and this will continue under the proposed additional financing.	
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Monthly, quarterly and annually. Yes.	
7.4 Does the entity reporting system need to be adapted for project reporting?	Currently, only MOF can use the Sage 300 accounting software and other Ministries, including MPWIELMD, use MS Excel. MOF are looking into procuring a new system which TWOG can use, including having a module specifically for project accounting.	Moderate.
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes.	Low.
7.6 Are financial management reports used by management?	Yes.	
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared directly using Sage 300.	Medium. FAR still prepared on Excel.
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	GOT – no. Ongoing project PMU – yes.	Medium.
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, WB, EU, GEF, UN and bilaterals.	Low.
8. Information Systems		
8.1 Is the financial accounting and reporting system computerized?	Line Ministries, including MPWIELMD use excel worksheets. Only MOF uses Sage 300. Project uses MYOB, which will continue under the proposed additional financing.	Low.
8.2 If computerized, is the software off-the-shelf, or customized?	MOF – off-the-shelf Sage 300. Project – off-the-shelf MYOB.	

Topic	Response	Potential Risk Event
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	MOF and Project – standalone.	
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	The Project financial data will be held separate from this system and will entail manual entry into GOT's financial statements.	
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes.	Low.
8.6 Can the system automatically produce the necessary project financial reports?	Yes.	Low.
8.7 Is the staff adequately trained to maintain the computerized system?	Yes.	Low.
8.8 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes.	Low.
8.9 Are there back-up procedures in place?	Yes.	Low.
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Separate server for Sage 300 and a dropbox.	Medium. Offsite back up through hard drive etc is also needed.

MINISTRY OF FINANCE - ORGANISATION CHART



TREASURY DIVISION, MINISTRY OF FINANCE - ORGANISATION CHART





ADB & WB JOINT PROJECTS PROGRAM PROGRAM MANAGEMENT UNIT

MINISTRY OF COMMUNICATION & TRANSPORT

Vaiaku, Funafuti, TUVALU. Ph: 688 20054

Email: kkioele@gmail.com

Date: 11th June 2019
Ms. Kaimalie Kino Ioele
Vaiaku,
Funafuti
TUVALU

SERVICE CONTRACT AGREEMENT

This Agreement is made this **Day**: Tuesday 11th June, year 2019 between the Ministry of Transport and Communication (MCT) and Ms. Kaimalie K. Ioele, the Consultant.

The MCT wishes to engage the Consultant to provide the accounting services for Tuvalu: **OIMI Project** on Nukulaelae, Niutao and other outer islands and **MICRO Project** on Nanumaga and Funafuti Port.

The Parties agree to the Terms and Conditions set out in the following Appendices:

1. Annex A: Terms and Conditions
2. Annex B: Scope of Services
3. Annex C: Breakdown of Costs of Service
4. Annex D: Child Protection Code of Conduct

The Parties have caused this Agreement to be signed on the date written above.

For and on behalf of the
Executing Agency (EA)

For and on behalf of the
Consultant

Dr. Tapugao Falefou
Chief Executive Officer

Ms. Kaimalie K. Ioele
Consultant

ANNEX A

CONSULTING SERVICES

PROJECT ACCOUNTANT

MCT/PP05

NOW THEREFORE THE PARTIES hereby agree as follows:

- 1. Services** The Consultant shall perform the services specified in **Annex B**, "Scope of Services," which is made an integral part of this Contract ("the Services").

- 2. Term** A. The Consultant shall perform the Services on a full-time basis working from ADB and WB Joint Projects Program Office in Funafuti, Tuvalu, for **30 months commencing 1 July 2019 until 31 December 2021**.

- 3. Payment** A. **Ceiling**

The Contract ceiling is **AUD 144,184.74** (Annex C) inclusive of an Employer superannuation contribution of 10% of gross annual salary to the National Retirement Benefit Fund and 13% of gross annual salary to the National Provident Fund and contingencies. For Services rendered pursuant to Annex A, the Client shall pay the Consultant a sum not to exceed the Contract Ceiling less the superannuation contribution of 10% of gross annual salary per annum and is based on the understanding that it includes all of the Consultant's costs and profits as well as any tax obligation that may be imposed on the Consultant. The payments made under the Contract consist of the Consultant's remuneration as defined in sub-paragraph C and D below.

B. Taxation

If, after the date of this Contract, there is any change in the Applicable Law or in the application of the Applicable Law, with respect to taxes, superannuation obligations and duties which increases or decreases the cost incurred by the Consultant in performing the Services, then the remuneration payable to the Consultant under this Contract shall be increased or decreased accordingly by agreement between the Parties, and corresponding adjustments shall be made to the amounts referred to in Paragraph 3A and defined in **Annex C**, as the case may be.

C. Remuneration

The Client (EA) shall pay the Consultant for Services rendered at the monthly rate in accordance with the rates agreed and specified in **Annex C**, "Cost Estimate of Services" less the applicable income tax rate which shall be deducted according to a PAYE system.

D. Reimbursable expenses

The Client (EA) shall pay the Consultant for reimbursable expenses, which shall consist of and be limited to:

- (i) Normal and customary expenditures for official travel and related expenses for site visits; official travel will need to be authorized by the Client's Coordinator;
- (ii) Such other expenses as approved in advance by the Client's coordinator.

E. Payment Conditions

Payment, net of applicable taxes and superannuation contribution, shall be made **twice-monthly** in **Australian Dollars (AUD)** not later than 14 days following submission of invoices and supporting documentation as prescribed in the Program Operations Manual and in duplicate to the Coordinator designated in paragraph 4.

Payments shall be made net of applicable taxes and Employer and Employee Provident Fund Contributions, and paid to the Consultant's nominated bank account.

Name of Bank: National Bank of Tuvalu

Account Name: Ms Kaimalie K. Folia

Account Number: 01-381111-02

4. Project Administration**A. Coordinator**

The Client designates **Dr Tapugao Falefou, CEO for Ministry of Communications and Transport**, as **Client's Coordinator**; the Coordinator will be responsible for the coordination of activities under this Contract, for acceptance and approval of the reports and of other deliverables by the Client and for receiving and approving invoices for the payment.

B. Timesheets

During the course of their work under this Contract, including field work, the Consultant providing services under this Contract shall be required to complete timesheets or any other document used to identify time spent, as well as expenses incurred, as instructed by the Project Coordinator.

C. Records and Accounts

The Consultant shall keep accurate and systematic records and accounts in respect of the Services, which will clearly identify all charges and expenses. The Client reserves the right to audit, or to nominate a reputable accounting firm to audit, the Consultant's records relating to amounts claimed under this Contract during its term and any extension, and for a period of three months thereafter.

5. Performance Standards

The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity.

- 6. Inspections and Auditing** The Consultant shall permit, and shall cause its Sub-Consultants to permit, the Bank and/or persons or auditors appointed by the Bank to inspect and/or audit its accounts and records and other documents relating to the submission of the Proposal to provide the Services and performance of the Contract. Any failure to comply with this obligation may constitute a prohibited practice subject to contract termination and/or the imposition of sanctions by the Bank (including without limitations determination of ineligibility) in accordance with prevailing Bank's sanctions procedures.
- 7. Confidentiality** The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.
- 8. Ownership of Material** Any studies report or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and software.
- 9. Consultant Not to be Engaged in Certain Activities** The Consultant agrees that, during the term of this Contract and after its termination, the Consultant shall be disqualified from providing goods, works or services (other than consulting services that would not give rise to a conflict of interest) resulting from or closely related to the Consulting Services for the preparation or implementation of the Project
- 10. Insurance** The Consultant will be responsible for taking out any appropriate insurance coverage.
- 11. Assignment** The Consultant shall not assign this Contract or sub-contract any portion of it without the Client's (EA) prior written consent.
- 12. Law Governing Contract and Language** The Contract shall be governed by the laws of the **Tuvalu**, and the language of the Contract shall be **English**.
- 13. Dispute Resolution** Any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.
- 14. Termination**
- A. The Client (EA) may terminate this Contract with at least ten (10) working days prior written notice to the Consultant after the occurrence of any of the events specified in paragraphs (a) through (c) of this Clause:
 - a. If the Consultant does not remedy a failure in the performance of its obligations under the Contract within seven (7) working days after being notified, or within any further period as the Client may have subsequently approved in writing;
 - b. If the Consultant, in the judgment of the Client (EA) or the Bank, has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices (as defined in the prevailing Bank's sanctions procedures) in competing for or in performing the Contract;
 - c. If the Consultant becomes insolvent or bankrupt;
 - d. If the Client (EA), in its sole discretion and for any reason whatsoever, decides to terminate this Contract.

The Client (EA) shall give at least thirty (30) calendar days' written notice of termination to the Consultant in case of the event referred to in "(d)".

B. The Consultant may terminate this contract with eight (8) weeks written notice.

15. Corrupt and Fraudulent Practice

The Bank requires compliance with its policy in regard to corrupt and fraudulent practices as set forth in [Annex 1](#) below.

16. Leave Entitlements

The Consultant shall be entitled to take annual leave, public holidays/statutory days and sick leave during the Term of Engagement upon the following basis:

A. Annual Leave

- (i) The Consultant shall be entitled to 20 days annual leave for each twelve (12) month period which shall be accrued on a pro-rata basis for the period over which the Consultant is performing the Services.
- (ii) Subject to the provisions of Clause 2 hereof, annual leave shall be taken during the Term of Engagement with the prior knowledge and approval of the Client (EA) and at a time or times acceptable to the Client.

B. Sick Leave

- (i) Entitlement to sick leave shall be conditional upon the inability of the Consultant to perform the Services, and the Consultant shall furnish the Client with all such medical and other evidence of his said inability as the Client may reasonably require.
- (ii) The Consultant shall be entitled to 12 days sick leave per 12-month period, which shall be accrued on a pro-rata basis for the period over which the Consultant is performing the Services.

The Consultant shall not be entitled to casual leave, provided, however, that the Client (EA) may, in its sole discretion whether for compassionate reasons or otherwise, permit the Consultant to take leave without pay during the Term of Engagement.

17. Child Protection

The Consultant must comply with the Client's Child Protection Code of Conduct as set forth in **Annex D** which sets stringent standards for personal behavior. The Client expects the Consultant to use common sense and avoid actions or behaviors that could be construed as child exploitation and abuse in the course of their association with the Client.

For and on behalf of the
Executing Agency (EA)

For and on behalf of the
Consultant

Dr. Tapugao Falefou
Chief Executive Officer

Ms. Kaimalie K. Ioele
Consultant

Annex 1: Bank's Policy – Corrupt and Fraudulent Practices

Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, dated January 2011:

“Fraud and Corruption

1.23 It is the Bank's policy to require that Borrowers (including beneficiaries of Bank loans), consultants, and their agents (whether declared or not), sub-contractors, sub-consultants, service providers, or suppliers, and any personnel thereof, observe the highest standard of ethics during the selection and execution of Bank-financed contracts [footnote: In this context, any action taken by a consultant or any of its personnel, or its agents, or its sub-consultants, sub-contractors, services providers, suppliers, and/or their employees, to influence the selection process or contract execution for undue advantage is improper.]. In pursuance of this policy, the Bank:

- (a) defines, for the purposes of this provision, the terms set forth below as follows:
 - (i) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party²⁷;
 - (ii) “fraudulent practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation²⁸;
 - (iii) “collusive practices” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party²⁹;
 - (iv) “coercive practices” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party³⁰;
 - (v) “obstructive practice” is
 - (aa) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or
 - (bb) acts intended to materially impede the exercise of the Bank's inspection and audit rights;
- (b) will reject a proposal for award if it determines that the consultant recommended for award or any of its personnel, or its agents, or its sub-consultants, sub-contractors, services providers, suppliers, and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;
- (c) will declare mis-procurement and cancel the portion of the Loan allocated to a contract if it determines at any time that representatives of the Borrower or of a recipient of any part of the proceeds of the Loan were engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the selection process or the implementation of the contract in question, without the Borrower having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur, including by failing to inform the Bank in a timely manner they knew of the practices;

²⁷ For the purpose of this sub-paragraph, “another party” refers to a public official acting in relation to the selection process or contract execution. In this context “public official” includes World Bank staff and employees of other organizations taking or reviewing selection decisions.

²⁸ For the purpose of this sub-paragraph, “party” refers to a public official; the terms “benefit” and “obligation” relate to the selection process or contract execution; and the “act or omission” is intended to influence the selection process or contract execution.

²⁹ For the purpose of this sub-paragraph, “parties” refers to participants in the procurement or selection process (including public officials) attempting either themselves, or through another person or entity not participating in the procurement or selection process, to simulate competition or to establish prices at artificial, non-competitive levels, or are privy to each other's bid prices or other conditions.

³⁰ For the purpose of this sub-paragraph, “party” refers to a participant in the selection process or contract execution.

- (d) will sanction a firm or an individual at any time, in accordance with prevailing Bank's sanctions procedures³¹, including by publicly declaring such firm or an ineligible, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract, and (ii) to be a nominated³² sub-consultant, supplier, or service provider of an otherwise eligible firm being awarded a Bank-financed contract.

Contractual Ethics: The Client (EA) requires that Consulting and Consulting Firms under the Project, observes the highest standard of Ethics (ref to section 1.05 of the Guidelines on the use of Consultants by Asian Development Bank and its Borrowers and the ADB's Policy on Anti-Corruption; a copy may be obtained by visiting www.adb.org). Consultants and Consulting Firms under ADB financed contracts shall also act in accordance with ADB's Policy on Sexual Harassment. The Consultant also undertakes that no fees, gratuities, rebates, gifts, commissions, or other payments, other than shown in this Contract have been given or received in connection with the selection of the consultant or in the Contract's Execution.

³¹ A firm or an individual may be declared ineligible to be awarded a Bank-financed contract upon (i) completion of the Bank's sanctions proceedings as per its sanctions procedures, including inter alia: cross-debarment as agreed with other International Financial Institutions, including Multilateral Development Banks, and through the application of the World Bank Group corporate administrative procurement sanctions procedures for fraud and corruption; and (ii) as a result of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceedings. See footnote 12 and paragraph 8 of Appendix 1 of these Guidelines.

³² A nominated sub-consultant, supplier, or service provider is one which has been either (i) included by the consultant in its proposal because it brings specific and critical experience and know-how that are accounted for in the technical evaluation of the consultant's proposal for the particular services; or (ii) appointed by the Borrower.

Annex B

Scope of Services

The Project Accountant will undertake key tasks and duties and is responsible to the Program Manager of the ADB and WB Joint Projects Program including:

- Lead coordination of day to day implementation of all account processing of ADB and WB Projects the OIMI and MICRO Projects.
- Produce regular updates of Projects Accounts to Program Manager, Project Director, Members of Task Force and MCT Senior Executives including Hon. Minister.
- Maintain administering the financial management system for the projects in accordance with the relevant ADB and WB guidelines concerning administration of disbursement, and arrangement of direct payments to contractors.
- Maintain an exclusive project account for each project and maintain it according to the Government accounting principles.
- Provide the necessary accounting services to ensure effective project administration.
- Provide inputs to the monthly progress report.
- Coordinate with the Auditor General Office and arrange annual auditing of each project account, ensuring that the ADB as well as WB's requirements of audit are met.
- Review the consultant and the contractor's progress claim and certify them for payment in close coordination with each Project Manager and also with Program Manager.
- Initiate timely disbursement of project funds in accordance with ADB and WB Loan *Disbursement Handbook* (2015, as amended from time to time)
- Manage the Government counterpart funds and record in-kind contribution.
- Assist in donor negotiation on financial management matters, and attend meetings as required.
- Provide support to Government in all areas of implementation as required.
- Carry out other related tasks as directed by Government and Program Manager.
- Supporting the Program Manager in ensuring annual auditing of the project accounts is carried out in accordance with World Bank's and ADB requirement
- Assist in obtaining necessary feedback and acceptance to deliverables to facilitate payment of invoices;
- Assist in the provision of relevant information in the preparation of the Project Quarterly Reports for MICRO and OIMI Projects, in accordance with the requirements of the respective Project Legal Agreements and in close liaison with the Program Manager
- Assist in the oversight and coordination of the monitoring system of the project;
- Assist in providing support to and participation in all WB and ADB missions; Assisting the development of project reports as directed;
- Other activities as may reasonably be required to support effective project implementation.

Detailed Cost Estimates (In AUD)

Gross Salary^{1/}					\$ 92,695.29
Year	Period	Annual Increase	Monthly Rate	Yearly Rate	
1	1-Jul-19 to 30-Jun-20		\$ 3,016.89	\$ 36,202.74	
2	1-Jul-20 to 30-Jun-21	3.00%	\$ 3,107.40	\$ 37,288.82	
3	1-Jul-21 to 31-Dec-21	3.00%	\$ 3,200.62	\$ 19,203.74	
Employees 13% Contribution to PF^{2/}					\$ 12,050.39
Year	Period	Annual Increase	Monthly Contributor	Yearly Contribution	
1	1-Jul-19 to 30-Jun-20		\$ 392.20	\$ 4,706.36	
2	1-Jul-20 to 30-Jun-21	3.00%	\$ 403.96	\$ 4,847.55	
3	1-Jul-21 to 31-Dec-21	3.00%	\$ 416.08	\$ 2,496.49	
Employer's 10% Contribution to PF^{3/}					\$ 9,269.53
Year	Period	Annual Increase	Monthly Contributor	Yearly Contribution	
1	1-Jul-19 to 30-Jun-20		\$ 301.69	\$ 3,620.27	
2	1-Jul-20 to 30-Jun-21	3.00%	\$ 310.74	\$ 3,728.88	
3	1-Jul-21 to 31-Dec-21	3.00%	\$ 320.06	\$ 1,920.37	
Salary with contributions					\$ 114,015.21
Year	Period	Annual Increase	Monthly Contributor	Yearly Contribution	
1	1-Jul-19 to 30-Jun-20		\$ 3,710.78	\$ 44,529.36	
2	1-Jul-20 to 30-Jun-21	3.00%	\$ 3,822.10	\$ 45,865.25	
3	1-Jul-21 to 31-Dec-21	3.00%	\$ 3,936.77	\$ 23,620.60	
Out of Pocket Expenses (OPEs)^{4/}					\$ 19,000.00
		Number of months	Rate per month		
Per Diem		30.00	\$ 300.00	\$ 9,000.00	
		Number of travels	Rate per travel		
International Travel		5	\$ 2,000.00	\$ 10,000.00	
Contingency (10% of Gross Salary and OPEs)^{5/}					\$ 11,169.53
Total Contract Amount					\$ 144,184.74

^{1/} With 3% price adjustment.

^{2/} Employee to pay directly to the Provident Fund (PF) and provide

^{3/} Contribution to be directly paid to the PF from the Advance Account fund.

^{4/} Only estimates; expenditures will be processed based on actual cost incurred.

^{5/} To be utilized with ADB's approval.

ANNEX D

Child Protection Code of Conduct

I, **Kaimalie Kino Ioele**, agree that in the course of my association with the Client (EA), I must:

- treat children with respect regardless of race, colour, gender, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status;
- not use language or behaviour towards children that is inappropriate, harassing, abusive, sexually provocative, demeaning or culturally inappropriate;
- not engage children under the age of 18 in any form of sexual intercourse or sexual activity, including paying for sexual services or acts;
- wherever possible, ensure that another adult is present when working in the proximity of children;
- not invite unaccompanied children into my home, unless they are at immediate risk of injury or in physical danger;
- not sleep close to unsupervised children unless absolutely necessary, in which case I must obtain my supervisor's permission, and ensure that another adult is present if possible;
- use any computers, mobile phones, video cameras, cameras or social media appropriately, and never to exploit or harass children or access child exploitation material through any medium;
- not use physical punishment on children;
- not hire children for domestic or other labour which is inappropriate given their age or developmental stage, which interferes with their time available for education and recreational activities, or which places them at significant risk of injury;
- comply with all relevant local legislation, including labour laws in relation to child labour;
- immediately report concerns or allegations of child exploitation and abuse and policy non-compliance in accordance with appropriate procedures;
- immediately disclose all charges, convictions and other outcomes of an offence, which occurred before or occurs during my association with the Client that relate to child exploitation and abuse.

When photographing or filming a child or using children's images for work-related purposes, I must:

- assess and endeavour to comply with local traditions or restrictions for reproducing personal images before photographing or filming a child;
- obtain informed consent from the child and parent or guardian of the child before photographing or filming a child. As part of this I must explain how the photograph or film will be used;
- ensure photographs, films, videos and DVDs present children in a dignified and respectful manner and not in a vulnerable or submissive manner. Children should be adequately clothed and not in poses that could be seen as sexually suggestive;
- ensure images are honest representations of the context and the facts;
- ensure file labels, meta data or text descriptions do not reveal identifying information about a child when sending images electronically or publishing images in any form;
- I understand that the onus is on me, as a person associated with the Client, to use common sense and avoid actions or behaviours that could be construed as child exploitation and abuse.

For and on behalf of the
Consultant

Ms. Kaimalie K. Ioele
Consultant