



**GOVERNMENT OF
THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE**

**REVIEW OF PROCUREMENT SYSTEM FOR THE MINISTRY OF
FINANCE**

July 2012

Review of Procurement in the Ministry of Infrastructure for the period 1
January 2009 to 30 June 2011

Contents

1. EXECUTIVE SUMMARY	3
1.1 BACKGROUND	3
1.2 SCOPE AND OBJECTIVES	3
1.3 APPROACH TO ENGAGEMENT	3
1.4 KEY FINDINGS AND RECOMMENDATIONS	4
1.5 FOLLOW UP ON RECOMMENDATIONS.....	8
1.6 REVIEW OF ELECTRICIDADE DE TIMOR-LESTE.....	8
1.7 ACKNOWLEDGEMENT.....	8
2. DETAILED FINDINGS AND OBSERVATIONS	9
2.1 PROCUREMENT STRATEGY CONSIDERATIONS	9
2.2 PROCUREMENT PROCEDURES & INTERNAL CONTROLS	10
2.3 COMPLIANCE WITH DECREE LAW & BEST PRACTICE GUIDE PROCEDURES	14
2.4 OTHER COMPLIANCE ISSUES	16
2.5 ORGANIZATIONAL ARCHITECTURE.....	17
2.6 PEOPLE MANAGEMENT	19
APPENDIX 1: BUDGET & ACTUAL EXPENDITURE FOR FY 2010	21
APPENDIX 2: MAJOR SUPPLIERS.....	24
APPENDIX 3: EXPENDITURE THRESHOLDS UNDER DECREE LAW & BEST PRACTICE.....	26
APPENDIX 4: PROCESS FOLLOWED TO OBTAIN THE FY 2009 DOCUMENTATION	27

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the Government of the Democratic Republic of Timor-Leste personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report is intended solely for the information and internal use of the Government of the Democratic Republic of Timor-Leste, in accordance with Amendment 7 to Contract numbered RDTL-900001 of 26 March 2009, additionally we understand that this will be made available made to the National Parliament and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than the Government of the Democratic Republic of Timor-Leste and the National Parliament for our work, for this report, or for any reliance which may be placed on this report by any party other than the Government of the Democratic Republic of Timor-Leste.

Confidential - this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

© 2012 Deloitte Touche Tohmatsu. All rights reserved.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

1. Executive Summary

1.1 Background

Historically the Ministry of Finance (MoF), through the agency of the Central Procurement Unit, was responsible for the planning and management of major contracts. This was changed in February 2010 with the enacting of Decree Law 1/2010 that vested this responsibility in the Procurement Technical Secretariat (STA) of the Vice Prime Minister's Office. This was part of a Government initiative to decentralise procurement to the Ministries but proved unsuccessful due to capacity constraints in the STA. The STA was abolished and replaced by temporary measures until the National Procurement Commission was established under Decree Law 14/2011 in February 2011.

The National Procurement Commission remains in existence but has been bolstered considerably through further Decree Laws and the establishment of chartered agencies to oversee specific areas of procurement. To complement this approach the MoF developed Best Practice Guidelines in an effort to improve and clarify procurement processes across all Ministries in the Government. As the process of decentralisation continues there is a need to specifically examine the effectiveness of the procurement reform agenda and the processes that have been adopted by Ministries in the Government.

The purpose of this examination is to assist the Government in gaining an understanding of the procurement systems and processes in place throughout the various Ministries within the Government. By extension this examination will also focus on the alignment and conformity of the existing system with the requirements of the Decree Law and the Best Practice Guidelines that have been promulgated by the Government to support these efforts. This specific review will focus on the processes and procedures that exist in the Ministry of Infrastructure

1.2 Scope and Objectives

The Ministry of Finance requested that we:

- Examine procurement procedures and internal controls for the Ministry of Infrastructure
- Inspect Ministry of Infrastructure's compliance with Decree Law and Best Practice Guideline procedures through examination of procurement supporting documentation on a sample basis for the period 1 January 2009 to 30 June 2011
- Prepare a report of findings and recommendations

1.3 Approach to engagement

The approach to this engagement primarily entailed examination of procurement documentation and interviewing key stakeholders to obtain their perspectives on the procurement process. The objective being to critically analyse procurement procedures and internal controls in the Ministry of Infrastructure both to assess their effectiveness as well as their compliance with Decree Laws and the Best Practice Guides.

The framework for the analysis was to examine the elements of organisational architecture that support the procurement process – notably structure, systems and people. The following diagram provides an overview of what those components are and how they fit together:

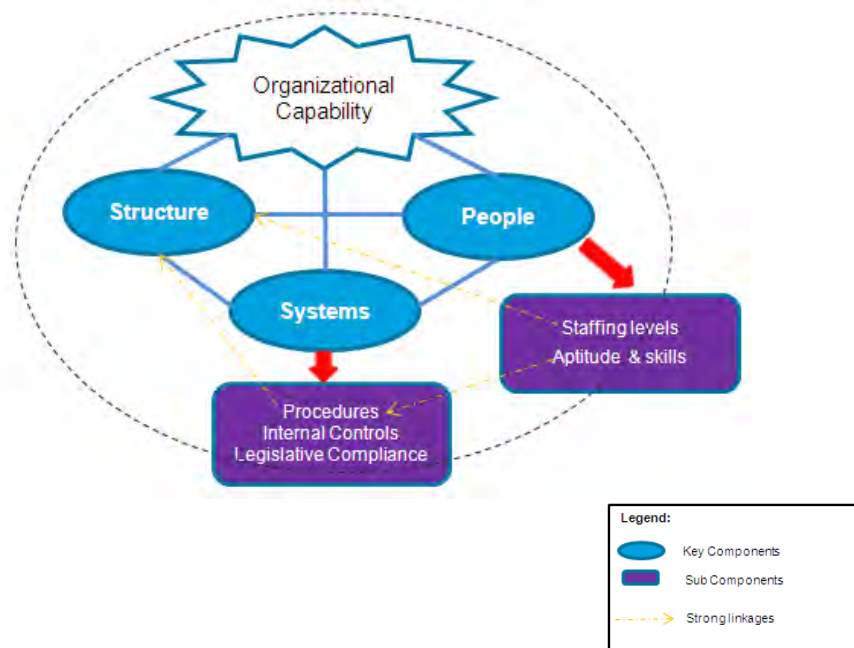


Figure 1. Organisational capability testing framework

The elements of the procurement environment are complementary and need to align for the procurement system to function correctly. For example, if the structure and systems are in place but the staff lacks the appropriate aptitude, skills and knowledge of the procurement system to fully utilise its capability, the system will be dysfunctional.

1.4 Key Findings and Recommendations

There are a number of key issues affecting the performance of the Procurement Department in the Ministry of Infrastructure. The detailed findings and recommendations are included in Section 2. The key findings and recommendations are:

1.4.1 Systems

1.4.1.1 Procurement Strategy

The significant difference between most line ministries and the Ministry of Infrastructure is the level of complexity involved in the procurement process. Whereas most line ministries would have procurement needs that possess a low level of risk and complexity (referred to as simple procurement), the Ministry of Infrastructure procurement is often highly complex. With this complexity come raised levels of risk associated with factors such as:

- The high costs involved in the purchase;
- The specialist knowledge required in the process including technical, commercial and legal support; and
- Value for money considerations such as contractual conditions, fitness for purpose considerations, whole of life costing and supplier support capabilities.

Our review concluded that the procurement strategy and the management of the procurement process in the Ministry were not effective. Poor procurement strategy may result in purchases that don't meet intended performance and cost efficiency outcomes.

Recommendation

The procurement process that deals with the issues above is referred to as strategic procurement. The approach often adopted in strategic procurement is to manage the purchasing through a capability lifecycle process that incorporates five key phases. Accordingly, we recommend that consideration be given to a more rigorous strategic procurement approach that incorporates the following:

1. **Needs** – there is a requirement to identify a statement of user needs that address the identified capability gap. The use of feasibility study that provides, amongst other inputs, the various options and their viability in meeting the prescribed objectives are essential to the process.
2. **Requirements** – the broad considerations identified in the “Needs” phase are refined into a costed, defined capability solution that provides a schedule for acquisition leading to operational release. Whole of life budgets are developed at this stage incorporating costs for acquisition, operation and support for the capability solution. The procurement plan is developed in the latter stages of this phase including the procurement approach to be adopted such as open tender or sole source approaches.
3. **Acquisition** – The appropriate asset is purchased and a contract established and entered into by the appropriate procurement authority.
4. **In-Service** – the asset is operated, supported and managed to achieve the capability requirement.
5. **Disposal** – In this phase major systems are withdrawn from service in a regulated process and disposed of or redeployed as necessary. In construction projects issues such as remediation are considered in place of disposal.

1.4.1.2 Procurement procedures & internal controls

There are a number of deficiencies in the procurement procedures and internal controls including instances where:

- There was missing supporting documentation. The extent of the missing documentation was the most extreme of all Ministries involved in the review process and suggests a near complete absence of due process in the procurement environment in the Ministry of Infrastructure.
- Purchase Orders were created after the invoice date indicating the proper procurement process had been circumvented
- The widespread and inappropriate use of the “Commitment Only” process has resulted in the standard approvals process being avoided and large volumes of goods and services being directly awarded without sufficient authorization.
- The quality of contracts is assessed as poor with wide ranging issues including missing or inadequate terms, conditions and annexures
- There is no established and effective contract management
- Procurement Conduct Checklists were not used in the procurement process
- The controls in the operation for the fuel vouchers post their issue is considered weak and susceptible to misappropriation and abuse.

Recommendation

It is recommended that the Procurement Department of the Ministry of Infrastructure implement standard operating procedures that regulate procurement processes at the functional level.

While the Decree Law and the Best Practice Guides in providing a strategic overview provide some direction, specific directives on the procedures to be followed must be developed in the Procurement Department of the Ministry of Infrastructure.

1.4.1.3 Non Compliance with Decree Law

The Procurement Department of the Ministry of Infrastructure did not comply with the Decree Law in the following instances:

- There was no Supplier Registry prepared in accordance with Decree Law
- There is no notification available to confirm that the accreditation process for the Ministry required in the Decree Law and the complementary Best Practice 10: Decentralisation and Accreditation has been followed
- There was no Procurement Plan prepared in accordance with Decree Law
- There was no formal process for managing procurement performance
- There were direct award purchases that possessed no justification for the direct award.

Recommendation

There are a number of steps that can be taken by the Procurement Department of the Ministry of Infrastructure to resolve issues of non-compliance with Decree Law and the Best Practice Guides. These actions include:

- Create and maintain a Suppliers Registry.
- The Procurement Department should access the registry administered by the National Director of Registry and Notary in the Ministry of Justice to reduce the risk that when assessing quotes or tenders there is beneficial ownership by one party in separate supplier submissions.
- The Ministry should request the level of accreditation appropriate for the respective needs from the MoF.
- The Procurement Department should provide the Procurement Plan required by the Ministry of Finance as mandated by Decree Law 10/2005.
- The Procurement Department should provide the Compliance Report to the Ministry of Finance as required as part of the Annual Procurement Report submission.
- An extension of the above is to create a more effective performance management system based on the SMART criteria (specific, measurable, achievable, relevant and time-bound). The performance management system should be designed to ensure predictable goal achievement. It should possess the three essential features:
 1. The goals against which performance is measured
 2. The ability to measure performance
 3. The ability to correct deviations.

Commonly used approaches include the Balanced Scorecard encompassing financial, internal business, customer and innovation and learning measures.

1.4.1.4 Other issues

There are several recommendations in relation to other compliance issues. These include:

- The Procurement Department should use official government email accounts.
- The Procurement Department should access or create standardised documentation to support their procurement activities. There is some standardised documentation but this should be reconciled against the objectives of the Procurement Department to ensure that it is both effective and complete.
- Significant items bought in volume by line ministries such as vehicle, fuel and travel should be procured centrally to exploit the advantages of volume discounts available.

1.4.2 Organizational Structure

1.4.2.1 Roles & responsibilities

The organisational structure of the procurement department appears to have the following issues:

- There are twelve personnel reporting to a single position. This position then reports to a single supervisor and this relationship is repeated one more time. This is a poor structure due to the extremely unbalanced organisational architecture in place. It is recommended that the organisational chart be adjusted to accommodate more adequately the roles and responsibilities that need to be represented in the Ministry's architecture.
- The Procurement Department organisational chart does not adequately address the roles and responsibilities required to meet the needs of a complex procurement environment. An example where the organisational architecture fails to meet the need is the contract development and management where no dedicated personnel have been applied to this essential capability.
- There are disparities in pay level. The Chief of Section is on a lower pay level than some of her subordinates and there are varying pay levels for a number of personnel who are on the same level within the Procurement Department. It is recommended that this situation be remedied to the extent that personnel are on the pay level that adequately reflects their qualifications, experience and level of responsibility.
- There are presently no Position Descriptions created for positions within the Procurement Department. It is recommended that each position have a position description created for it and these be appropriately designed to achieve the objectives of the department.

1.4.3 People Management

1.4.3.1 Staffing levels

Deloitte's examination of the level of transactional activity and staffing levels indicate that there appears to be sufficient staff to meet the demands of the department.

1.4.3.2 Aptitude & training

The level of experience of the Procurement staff appears to meet the required levels of experience noted in other line ministries. A more suitable assessment would have been to compare the existing requirements within each Position Description for each member of staff to the levels attained. However, no position descriptions exist and this could not be performed.

Furthermore, it was noted that no succession planning appears to be in place in the event of the departure of key procurement staff.

There are several recommendations in relation to training that should be adopted. These include:

- Instituting more effective training tailored to the requirements of the Procurement Department
- Improving the training development process for staff to ensure that individual staff members are monitored and the training required is delivered.
- The commissioning of a better accreditation system to complement the above and provide a formal basis for continuing professional development of staff.
- Adopting a people management strategy that focuses on productivity and embraces, amongst other elements, selection based on current skills and knowledge.

1.5 Follow up on recommendations

Due to the critical importance of procurement to both the delivery of government services and the development of Timor-Leste, a process should be implemented to monitor the progress that the Procurement Department of the Ministry of Infrastructure has made against these recommendations.

1.6 Review of Electricidade de Timor-Leste

There was a review of Electricidade de Timor-Leste completed in April 2011. This review examined procurement matters in EDTL. Please read this report in conjunction with the EDTL report.

1.7 Acknowledgement

We would like to take this opportunity to thank the management and staff of the Ministry of Infrastructure and the Ministry of Finance for their co-operation and assistance during the course of this examination.



Deloitte Touche Tohmatsu

July 2012

2. Detailed Findings and Observations

2.1 Procurement Strategy Considerations

2.1.1 Procurement Strategy

A review of the procurement activities in the Ministry of Infrastructure indicates that the process has significant inadequacies in every stage. The processes for complex procurement (also referred to as strategic procurement) rely upon a high level of experience, technical knowledge and contract management skills. An overview of this process is as follows:

2.1.1.1 Planning for Procurement

This is the process of establishing what is a required and technical characteristic that the goods and services are required to meet. In a complex infrastructure project this will normally involve the development of a feasibility plan that incorporates the following features:

- A systems study
- A site study where development occurs
- An environmental study
- Review of Service and Strategic Plans and a Study Plan
- Analysis of service delivery requirements and relationships
- Identify viable options
- Evaluation of options
- Identification of total scope of works
- Capital cost estimate for options
- Recurrent cost implications
- Drawings
- Review procurement method options

The absence of this detailed analysis will often result in the purchase of unsuitable and poorly performing assets that do not deliver value for money. The lack of source documentation for significant purchases (discussed below at 2.2.1.1) indicates that this process is not being adhered to.

Recommendation

There are many weaknesses in the current process but clearly the strategy and planning components of strategic procurement rate highly on the list of inadequacies. There is a need to develop requirements and specifications that focus on the outcome expected from the purchase rather than specifying a particular way of meeting the requirement. The outcomes of not establishing what is required include ineffective purchases, substantially higher project costs and purchases that provide significantly less value for money.

2.1.1.2 Management of the Procurement Process Lifecycle

By providing a strict framework for strategic procurement, there is a capability to assess, monitor and direct the progress of the project. The evidence (possibly more correctly the lack of it) is that there has been a lack of process in procurement. The lack of evidence and opaqueness of the process is supported by subsequent discussions that identify failures in the procurement process, contract establishment and management. The need to have more rigorous processes is readily apparent when one considers the factors of cost, complexity and risk associated with strategic procurement.

Recommendation

There is a need to apply the processes established in the Decree Law and Best Practice Guide. However, there is a need to further develop the procurement processes to accommodate the complex nature, higher risk and substantial costs associated with strategic purchases. The basis for this should follow the pattern stated above that applies needs (including a feasibility study), requirements, acquisition, in-service and disposal phases.

2.2 Procurement procedures & internal controls

2.2.1 Purchasing Procedures

2.2.1.1 Missing supporting documentation

The extent of missing documentation in the samples we requested was extensive. In view of the Ministry of Infrastructure being the final Ministry to undergo examination, it is reasonable to state that this Ministry had the largest volume of missing and inadequate documentation. The failure to provide adequate, and in many cases any documentation at all, for our selections indicates a complete failure of the procurement system. The following is a précis of the samples requested by financial year periods with reference to the efforts undertaken to gain access to these documents and the response of the Ministry in fulfilling our requests. The précis is as follows:

- FY 2009 – The documentation was requested from the appropriate ministry with sufficient lead-time to allow the relevant agencies time to prepare. The request extended across all relevant documentation required for testing including the FY2009 documentation. However, no ministries could provide us with the 2009 documentation. During this period procurement was performed centrally at Ministry of Finance (Central Procurement). This situation is considered reasonable as procurement was centrally controlled prior to 26 February 2010 and the promulgation of Decree Law 1/2010. However, what is at issue is that neither the relevant Ministry (nor the Ministry of Finance) could access the relevant documents in a timely fashion. The process that we undertook to gain access to the relevant documents for this period is detailed at Appendix 5 to this report.
- FY 2010 – The documentation for FY2010 contained few instances of authorized procurement or tender documentation. The reason given for the lack of documentation was that the Procurement Technical Secretariat (STA) was charged with the responsibility of procurement for the Ministry during this period (for further background on the STA refer to the 'Background' to this report). However, the STA was disbanded within the year and all procurement documentation was supposed to be transferred back to the relevant Ministries including the Ministry of Infrastructure. The documents should be available and readily accessible and blaming the former STA demonstrates a lack of accountability on the part of the Ministry. Moreover, some of the sampled items are for goods and services that remain operative under contracts from this period indicating the current provision of goods and services has inadequate oversight.
- FY 2011 – The Ministry has stated that the documents for this period are held predominately (and the contracts associated with them presumably managed) by the National Procurement Commission (NPC). No documents for this period have been furnished. The NPC was formed on 27 April 2011 with a charter to assist in purchases over USD\$1 Million. This would normally involve purchases made for the Infrastructure Fund.

This appears to create a demarcation of responsibility issue with the delegation of responsibility for procurement for purchases at over \$1M being the responsibility of the NPC. It is unclear where the responsibility for procurement at this level rests and how this impacts on the resourcing applied to both the Ministry and the NPC. One issue that is clear is that the documentation required for our testing was unable to be provided and reflected a level of dysfunction that demonstrated that the system is not working.

It should be reiterated that because of the general failure of the Ministry of Infrastructure to provide the source documentation in relation to procurement we have adjudged this Ministry the least controlled procurement environment across all the Ministries reviewed. The retention of critical procurement information is essential for the proper functioning of procurement controls. An absence of this information means that there is no mechanism to verify that the correct procedures are being applied or assess the reasonableness of the payment. The potential outcome of failing to apply these principles is fraud or error.

Recommendation

The procurement department should obtain or create and retain all the necessary procurement documentation. This should be adhered to rigorously. The requirements of the procurement process need to be understood by those in procurement and applied diligently.

Furthermore, there has to be some form of demarcation and understanding of the roles of the Procurement Department within the Ministry and the roles performed by the NPC. This should be reviewed in the context of the organisational structure, the roles and responsibilities and the staffing levels required to fulfil the objectives of the Ministry's Procurement Department.

2.2.1.2 Purchase orders created after the invoice date

During the examination of procurement documentation there were a number of instances where the invoices for purchases were dated prior to the approval to procure the goods or service. These were:

Year	Vendor	CPV No.	Purchase Order Date	Invoice Date	Amount
2010	CARYA TIMOR LESTE PT	10006393	30/12/2010	31/03/2010	2,000,000.00
2010	MAGIRUS MOTOREN PART	10003548	27/08/2010	1/11/2010	912,330.00
2011	MANITOBA HYDRO INTER	11002192	21/06/2011	1/06/2011	747,936.00
2011	ESPERANCA TIMOR OAN	11000017	31/01/2011	22/11/2010	2,301,201.83
2011	ESPERANCA TIMOR OAN	11000106	21/02/2011	9/12/2010	1,898,391.95
2011	ESPERANCA TIMOR OAN	11000187	3/03/2011	14/12/2010	8,074,528.45
2011	ESPERANCA TIMOR OAN	11000396	18/03/2011	24/02/2011	2,030,839.02

Table 1. Purchase orders created after invoice date

The purchase order process establishes the Ministry of Agriculture's acceptance and authority to pay an invoice. The invoice date preceding the purchase order date indicates that the goods and services were purchased prior to the required approval processes. Actions that circumvent this can result in payments that have not been approved by the Ministry of Infrastructure. This has the potential to permit fraud or error.

Recommendation

Procurement should follow the established procedure. Purchase orders should be created and approved prior to receipt of goods and services. The subsequent receipt of the goods and services should be accompanied by goods receipt information such as Goods Receipt Note that should be reconciled to the original Purchase Order. Provided that all agree, the Request for Payment can be lodged with the Ministry of Finance and the supplier paid.

2.2.2 Other purchasing issues

2.2.2.1 Use of the Commitment Only purchasing mechanism

The use of the “Commitment Only” procurement approach is common in the procurement process for the Ministry of Infrastructure. The table below illustrates the extent of the practice through providing the volume of transactions undertaken through both “Commitment Only” and the prescribed procurement methodology in the Decree Law and Best Practice Guides (“Standard Procurement”) in the FY2010:

No. Transactions	Grouping			Grand Total
	Goods & Services	Minor Capital	Capital & Development	
Commitment Only	1559	1	10	1570
Standard Procurement	348	131	435	914
Grand Total	1907	132	445	2484

Table 3. Number of transactions performed using the Standard and “Commitment Only” processes

Most of the “Commitment Only” disbursements are related to salaries, Per Diems and petty cash payments. These will be paid by the Finance Officer to the intended parties after Treasury has approved the preceding CPV and payment request.

There are systems for both payroll disbursements and procurement that are being underutilised or avoided. This avoidance may be for reasons of expediency, a lack of knowledge or confidence in the procurement or payroll systems or to take advantage of a weakness in the current systems. Table and Graph A2-3 of Appendix 2 detail the extent of these “Commitment Only” purchases.

The issues arise through the misuse of the “Commitment Only” approach are as follows:

1. There is no purchase order created for the purchase of goods and services. This means that the approval process for these acquisitions has been avoided.
2. These items are being direct awarded. For purchases in excess of \$5,000 there is a need to adopt a competitive process by the mechanisms provided for in the Decree Law and included at Appendix 3 to this review.
3. The large volumes of cash payments (\$276,574 in total for FY2010 for both petty cash and cash advances) indicate that this approach is potentially being overused. There does not appear to be an effective acquittal process for these payments as the Commitment and Obligation Report records these payments simply as cash payments. As a result no vendors are recorded and the process for vendor selection cannot be readily understood. As a result there is a high potential for misappropriation given the extent to which cash is being handled.
4. There are substantial payments made using manual payments through the “Commitment Only” process. This approach is substantially less controlled payment option than the system that pays directly into a bank account. The manual system should only be used where access to banks is limited such as the districts. The manual approach has the potential for misappropriation given the difficulties associated with administering such a system.
5. The approach is a violation of the Decree Law due both to the direct award nature of the procurement and avoidance of the Ministry of Infrastructure’s obligations to undertake procurement in accordance with the Decree Law.

Recommendation

The practice of using the “Commitment Only” approach for the purchase of goods and services and the disbursement of payroll related monies should cease. In limited cases the payment of per diems and salaries may be appropriately handled through this mechanism but under conditions of strict control.

2.2.2.2 Contract Quality

There are notable issues with the contracts observed during the examination of procurement documentation for the Ministry of Infrastructure. The contract reviewed as part of this examination was a contract between the Ministry and Gness Unipessoal LDA for the supply of Truck tires (Contract No. RDTL-004-MoE-03-2011). The standard of this contract was poor with a lack of details (no pricing information, no quality requirements or details of supply expectations), incomplete referencing and what appeared to be incorrect information.

The need to have adequate contracts is essential in order to ensure that the price, quality and surety of supply of the desired goods and services are maintained. Without these it is difficult to adequately ensure value for money.

Recommendation

The standard of contracting should be improved to provide understandable terms and conditions for contracts and adequately protect the interests of the government in their contractual arrangements. The adoption of the Commercial Principles in Best Practice Guide 6: Establishing Contracts would assist the Ministry to improve the standard of contracting presently being undertaken.

2.2.2.3 Contract Management

There are no established procedures, allocation of tasks or dedicated personnel to manage contracts.

The framing of contracts should deliver the platform for the effective delivery of goods and services but it must be managed or those anticipated benefits will not be achieved. Best Practice Guide 7: Managing Contracts provides comprehensive guidance on all aspects of contract management and administration.

Recommendation

There is a need to have contract management processes and dedicated personnel allocated to the task of managing contracts. The Best Practice Guide 7: Managing Contracts provides extensive guidance on the requirements for management process and this should be overseen by adequately trained and experienced staff.

2.2.2.4 Procurement Conduct Checklists

The Best Practice Guide 3: Tender Processes & Documents recommends that Procurement Departments use the Procurement Conduct Checklists in conduct of all tenders. An examination of documentation indicates that the checklists are not being used.

The Procurement Conduct Checklist itemises each person and issue that will be relevant in the tender process and in doing so is a valuable tool in ensuring that the process is conducted properly.

Recommendation

The Procurement Department of the Ministry of Infrastructure should use the Procurement Conduct Checklist in the development of all tenders.

2.2.2.5 Fuel Voucher Controls

The fuel voucher system in operation for the Ministry of Infrastructure is considered sufficiently robust up to the point purchasing the voucher coupons books. However, the controls surrounding the subsequent issue and use in purchasing of fuel using the coupons is considered weak. Some of the issues identified include:

- Coupon books being issued to Director Generals and above with no reconciliation process;
- There is no sign off by the vendor (fuel station) to ensure that the receiving vehicle is the authorised recipient;
- There is no statement provided by the vendor and subsequent reconciliation performed against the fuel usage; and
- There are no log books maintained to check mileage performed by the vehicles and ensuring this agrees with the amount of fuel that would reasonably have been consumed.

The outcome of this process is that there are opportunities to misuse this system and misappropriate fuel.

Recommendation

The controls surrounding the management of the purchasing of fuel using coupons requires improvement.

2.3 Compliance with Decree Law & Best Practice Guide Procedures

2.3.1 Non-compliance with Decree Law

2.3.1.1 Suppliers Registry

The Decree Law 10/2005 requires that adequate supplier records be maintained for Government bodies involved in procurement. In the practical application of this requirement, the Procurement Department of the Ministry of Infrastructure has not adopted any form of supplier registry.

The adoption of a Supplier Registry is critical to maintaining control over suppliers. In an absence of this control there is scope for companies to fraudulently misrepresent themselves in the procurement process or conceal participants that may have a conflict of interest.

Furthermore, it was noted that the Procurement Department does not have access to a Directors and Shareholders registry that would commonly be available through a corporate regulator in other jurisdictions. This creates the potential for suppliers to create a number of corporate entities in which to bid (thereby satisfying the requirement for three quotes for purchases less than \$100K) but in reality being one provider.

Recommendation

The Procurement Department should institute a Supplier Registry as soon as is practicable.

2.3.1.2 Accreditation Procedures Not Followed

Decree Law 24/2008 required that the each Ministry, as part of the decentralisation process, undergo a process of accreditation. In this process each Ministry and their related entities was required to request the Ministry of Finance for a level of accreditation appropriate to their needs. This is supported by Best Practice Guide 10: Decentralisation and Accreditation.

The initial change was for the Ministry of Finance to allow procurement to level 2 (\$250,000) across all line Ministries. However, the discontinuing of the Procurement Technical Secretariat (STA) prompted the Council of Ministers to amend (by Decree Law) that line ministries would be permitted to procure to their budget. Subsequent changes in the Decree Law resulted in the creation of the National Procurement Commission that controls expenditure in excess of \$1M.

The Ministry of Infrastructure has not complied with the accreditation requirements of the Decree Law and complementary Best Practice Guide 10. The numerous changes in Decree Law may have resulted in some confusion.

Recommendation

The Ministry should request the level of accreditation required from the MoF.

2.3.1.3 Mandated Procurement Plan Requirements

The Decree Law 10/2005 Article 24 requires that an Annual Procurement Plan be prepared and submitted to the Ministry of Finance. The Best Practice Guide 1: Procurement Planning provides advice on how this is to be approached including the planned expenditure ranges that are required to be reported on. These ranges are:

- \$1 - \$50,000
- \$50,000 - \$100,000
- \$100,000 - \$250,000
- \$250,000 - \$500,000
- \$500,000 - \$1,000,000
- \$1,000,000 +

However, the Procurement Department has interpreted this to mean they are required to submit an annual budget. This submission is provided for the total planned spend only and not by the procurement ranges required by the Best Practice Guide.

Recommendation

The Procurement Department should prepare a procurement plan in accordance with the planned expenditure ranges detailed in Best Practice Guide 1.

2.3.1.4 Procurement performance management system

There is no formal process for reporting procurement performance against the governing legislative instruments. Furthermore, there are no procedures or reporting for the identification of non-compliance in the procurement system.

The Annual Procurement Report required under the Decree Law states that a Compliance Report be included in the submission to the Ministry of Finance. This has not been performed.

The absence of a performance review process limits the effectiveness of the procurement process. Diagnostic systems measure and monitor Key Performance Indicators (KPI) on the procurement system. Based on discussions with the MoF, there is an intention to remedy this situation through the development of a report "Establishing Performance and Compliance Indicators in Public Procurement in Timor-Leste" under the auspices of a World Bank IDF grant. Furthermore, Deloitte understands that the World Bank will provide comments and the MoF will then roll out the performance system to line ministries. The development of this approach will significantly address this existing shortfall.

The non-issue of the Compliance Report within the annual procurement reporting framework is a violation of the Decree Law.

Recommendation

There are two recommendations relating to the performance reviews and non-compliance reporting:

- A performance monitoring system requires implementation. This system requires KPIs to be developed that benchmark against acceptable outcomes. This system needs to report monthly and the consolidated annual results from part of the Compliance Report within the Annual Procurement Report. The KPI reporting can be used for performance assessment of procurement officers.
- The Compliance Statement needs to be completed and included in the submission of the Annual Procurement Report in accordance with the Decree Law.

2.3.1.5 Direct award without justification

The lack of documentation provided per section 2.2.1.1 above has made the determination of instances of direct award difficult to determine. However, per our discussions with the Secretary of State of Electricity, Water and Urbanisation, Puri Akraya was a direct award (single sourced) contract. The contract was subsequently approved by the Council of Ministers.

The Article 92 of the Decree Law 10/2010 permits direct award under specified circumstances. In this case there was no evidence that this procedure had been followed or the justifications for the purchase provided. When direct award cases are processed without any justification, it can result in procurement procedures being circumvented under the guise of being urgent or special matters. The rationale for direct award contracts is provided at Appendix 5 to this document and should be followed or the integrity of the procurement system is compromised.

Recommendation

All direct award (including emergency cases) are to be processed according to the Decree law and Best Practice Guides, with adequate documentation being maintained as proof of the urgency or special nature involved in procuring the item(s).

2.4 Other compliance issues

2.4.1.1 Government Procurement Contact Details

The contact details of a number of Procurement Officers in each Ministry under examination were supplied. In all cases (no government email addresses were provided) either a yahoo, Gmail or hotmail account was provided. Furthermore, two of the contact details provided were not correct.

The provision of inaccurate or incomplete information will hinder the delivery of important information to the procuring entity. Furthermore, the use of publically accessed email services does not provide adequate security particularly in the transmission of 'commercial-in-confidence' information.

Recommendation

All procurement team members should be provided with a Government email account. This should be used to disseminate information to the Procurement teams and be one of the mediums for reporting back to Central Procurement. With the launch of the e-procurement system it is essential that all procurement officers are online.

The Government should ensure that only Government email addresses are used for business purposes.

2.4.1.2 Internet Accessibility

The internet and intranet services for the Ministry of Infrastructure are slow and unreliable. As a consequence most of the staff does not have access to the Government server during these periods of poor service performance. This issue will affect access to the e-Portal system.

It was also noted that most senior officials utilise internet services provided by Timor Telecom that is separate from the intranet service commented on above.

Recommendation

The Director General of State Finances is currently sponsoring a Management Information Strategy (MIS) Report that comments extensively on this issue. For the purposes of this report the comments above are for information only and more detailed commentary can be gained from the MIS Report.

2.5 Organizational Architecture

2.5.1 Organizational structure

The organizational structure for the Procurement Department of the Ministry of Infrastructure is provided in the organizational chart that follows:

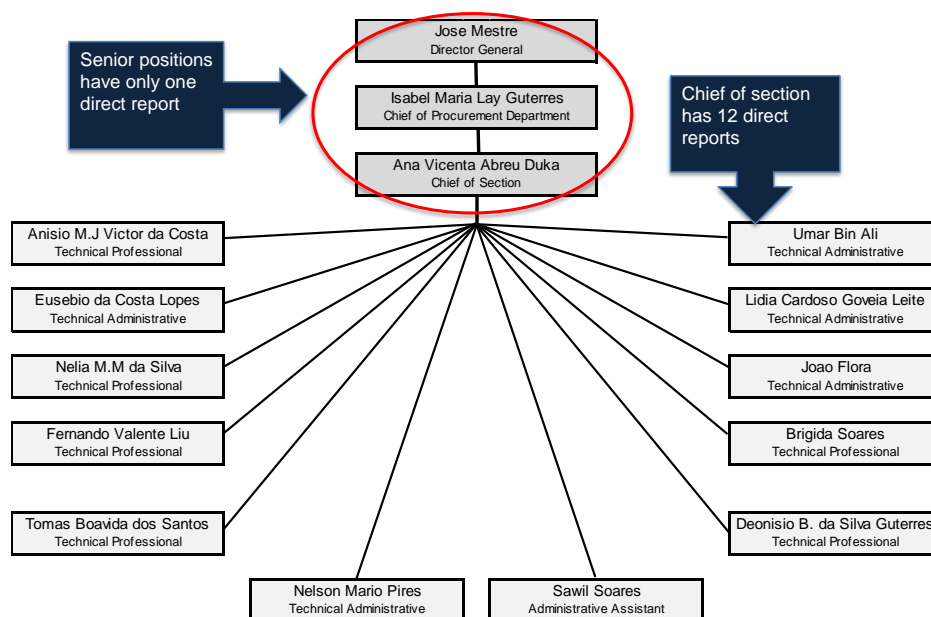


Figure 2. Organizational chart for the Procurement Department of the Ministry of Infrastructure

The organizational chart establishes limits of authority and responsibility. The structure appears reasonable given the quantum of people employed, but the lines of authority that have been constructed are not effective. Currently twelve individuals all report directly to the Chief of Section, while the senior two positions have only one direct report each (refer figure 2). Furthermore, there are several issues of note that we observed. These include:

- The responsibilities of the Procurement Department of the Ministry of Infrastructure should include contract development and management in a complex procurement environment. The division of responsibility does not appear to cover this or other areas of responsibility that the Procurement Department should transparently and adequately cover.

- Additionally, there are significant disparities in the pay levels of employees who occupy the same level in the organization. Furthermore, the titles for these roles do not appear to have consistency or reflect the role the employee performs. This is further complicated by the fact that the Chief of Section is on a lower pay level than her subordinates (this is discussed below in more detail at 2.5.2.1).

Recommendation

The organisational structure for procurement needs revision. The twelve individuals currently reporting to the Chief of Section should be divided into appropriate sub-sections. Each sub-section should have an appropriate person heading that sub-section who reports to the Chief of Section. This will avoid overloading the Chief of Section who is currently overseeing the work of these twelve individuals. Each sub-section should have specific procurement responsibilities assigned to them with specialised functions and should be held accountable for those roles and responsibilities. The specialised functions for which sub-sections are needed include coverage of the energy and construction sectors and the functional requirements for contract management and administration.

The pay structure requires review and amendment based on the qualifications, experience and level of responsibility that the staff member possesses.

2.5.2 Roles & responsibilities

There are no defined roles and responsibilities assigned in the Procurement Department of the Ministry of Infrastructure. At the minimum the expectation would be that Position Descriptions exist for all positions in the Procurement Department providing information including:

- Brief description of role
- Minimum competencies
- Responsible manager
- Qualifications required
- Pay level

This provides a minimum level of information to manage personnel from a human resources perspective. This assists in recruitment, succession planning and training of staff (note the connection between structure and human resources issues in this case).

This information also provides the basis for reconciling the roles and responsibilities of the department with the objectives they are attempting to achieve. Observation of the structure and titles indicates a degree of complexity in the procurement process that may not actually exist. Overall, what function specific people perform and what outcomes are required is unclear.

The outcome of establishing adequate roles and responsibilities may be that the organizational structure requires revising.

Recommendation

It is recommended that each position have a position description created for it. Furthermore, this needs to be reconciled across the scheme of complement to ensure that the objectives of the department are being met. This process should be performed in concert with any restructuring being contemplated.

2.6 People Management

2.6.1 Staffing Levels

Examination of the documentation for the complete FY2010 in the Ministry of Infrastructure's Procurement Department indicates that there were 405 payments made to suppliers following the procurement processes stipulated in the Decree Law and Best Practice Guides (this excludes 1504 commitment only payments processed by the Finance Officer) for the period. The details of this can be viewed in Table 3 attached to paragraph 2.1.2.1.

Presently the Procurement Department has fifteen staff. Based on the current tempo of activity, the number of personnel appears to be adequate for the level of activity experienced by the Procurement Department.

Recommendation

The levels of staffing appear adequate to the volume of transaction being processed in the Procurement Department.

There is potential for efficiency gains through the use of standardised documentation, the development of improved standard operating procedures and strict adherence to the Best Practice Guides.

2.6.2 Aptitude & Skills

2.6.2.1 Existing Capability

The following are the qualifications and experience of the personnel in the Procurement Department of the Ministry of Infrastructure:

Name	Position	Qualifications	Experience	Pay Level
Isabel Maria Lay Guterres	Chief of Procurement	Bachelors in Civil Engineering	In procurement since 2009	5
Ana Vicenta Abreu Duka	Chief of Section	Bachelors in Biology	In procurement since 2001	3
Anisio M.J Victor da Costa	Technical Professional	Bachelors in Electrical Engineering	4 Years in procurement	4
Nelia M.M da Silva	Technical Professional	Diploma in Financial Management	3 Years in procurement	4
Deonisio B. da Silva Guterres	Procurement Officer	Bachelors in Engineering	In procurement since 2009	5
Tomas Boavida dos Santos	Technical Professional	Bachelors in Economic Management	In procurement since 2006	4
Sawil Soares	Procurement Officer	SMA*	6 years in procurement	2
Nelson Mario Pires	Technical Professional	Bachelors in Management	5 Years in Procurement	3
Fernando Valente Liu	Technical Professional	Bachelors in Social Economics of Agriculture	6 years in procurement	4
Joao Flora	Procurement Officer	SMEA**	3 Years in procurement	3
Umar Bin Ali	Procurement Officer	Bachelors in Management	6 years in procurement	3
Lidia Cardoso Goveia Leite	Procurement Officer	SMA*	6 years in procurement	3
Eusebio da Costa Lopes	Procurement Officer	Bachelors in Economic Management	6 years in procurement	3
Brigida Soares	Technical Professional	Bachelors in Management	3 years in procurement	4

Note:

* SMA is Sekolah Menengah Atas (Senior Secondary School)

** SMEA is Sekolah Menengah Ekonomi Atas (Senior Secondary School of Economics)

Table 9. The Ministry of Infrastructure procurement staff particulars.

The qualifications and experience appear adequate for the tasks required in the Procurement Department. A more suitable assessment would have been to compare the existing requirements within each Position Description for each member of staff to the levels attained. However, no position descriptions exist and this could not be performed.

There was no apparent succession planning in place.

Recommendation

There are no immediate requirements to action any inadequacies in the existing capability. However, there is a need to have some succession planning in place including attention to training needs (addressed further below) and candidate selection.

2.6.2.2 Training

Discussions with the procurement staff in the Ministry of Infrastructure indicate that most of the procurement team was able to attend the Procurement Cycle 21 Day training but only half of the procurement team attended the E-procurement training at the Ministry of Finance. Three certificates for the Procurement Cycle 21 Day training sessions were not provided and none for the E-procurement training. The detail of attendance at training is as follows:

Name	Position	Training	
		MoF Financial Process	E- Procurement
Isabel Maria Lay Guterres	Chief of Procurement	14 Days training	Yes
Ana Vicenta Abreu Duka	Chief of Section	18 Days training	Yes
Anisio M.J Victor da Costa	Technical Professional	18 Days training	No
Nelia M.M da Silva	Technical Professional	18 Days training	No
Deonisio B. da Silva Guterres	Procurement Officer	12 Days training	No
Tomas Boavida dos Santos	Technical Professional	* Yes	Yes
Sawil Soares	Procurement Officer	* Yes	No
Nelson Mario Pires	Technical Professional	18 Days training	Yes
Fernando Valente Liu	Technical Professional	* Yes	Yes
Joao Flora	Procurement Officer	No	No
Umar Bin Ali	Procurement Officer	12 Days training	No
Lidia Cardoso Goveia Leite	Procurement Officer	18 Days training	Yes
Eusebio da Costa Lopes	Procurement Officer	12 Days training	Yes
Brigida Soares	Technical Professional	18 Days training	No

Note:

* No certificate was provided.

Table 10. The Ministry of Infrastructure staff training attendance.

The institution of a formal training regime is essential to the effective operation of the procurement system. Training is the linkage that aligns the people (both in terms of capability and motivation) to the systems and organisational structure in operation. The issue appears to be the provision of job specific training that meets the training needs of procurement staff in performing routine procurement activities, as supposed to the high level training of Decree Law and Best Practise Guides provided in the 21 day procurement training. .

Recommendation

There is a need to provide more comprehensive training that supports the achievement of clear objectives. Specifically, the training must support the routine activities of the procurement department. Furthermore, there is a need to manage this so that the training development needs of individual staff are monitored and the training required is delivered. To ensure that this occurs adequate training support and accreditation should exist.

Appendix 1: Budget & Actual Expenditure for FY 2010

Category/Item	2010	2010	Variance
	Budget	Actual	
Ministry of Infrastructure			
Salaries and Wages	2,997,000	2,913,190	83,810
Goods and Services	8,355,418	7,162,913	1,192,505
Minor Capital	2,094,538	1,728,537	366,001
Capital and Development	146,700,500	139,953,939	6,746,561
Transfers	-	-	-
Directorates:			
Minister of Infrastructure			
Salaries and Wages	62,000	45,893	16,107
Goods and Services	26,500	26,483	17
	88,500	72,376	16,124
Sec Est Transport Communication			
Salaries and Wages	1,004,000	999,194	4,806
Goods and Services	3,421,801	2,817,552	604,249
Minor Capital	1,320,255	1,083,756	236,499
Capital and Development	4,914,000	4,089,542	824,458
Transfer	-	-	-
	10,660,056	8,990,044	1,670,012
Sec Est Transports and Communicate			
Salaries and Wages	46,000	45,910	90
Goods and Service	-	-	-
	46,000	45,910	90
Office of General Director			
Salaries and Wages	19,000	18,875	125
Goods and Service	8,400	8,312	88
Minor Capital	3,000	-	-
	30,400	27,187	3,213
Authority Regulatory			
Salaries and Wages	77,000	76,562	438
Goods and Service	27,895	26,547	1,348
Minor Capital	26,000	8,850	17,150
Capital and Development	600,000	-	600,000
	730,895	111,959	618,936
Transport Shipping			
Salaries and Wages	74,000	73,337	663
Goods and Services	58,000	49,872	8,128
	132,000	123,209	8,791
Meteorology and Geophysics			
Salaries and Wages	55,000	54,647	353
Goods and Services	19,000	18,069	931
Minor Capital	212,000	186,150	25,850
	286,000	258,866	27,134
Infra – Estru- IT			
Salaries and Wages	134,000	133,172	828
Goods and Services	66,100	65,953	147
Minor Capital	17,000	16,650	350
Capital and Development	1,934,000	1,837,600	96,400
	2,151,100	2,053,375	97,725
Infrastructure – Admin Finance			
Salaries and Wages	103,000	102,722	278
Goods and Services	534,200	523,606	10,594
Minor Capital	97,800	97,580	220
Transfers	5,000	5,000	-
	740,000	728,908	11,092

DN Motor Vehicles DNTT			
Salaries and Wages	294,000	293,348	652
Goods and Services	236,700	236,236	464
Minor Capital	93,000	89,950	3,050
Capital and Development	375,000	246,942	128,058
	998,700	866,476	132,224
DN Post Office Timor Leste			
Salaries and Wages	91,000	90,293	707
Goods and Services	432,450	296,491	135,959
Minor Capital	34,780	34,299	481
	558,230	421,083	137,147
Aviation Authority TL AACTL			
Salaries and Wages	111,000	110,327	673
Goods and Services	121,300	118,383	2,917
Minor Capital	836,675	650,277	186,398
Capital and Development	2,000,000	2,000,000	-
	3,068,975	878,987	189,988
Berlin Nakroma			
Goods and Services	1,917,756	1,474,085	443,671
	1,917,756	1,474,085	443,671
Sec Est Electricity, Water, Urbanization			
Salary and Wages	693,000	690,807	2,193
Goods and Services	4,277,800	3,717,498	560,302
Minor Capital	531,700	412,573	119,127
Capital and Development	93,084,500	92,257,841	826,659
Transfers	-	-	-
	98,587,000	97,078,719	1,508,281
Sec Est Electricity, Water and Urbanization			
Salary and Wages	46,000	45,335	665
Goods and Services	15,000	12,797	2,203
	61,000	58,132	2,868
DN Administration and Finance			
Salary and Wages	67,000	66,799	201
Goods and Services	3,373,300	2,832,934	540,366
Minor Capital	160,700	126,346	34,354
Capital and Development	64,500	64,306	194
	3,665,500	3,090,385	575,115
DN water resource management			
Salary and Wages	20,000	19,828	172
Goods and Services	30,500	30,373	127
	50,500	50,201	299
DN Water and Sanitation			
Salary and Wages	560,000	558,845	1,155
Goods and Services	849,000	835,164	13,836
Minor Capital	371,000	286,227	84,773
Capital and Development	3,020,000	2,203,814	816,186
	4,800,000	3,884,050	915,950
Constr New Central Electricity			
Goods and Services	10,000	6,230	3,770
Capital and Development	90,000,000	89,989,721	10,279
	90,010,000	89,995,951	14,049
Sec Est public works			
Salaries and Wages	1,185,000	1,124,440	60,560
Goods and Service	601,317	574,504	26,813
Minor Capital	224,583	224,583	-
Capital and Development	48,702,000	43,606,556	5,095,444
	50,712,900	45,530,083	5,182,817
Sec Est public works			
Salaries and Wages	44,000	42,008	1,992
Goods and Service	19,000	18,138	862
	63,000	60,146	2,854

Office of General Director			
Salaries and Wages	23,000	18,746	4,254
Goods and Service	6,772	6,772	-
Minor Capital	38,228	38,228	-
	68,000	63,746	4,254
Public works - Admin Finance			
Salaries and Wages	149,000	140,335	8,665
Goods and Service	346,520	327,825	18,695
Minor Capital	43,150	43,150	-
	538,670	511,310	27,360
DN Edifying & Urban Plan			
Salaries and Wages	327,000	308,016	18,984
Goods and Service	44,425	44,346	79
Minor Capital	51,575	51,575	-
	423,000	403,937	19,063
Works-Dir Research & Development			
Salaries and Wages	111,000	90,616	20,384
Goods and Service	29,000	28,966	34
Minor Capital	9,330	9,330	-
Capital and Development	130,000	104,850	25,150
	279,330	233,762	45,568
Dir Roads, Bridges & Contr In			
Salaries and Wages	531,000	524,719	6,281
Goods and Service	155,600	148,457	7,143
Minor Capital	82,300	82,300	-
Capital and Development	48,572,000	43,501,706	5,070,294
	49,340,900	44,257,182	5,083,718
Office of Vice - Min Infrastructure			
Salaries and Wages	53,000	52,856	144
Goods and Service	28,000	26,875	1,125
Minor Capital	18,000	7,625	10,375
	99,000	87,356	11,644
Total Expenditure	320,107,412	301,357,425	16,749,987

Table Graph A1-1. The Ministry of Infrastructure Budget & Actual Expenditure for FY 2010.

(Source: Democratic Republic of Timor Leste Annual Consolidated Financial Statement for the Fiscal Year 2010)

Appendix 2: Major Suppliers

The following table reflects the 40 largest suppliers in US Dollar terms for the FY 2010:

Vendor	Supply	YTD Actual	%
CHINA NUCLEAR INDUST	Power & Energy	48,000,000	26.36%
PURI AKRAYA ENGINEER	Power & Energy	40,000,000	21.97%
BRAVO INTERNATIONAL	Vehicles	9,776,888	5.37%
A E C C O P	Construction	5,834,645	3.20%
CARYA TIMOR LESTE PT	Roads	4,693,409	2.58%
Commitment Only	Commitment Only	3,268,534	1.80%
MONTANA DIAK UNIPES	Roads	2,951,372	1.62%
ALVORADA,LDA	Capital equipment	2,801,067	1.54%
MARINO ENTERPRISES P	Roads	2,522,441	1.39%
MANITOBA HYDRO INTER	Other	2,187,196	1.20%
MAGIRUS MOTOREN PART	Capital equipment	2,081,616	1.14%
BONIFICA S.P.A	Power & Energy	1,953,735	1.07%
HIDAYAT PTY.LTD	Roads	1,948,451	1.07%
TIMOR TELECOM	Other	1,744,600	0.96%
DIVITA CO.LTD	Vehicles	1,663,681	0.91%
JONIZE CONSTRUCTION	Roads	1,660,241	0.91%
NANANIU COMPANY LDA	Construction	1,290,257	0.71%
WAIDA UNIPES	Construction	1,267,500	0.70%
ASPALINK UNIPES	Roads	1,149,983	0.63%
SHABRYCA CONSTRUCTIO	Roads	1,133,486	0.62%
CAILAWA LDA	Roads	1,129,237	0.62%
MS CORPORATION CO.LT	Capital equipment	1,126,609	0.62%
TINOLINA Pty.Ltd	Roads	1,095,409	0.60%
FODIAK SUPPLY	Capital equipment	1,039,212	0.57%
ALECRIM LDA	Capital equipment	1,032,458	0.57%
CMEC INTERNATIONAL T	Capital equipment	1,004,000	0.55%
AITULA CONSTRUCTION	Construction	927,654	0.51%
LURO INDAH UNIPES	Roads	854,080	0.47%
GREU UNIPES	Roads	814,459	0.45%
CLARDEL INTERPRISE U	Roads	798,994	0.44%
MARABIA LDA	Roads	757,305	0.42%
TIMINA CORP.FUEL,LDA	Fuel	741,500	0.41%
CORNEL SUPPLY UNIPES	Capital equipment	731,179	0.40%
HADOMI TIMOR UNIP,LD	Capital equipment	707,109	0.39%
THREE HORSES I	Roads	697,572	0.38%
FUTSCRAY UNIPES	Construction	650,361	0.36%
LOUBARA CONSTRUCTION	Construction	635,100	0.35%
PT.DUTA GRAHA INDAH,	Construction	631,065	0.35%
SAMUDRA UNIPES	Construction	625,356	0.34%
GQUATRO STA.FILOMENA	Capital equipment	582,000	0.32%

Table & Graph A2-1. List of the 40 largest suppliers to Ministry of Infrastructure in FY2010.

This represents the actual purchases for FY10 including the uncategorised commitment only payments.

Source: MoF Commitment & Obligation Report from MoF Accountability System.

Total Suppliers (including uncategorised “Commitment Only”):

Category	Total
Power & Energy	89,998,735
Roads	28,621,535
Construction	20,353,904
Capital equipment	16,911,324
Vehicles	13,700,955
Other	7,168,929
Commitment Only	3,268,534
Fuel	1,770,393
Other Infrastructure	285,678
Grand Total	182,079,988

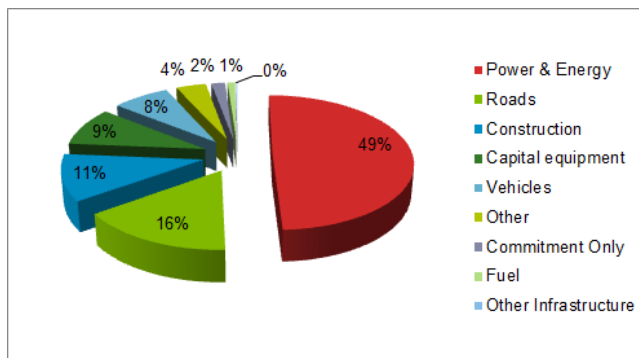


Table & Graph A2-2. List of suppliers to the Ministry of Infrastructure in FY2010.

This represents the actual purchases for FY2010 including the uncategorised commitment only payments.

“Commitment Only” Supplies:

Category	Total
Office Services & Supplies	1,128,531
Salaries	386,020
Vehicles	296,336
Transfers	289,551
Petty Cash	276,574
Staff Training	261,965
Capital Equipment	254,565
Repairs & Maintenance	246,058
Travel	128,933
Grand Total	3,268,534

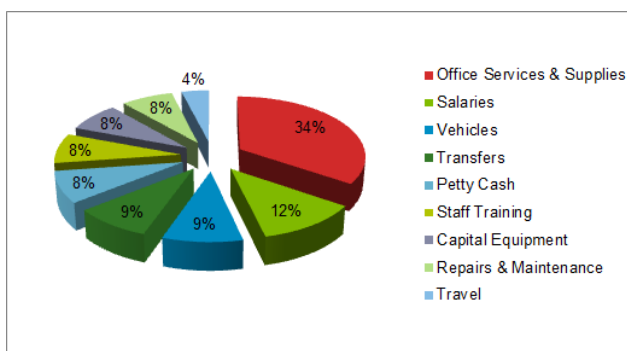


Table & Graph A2-3. Commitment only suppliers for FY2010.

Total Supplies by Category (including categorised “Commitment Only”):

Category	Total
Power & Energy	89,998,735
Roads	28,621,535
Construction	20,353,904
Capital	17,165,889
Vehicles	15,767,684
Other	9,886,562
Other Infrastructure	285,678
Grand Total	182,079,988

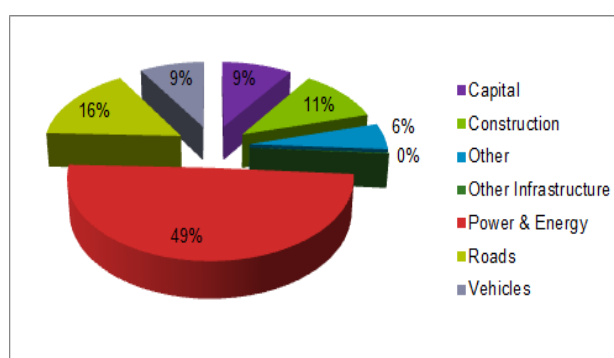


Table & Graph A2-4. Total payments to suppliers and others for FY2010.

This represents the actual purchases for FY10 including the categorised commitment only payments.

Source: MoF FreeBalance Accountability System

Appendix 3: Expenditure thresholds under Decree Law & Best Practice

	Decree Law	Best Practice Guide
0 - \$5K	Simplified Procedures - DL 24/2008 Article 45 & 95	
\$5K - < \$100K	Request for Quotation (RFQ) - 3 Quotes DL 24/2008 Article 43	Request for Quotation (RFQ) - 3 Quotes
\$100K +	National Public Tender DL 24/2008 s2 Article 38 & 61 DL 24/2008 Article 37	National Public Tender
	International Public Tender Goods & Services: >\$250K Public Works: >\$1M DL 24/2008 s2 Article 39 & 61	International Public Tender Goods & Services: >\$250K Public Works: >\$1M

Competence to sign & approve Decree Law 1/2010 Article 15		
<\$1M USD	\$1M - \$3M USD	>\$3M USD
Holders of organs of sovereignty Ministers & Secretaries of State All other public bodies subject to Government Budget Discipline	The Prime Minister - can delegate	The Council of Ministers

Appendix 4: Process followed to obtain the FY 2009 documentation

The following process was followed in order to try and obtain the 2009 documentation:

- The Ministry of Infrastructure stated that they were unable to furnish us with the relevant documentation as these transactions were performed under the central procurement regime that existed prior to 26 February 2010. DTT was directed to the National Procurement Commission (NPC) presumably as they represented a legacy component of the former Central Procurement. DTT specifically spoke to Mr. Aniceto do Rosario and Hermingardo 'Ardo' A Soares at the National Procurement Commission but they were unable to assist as the NPC was only established on 27 April 2011 and the NPC's charter is to assist in procurement over \$1,000,000 normally involving the procurement for the Infrastructure Fund.
- The representatives at NPC directed DTT to speak to Central Procurement Department in the Ministry of Finance. Specifically, DTT spoke with Luciano Henri Ques Andrade (Ms Evangelina Gutteres was not available) who made it clear that the mandate of the department was to provide procurement training and not procurement. DTT was directed to Corporate Services in the Ministry of Finance for further investigation.
- DTT then spoke to Ms Santana (DG) at Corporate Services where it was made clear that they only procure for the Ministry of Finance and no central procurement was done at Corporate Services on behalf of any line ministries. It was then noted that the documents could be obtained from the former Head of Central procurement, Mr Manuel Montiero.
- DTT then spoke to Mr. Manuel Montiero the current National Director of Autonomous Public Authority. He said that he could only provide us with documents for after June 2009. We requested all the relevant 2009 documents but only received a few document batches from him. These batches were found to be incomplete. .
- DTT did not go further in trying to get the 2009 documentation as Central procurement no longer exists and there was no concern or responsibility taken by the relevant agencies for the whereabouts of this documentation. The outcome was DTT making the observation in this procurement report that documents for 2009 could not be provided by the ministry.

Contact us

Deloitte
Level 11
24 Mitchell Street NT 0800
GPO Box 4296
Darwin NT 0801 Australia

Tel: +61 (0) 8 8980 3000
Fax: +61 (0) 8 8980 3002
www.deloitte.com.au