



**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 Foreign Affairs for the period  
1 January 2009 to 30 June 2011

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# 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 Foreign Affairs.

## 1.2 Scope and Objectives

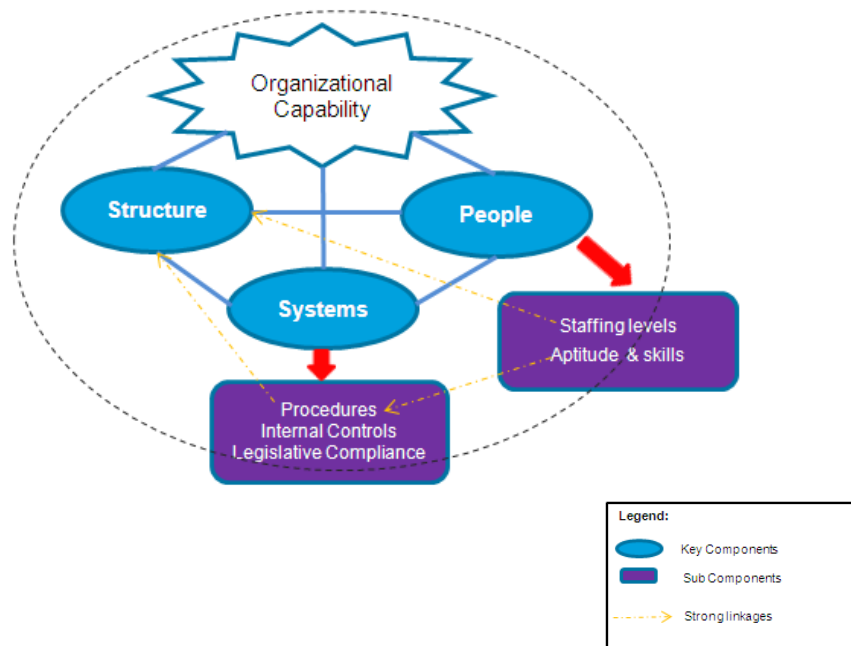
The Ministry of Finance requested that we:

- Examine procurement procedures and internal controls for the Ministry of Foreign Affairs
- Inspect the Ministry of Foreign Affairs'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 Foreign Affairs, 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 Foreign Affairs. 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 procedures & internal controls

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

- Purchase orders were created after the invoice date
- Three quotations were not obtained for purchases between \$5,000 and \$100,000
- There is evidence of potential uncompetitive procurement practices
- There were material differences in the amounts of cash advanced to embassies and the expenditure the embassies subsequently acquitted
- There were material differences between amounts of cash advanced to embassies and the amount that Treasury recorded as being acquitted
- In some instances of procurement for goods and services there was no proof of delivery
- There was missing supporting documentation
- 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 justification
- There were payments made for embassy property leases without a supporting lease contract
- There is no established and effective contract management
- Procurement Conduct Checklists were not used in the procurement process
- The controls in the operation of the fuel voucher system post issue of the voucher coupons are considered weak and susceptible to misappropriation.

## Recommendation

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

While some direction is provided by the Decree Law and the Best Practice Guides in providing a strategic overview, specific directives on the procedures to be followed are not available in the Procurement Department of the Ministry of Foreign Affairs.

### 1.4.1.2 Non Compliance with Decree Law

The Procurement Department of the Ministry of Foreign Affairs 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
- The Procurement Department should provide the Procurement Plan to the Ministry of Finance as mandated by Decree Law 10/2005
- There was no formal process for managing procurement performance
- There was an instance where items were procured by direct award without sufficient justification as required by Decree Law

## Recommendation

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

- The creation and maintenance of a Suppliers Registry.
- The Procurement Department should use the registry administered by the National Director of Registry and Notary in the Ministry of Justice when assessing quotes or tenders to identify any evidence of beneficial ownership by any supplier in other competing supplier submissions.
- The Ministry should request the level of accreditation appropriate for the respective needs from the MoF.
- That the Procurement Department should provide the Procurement Plan required by the Ministry of Finance as mandated by Decree Law 10/2005.
- That the Procurement Department provide the Compliance Report to the Ministry of Finance as required as part of the Annual Procurement Report submission.
- That the tender and quotation processes articulated within the Decree Law should be abided by.

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.

However, Deloitte notes that the MoF has developed the report “Establishing Performance and Compliance Indicators in Public Procurement in Timor-Leste” under the auspices of a World Bank IDF grant. Deloitte understands further that the World Bank is providing comments, following which the MoF will roll out the performance system to line ministries.

### 1.4.1.3 Other Compliance issues

Other compliance issues include:

- The widespread use of non-government email hosting sites
- Poorly developed standard operating system

### Recommendation

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 vehicles, 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 appropriate to the task. However, there is one issue that was identified in the examination of structure and human resource management systems in the Procurement Department. There are no position descriptions for staff in the Procurement Department. The Position Descriptions describe the essential characteristics of the role such as the reporting lines involved, the task to be performed in the position and the minimum requirements needed to perform the role.

## 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.

- It was noted that all staff attended the 21 Day Procurement Cycle Course. However, no procurement staff attended for the complete 21 days of the course. It is recommended that staff attend the courses on offer in full to ensure that consistent information is made available to members and team members can have greater access to learning the skills necessary for their roles.
- Improving the training development apparatus for staff through improved performance measurement 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 of the Procurement Department of the Ministry of Foreign Affairs have made against these recommendations.

## 1.6 Acknowledgement

We would like to take this opportunity to thank the management and staff of the Ministry of Foreign Affairs 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 procedures & internal controls

#### 2.1.1 Purchase Order Preparation

##### 2.1.1.1 Purchase orders created after the invoice date

In our sample we noted the following instances where the purchase order was dated after the invoice indicating the purchase order was created after invoicing had occurred:

Year	Vendor	CPV No.	Purchase Order Date	Invoice Date	Amount
2010	Timor Mega Tours	10000961	29-Mar-10	11-Mar-10	\$90,747

**Table 1.** Purchase orders created after the invoice

The purchase order process establishes the Ministry of Foreign Affairs' acceptance and authority to pay an invoice. Actions that circumvent this can result in payments that have not been approved by the Ministry of Foreign Affairs being paid. 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 and original supplier invoice. Provided that all agree, the Request for Payment can be lodged with the Ministry of Finance and the supplier paid.

##### 2.1.1.2 Three quotations not obtained for purchases between \$5,000 and \$100,000

There is a requirement to obtain three quotations for purchases between \$5,000 and \$100,000 under Decree Law, Best Practice and the Simplified Procedures. From the sample, the following transactions were found to have not met these criteria during examination:

Year	Vendor	CPV No.	Description	Amount
2010	Timor Mega Tours	10000961	Travel	\$90,747
2010	Wefini Link LDA	10004319	Building maintenance	\$97,388
2010	Dragon Services	10006397	Vehicle purchase	\$76,000

**Table 2.** Three quotes not obtained for purchases less than \$100K

The consequence of a lack of adherence to the requisitioning of three quotes is that the Ministry of Foreign Affairs may fail to receive value for money in their procurement. This does not necessarily mean that they adopt the cheapest quote but one that is based on a balance of price, quality and surety of supply that best meets their purposes. Gaining one quote undermines this and may lead to inferior procurement results.

The amended Decree Law 24/2008 Article 43 (the requirement also existed in Decree Law 1/2005 but the threshold for its application was only \$50,000) requires three quotations for all purchases to \$100,000 are applied.

#### Recommendation

Evaluations of potential suppliers should be carried out for all purchases in accordance with the Decree Law and Best Practise Guides to ensure that the best value for money is attained in terms of price, quality and timeliness in deliveries. In this instance (for purchases less than \$100,000) the recommendation is to obtain three quotes in accordance with the Decree Law.



### 2.1.1.3 Evidence of potential uncompetitive procurement practices

There were two instances where the amount tendered for was very close to the permissible budget allocation per the CPV.

The particulars of these transactions are provided below:

CPV No.	Vendor	Description	Awarded Amount *	Budgeted Amount **	Variance
10001239	CHI-LO SISTERS UNIPE	Office Stationery	\$84,676	\$85,000	\$325
10004319	WEFINI LINK LDA	Building Maintenance	\$97,388	\$97,500	\$112
* per invoice					
** per CPV					

**Table 3.** Samples where uncompetitive procurement practices may have been evident

The further review of these two bids found the following:

- CPV 10004319 – Wefini Link LDA (for Building Maintenance) – This was direct awarded without sufficient justification. There were no request for quotation and only one quote attached. The procedure applied in this case was incorrect.
- CPV 10001239 - Chi-Lo Sister Unipessoal (for stationary) – in this instance the chosen bidder was selected because it was compliant and the three other bids were disallowed on the basis of arithmetic errors in their proposal. A subsequent review of the bids identified that in two of the three cases there was no arithmetic error that could be identified. Based on this the following can be stated about this tender process:
  1. The basis for excluding two of the rival bids appears to be false;
  2. The chosen bid was for \$84,675.50 but the rival bids that appear to be inappropriately disqualified were for values of \$73,760 (Superindo) and \$34,048.75 (Super Xerox). In terms of value for money, the latter outcome was a 60% reduction on the winning bid indicating a poor value for money outcome. for what are reasonably generic products.

The implication is that the process may have been manipulated to favour a bid. If this is the case the procurement process has been abused and the desired competitive and value for money outcomes of the Decree Law and Best Practice guide has not resulted..

### Recommendation

Evaluations of potential suppliers should be performed in accordance with Decree Law. A failure to apply the principles in the Decree Law and Best Practice Guides can encourage poor business practices and abuse of the procurement system.

### 2.1.2 Cash Advances and the Payment Acquittal Process

#### Background on the Acquittal System

The acquittal system in use in the Ministry of Foreign Affairs is unique in government. At the beginning of each 6 month period an amount already established in the budget will be advanced to a Timor Leste embassy in a foreign country. The embassy will then use this cash advance to purchase goods and services, minor capital items and undertake major capital development. A monthly acquittal report with the invoices attached is then sent back to the Ministry of Foreign Affairs. These reports and invoices are checked and recorded by the Ministry of Foreign Affairs on a reconciliation that they keep. The acquittal reports are then sent to Treasury at MoF for processing in the FreeBalance accountability system.

### 2.1.2.1 Material differences in the amounts of cash advances and the cash acquittals

There is a material difference (\$843,274 as reflected in the table below) between what the Treasury Department of the Ministry of Finance has stated as advanced to embassies in FY2010 and what was subsequently acquitted by the embassies. The following table (Appendix 6 provides further detail on where the differences are) provides detail on the breakdown of this variance:

	Advanced	Acquitted	Variance
Goods & Services	\$ 2,633,854	\$ 2,271,348	\$ 362,507
Minor Capital	\$ 443,000	\$ 263,233	\$ 179,767
Capital & Development	\$ 430,000	\$ 129,000	\$ 301,000
<b>TOTAL</b>	<b>\$ 3,506,854</b>	<b>\$ 2,663,580</b>	<b>\$ 843,274</b>

**Table 4.** Differences between recorded cash advances and the acquittals

The acquittal process is evidently not being performed to a satisfactory standard. This process provides substantiation for the expenditure and permits the expenditure to be appropriately classified in the accounting system. A failure to do so allows potential abuse and misappropriation and may also contribute to misstatement in the recording and classification of expenditure. Presently in the above instance, there is \$843,274 of cash that has been advanced but expenditure cannot be explained.

#### Recommendation

There is a need to perform the acquittals process properly and reconcile the outcome. The presence of significant variations requires investigation and appropriate remedial action.

In this instance it may be appropriate to investigate why there is an \$843,274 difference between the amount of cash advanced and the amount expended in the acquittal process.

### 2.1.2.2 Difference in what the Finance Department believed to have been acquitted and what Treasury (MOF) believed to have been acquitted.

In addition to the difference noted in the prior insight, there was a further inconsistency found between what the Finance Department of the Ministry of Foreign Affairs believed to have been acquitted and what treasury at Ministry of Finance believed to have been acquitted. The extent of the variance between Treasury and the Finance Department of the Ministry of Foreign Affairs is demonstrated in the following table (Appendix 6 provides further detail on where the differences are):

	Difference
Goods & Services	\$ 65,734
Minor Capital	-\$ 2,161
Capital & Development	\$ -
<b>TOTAL</b>	<b>\$ 63,574</b>

**Table 5.** Table of increased variances between cash advances and acquittals for Treasury

The table above reflects the difference between what the Finance Department of the Ministry of Foreign Affairs believes has not been acquitted and what Treasury have recorded as not being acquitted. The non-acquitted balance of \$843,274 (in Table 4 above) will be the unsupported (by acquittal source documentation) balance within the FreeBalance Accountability System.

The problem identified above demonstrates an additional problem with the acquittals system in that the transfer of acquittals documentation to Treasury is far from seamless and reflects another area in which error and abuse may arise.

#### Recommendation

There is a need to have a better system for remitting information to Treasury. The presence of significant variations requires investigation and an appropriate remedial action.

### 2.1.2.3 No proof of delivery

During testing there were several instances where no proof of delivery could be obtained for goods and services provided to the Ministry of Foreign Affairs. This largely occurred in the delivery of goods and services to foreign embassies. The details of these findings are as follows:

CPV No.	Purchasing Entity	Description	Period	Vendor Name	Amount
1000892	NY Embassy	Goods & Services Advance	Jan- Jun 2010	Commitment Only	\$83,000
1013877	NY Embassy	Goods & Services Advance	Jul-Dec 2010	Commitment Only	\$83,000
1000905	Lisbon Embassy	Goods & Services Advance	Jan- Jun 2010	Commitment Only	\$90,500
1013881	Lisbon Embassy	Goods & Services Advance	Jul-Dec 2010	Commitment Only	\$90,500
1000121	Washington Embassy	Goods & Services Advance	Jan- Jun 2010	Commitment Only	\$129,500
1013872	Washington Embassy	Goods & Services Advance	July-Dec 2010	Commitment Only	\$129,500
1021688	RDTL Consulate, Kupang	Land & construction of building	FY2010	Commitment Only	\$130,000
1023164	RDTL Consulate, Kupang	Land & construction of building	FY2010	Commitment Only	\$300,000
1100133	ARF Meeting	Advance	FY2011	Commitment Only	\$150,000

**Table 6.** Transactions without proof of delivery

The acquittal system only provides invoices but does not provide any evidence that the goods or services were delivered. A failure to provide any proof of delivery means that there is no evidence that the goods or services were actually provided. This provides latitude for abuse and misappropriation through the ability to submit an invoice without this evidence.

### Recommendation

There is a requirement to provide proof of delivery for the purchase of all goods and services. The 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 and original supplier invoice. Provided that all agree, the Request for Payment can be lodged with the Ministry of Finance and the supplier paid.

### 2.1.3 Other purchasing issues

#### 2.1.3.1 Missing supporting documentation

There was documentation from FY2009 that could not be furnished to us as part of this examination. Details of these transactions are as follows:

CPV No.	Vendor	Description	Amount
911102	Commitment Only	Subsistence and Housing Allowance	\$19,456
911107	Commitment Only	Subsistence and Housing Allowance	\$19,456
911117	Commitment Only	Subsistence and Housing Allowance	\$19,456
911118	Commitment Only	Subsistence and Housing Allowance	\$19,737
902770	Commitment Only	Cash Advance	\$154,500
93158	DRAGON SERVICES	New Vehicles	\$66,145

**Table 7.** Samples with missing supporting documentation

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.

Deloitte understands that the decentralisation process resulted in the documentation relating to the periods prior to decentralisation (Feb 2010) were handled by Central Procurement. However, there is still a need to be able to recover this documentation in a timely manner. An inability to do so reflects poor document management practices.

Refer to Appendix 6 for the process followed to try and obtain the FY 2009 documentation.

## Recommendation

There is a requirement to obtain or create and retain all the necessary procurement documentation. This should be adhered to rigorously.

### 2.1.3.2 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 Foreign Affairs. 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. The table is as follows:

No. Transactions	Grouping			Grand Total
	Goods & Services	Minor Capital	Capital & Development	
Commitment Only	762	34	2	798
Standard Procurement	73	9	0	82
Grand Total	835	43	2	880

**Table 8.** Number of transactions performed using the Standard and “Commitment Only” processes

Most of the “Commitment Only” disbursements are related to salaries, embassy advances and rentals and office supplies 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 A2-2 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 4 to this review.
3. For foreign embassies the process does not provide for “proof of delivery”. The acquittal system only provides invoices but no evidence that the goods were delivered. This provides latitude for abuse and misappropriation through the ability to submit an invoice without evidence that the goods or services have been proffered as required. As previously discussed Section 2.1.2.3 provides evidence of this controls failure.
4. The large volumes of cash payments (\$2,898,696 in total for FY2010 for embassy advances and rental alone) indicate that this approach is 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 (this is discussed in Section 2.1.2). 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.
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’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 may be appropriately handled through this mechanism but under conditions of strict control.

### 2.1.3.3 Lease contracts could not be provided

There were several instances identified where lease payments were made for embassy property overseas without any lease contract evident. The instances identified are as follows:

CPV No.	Description	Location	Vendor Name	Lease Payment Amount
1000352	Rental of RDTL Embassy property	New York	Commitment Only	\$114,000
1000370	Rental of RDTL Embassy property	Vatican	Commitment Only	\$96,000
1000356	Rental of RDTL Embassy property	Tokyo	Commitment Only	\$122,000

**Table 9.** Lease payments made without evidence of a lease contract

The failure to obtain and retain critical procurement information is essential for a proper functioning procurement system. An absence of this information means that there is no mechanism to assess the reasonableness of the payment and allows for potential fraud or error in the procurement process.

The need to have a contract is the same as having an invoice for a less significant purchase. Specifically, a failure to provide the lease contract could allow:

- An overpayment to the lessor;
- A lack of recourse based on the contractual obligations of the lessor for issues experienced in the use of the premises; and
- Payment for a lease (or any other goods and services) that may not have been provided.

## Recommendation

There is a need to provide a contract or invoice as the obligation to pay for goods and services. Moreover, contracts also provide the mechanism for a procurer of goods and services to dispute issues that arise in the contracting environment when they arise.

### 2.1.3.4 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.

### 2.1.3.5 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 Foreign Affairs should use the Procurement Conduct Checklist in the development of all tenders.

### 2.1.3.6 Fuel Voucher Controls

The controls surrounding the issue and use in purchasing of fuel using the fuel voucher coupons are considered weak. Some of the issues identified include:

- Coupon books being issued to Director Generals and above with no accounting for their usage;
- There is no sign off by the vendor (fuel station) of the fuel voucher 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 opportunities to misuse this system and misappropriate fuel.

#### Recommendation

The controls surrounding the management of the purchasing of fuel using coupons require improvement. The development and introduction of a basic procedures manual for use of fuel vouchers that eliminates these shortfalls is a simple solution that could be adopted by the Procurement Department.

## 2.2 Compliance with Decree Law & Best Practice Guide Procedures

### 2.2.1 Non-compliance with Decree Law

#### 2.2.1.1 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 Foreign Affairs 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 of the Ministry of Foreign Affairs 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 of the Ministry of Foreign Affairs should institute a Supplier Registry as soon as is practicable.

### 2.2.1.2 Accreditation Procedures Not Followed

Decree Law 24/2008 required that 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.

At issue is the situation where the accreditation requirements of the Decree Law and complementary Best Practice 10 have not been followed. The numerous changes in Decree Law may have resulted in some confusion.

## Recommendation

The Ministry should request the level of accreditation appropriate for the respective needs from the MoF.

### 2.2.1.3 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 of the Ministry of Foreign Affairs 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 of the Ministry of Foreign Affairs should prepare a procurement plan in accordance with the planned expenditure ranges detailed in Best Practice Guide 1.

### 2.2.1.4 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. Discussions have indicated that a “procurement dashboard” reporting system is being developed by the MoF but Deloitte has only viewed a draft copy. Based on discussions with the MoF, progress toward the establishment of a “procurement dashboard” is thoroughly endorsed and 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.

### 2.2.1.5 Direct Award without sufficient justification

There was one transaction in the examination that utilised the Direct Award provisions of the Decree Law. The Article 92 of the Decree Law 10/2010 states that circumstances for using direct award (including Emergency Procurement) must be accompanied by mandatory documentation (the conditions are provided at Appendix 4 to this document). However, the following case does not appear to adequately address the needs prescribed by the Decree Law. The circumstances of this transaction are as follows:

1. There were five vehicles (two Toyota Rav4s & three Toyota Rush) purchased for \$150,777 from Auto Dili (CPV No. 10006405). The rationale for adopting the direct award approach was that the Ministry had experienced a shortage of vehicles due to seven older models becoming unserviceable.

Condition 10 of Article 92 states that “for reasons of practicability or inconvenience duly justified and documented”. The unserviceability of large numbers of vehicles indicates that planned maintenance regimes and asset management approaches are not being adopted in Ministry. An instance where the simultaneous breakdown of seven vehicles requires the purchasing of five new cars under the emergency procurement regime may have been an excessive response. Moreover, the existence of multiple car dealerships in Dili allowed for three quotes and the appropriate response under the standard procurement approach. Therefore, the rationale for direct award in this instance appears inadequate.

It should be noted that the procedure followed in the above case was correct. However, it is assessed that, for the reasons given above, the direct award caveats of the Decree Law may have been utilised for convenience rather than actual need. There were other direct award contracts that were reviewed and in several cases may have been inappropriately sourced but were not included based on the merits of their justification.

When direct award cases are processed without the required documentation, or when the justifications do not strictly satisfy the requirements listed under Article 92 of Decree Law 10/2010, it can result in procurement procedures being circumvented under the guise of being urgent or special matters.



## **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). The rationale for adopting a direct award contract should be warranted and not resorted to out of convenience. In support of this the direct award should include adequate approvals to substantiate the need to resort to this approach.

### **2.3 Other compliance issues**

#### **2.3.1.1 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 are 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.

#### **2.3.1.2 Internet Accessibility**

The internet and intranet services for the Ministry of Foreign Affairs 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.

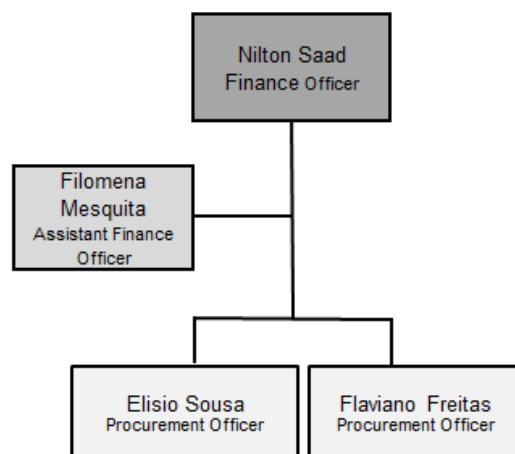
## **Recommendation**

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.

## 2.4 Organizational Architecture

### 2.4.1 Organizational structure

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



**Figure 2.** Organizational chart for Procurement in the Ministry

The organizational chart establishes limits of authority and responsibility. The structure appears reasonable given the quantum of people employed and lines of authority that have been constructed.

What requires clarification is whether the structure meets the objectives of the Procurement Department by adequately providing the expertise in the correct areas. Arguably, this is better examined in the roles and responsibilities section provided below.

### 2.4.2 Roles & responsibilities

There are no defined roles and responsibilities assigned in the Procurement Department of the Ministry of Foreign Affairs. 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. 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.

## 2.5 People Management

### 2.5.1 Staffing Levels

Examination of the documentation for the complete FY2010 in Ministry of Foreign Affairs' Procurement Department indicates that there were 82 payments made to suppliers following the procurement processes stipulated in the Decree Law and Best Practice Guides (this excludes 798 commitment only payments processed by the Finance Officer) for the period. The details of this can be viewed in Table 11 attached to paragraph 2.1.3.2.

Presently the Procurement Department has three 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.

Should any changes be contemplated in reducing the amount of "Commitment Only" transactions, it is assessed that the potential for efficiency gains through the use of standard operating procedures are sufficient to allow the existing staff to handle any increases in workload.

### 2.5.2 Aptitude & Skills

#### 2.5.2.1 Existing Capability

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

Name	Position	Qualifications	Experience	Pay Level
Nilton Saad	Finance Officer	Degree in Management	3 Years in procurement	6B
Filomena Mesquita	Assistant Finance Officer	SMA (Senior High School)	3 Years in procurement	3E
Flaviano Freitas	Procurement Officer	Degree in Engineering	Recently commenced	4D
Elisio Sousa	Procurement Officer	Degree in Social Politics	1 Years in procurement	5C

**Table 10.** Ministry of Foreign Affairs 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.

However, there was no apparent succession planning in place.

### Recommendation

There is a need to have a succession plan in place which should include training needs (addressed further below) and candidate selection.

Formal Position Descriptions should be created for each position in the procurement department of the Ministry of Foreign Affairs.

#### 2.5.2.2 Training

Discussions with the Procurement staff in the Ministry of Foreign Affairs indicate that the procurement team (excepting one new starter) was able to attend the Procurement Cycle 21 Day training at the Ministry of Finance. However, their certificates of attendance at this training were not sighted (except one). Only one of the staff was able to attend the E-procurement training being provided prior to the adoption of this system. The details of attendance at training are as follows:

Name	Position	Training	
		MoF Financial Process	E- Procurement
Nilton Saad	Finance Officer	18 Days training	No
Filomena Mesquita	Assistant Finance Officer	Yes *	No
Flaviano Freitas	Procurement Officer	No	No
Elisio Sousa	Procurement Officer	Yes *	Yes
* No certificate provided - training days unknown			

**Table 11.** Ministry of Foreign Affairs training attendance.

A notable feature of the training regime is the fact that no procurement staff attended the full training course provided by the Ministry of Finance in the Procurement Cycle 21 Day course. This is likely to detract from the training value as most of the participants miss elements of the course.

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.

### 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.

There are no recommendations or opinions provided on the adequacy of the training provided.

## Appendix 1: Budget & Actual Expenditure for FY 2010

Category/Item	2010	2010	Variance
	Budget	Actual	
<b>Foreign Affairs</b>			
Salaries and Wages	807,000	536,272	270,728
Goods and Services	11,817,972	10,630,191	1,187,781
Minor Capital	1,111,528	658,500	453,028
Capital and Development	430,000	129,000	301,000
Transfers	-	-	-
	<b>14,166,500</b>	<b>11,953,963</b>	<b>2,212,537</b>
<b>Directorates:</b>			
<b>Minister of Foreign Affairs</b>			
Salaries and Wages	62,000	59,150	2,850
Goods and Services	33,000	14,378	18,622
	<b>95,000</b>	<b>73,528</b>	<b>21,472</b>
<b>Headquarters MNEC</b>			
Salaries and Wages	478,000	359,404	118,596
Goods and Services	3,255,984	2,940,458	315,526
Minor Capital	668,528	395,267	273,261
	<b>4,402,512</b>	<b>3,695,129</b>	<b>707,383</b>
<b>Officer of Deputy Minister</b>			
Salaries and Wages	46,000	18,542	27,458
Goods and Services	17,000	-	17,000
	<b>63,000</b>	<b>18,542</b>	<b>44,458</b>
<b>New York Permanent Mission</b>			
Salaries and Wages	8,000	7,208	792
Goods and Services	490,489	477,726	12,763
	<b>498,489</b>	<b>484,934</b>	<b>13,555</b>
<b>Embassy - Lisbon</b>			
Salaries and Wages	10,000	4,800	5,200
Goods and Services	410,000	346,236	63,764
Minor Capital	49,000	49,000	-
	<b>469,000</b>	<b>400,036</b>	<b>68,964</b>
<b>Embassy - Jakarta</b>			
Salaries and Wages	12,000	6,240	5,760
Goods and Services	314,612	314,597	15
Minor Capital	5,000	3,148	1,852
	<b>331,612</b>	<b>323,985</b>	<b>7,627</b>
<b>Embassy - Washington</b>			
Salaries and Wages	8,000	5,200	2,800
Goods and Services	547,300	542,317	4,983
	<b>555,300</b>	<b>547,517</b>	<b>7,783</b>
<b>Embassy - Canberra</b>			
Salaries and Wages	9,000	5,508	3,492
Goods and Services	383,000	382,664	336
	<b>392,000</b>	<b>388,172</b>	<b>3,828</b>
<b>Embassy - Kuala Lumpur</b>			
Salaries and Wages	8,000	7,800	200
Goods and Services	267,454	260,022	7,432
	<b>275,454</b>	<b>267,822</b>	<b>7,632</b>
<b>Embassy - Brussels</b>			
Salaries and Wages	8,000	7,680	320
Goods and Services	389,828	346,023	43,805
	<b>397,828</b>	<b>353,703</b>	<b>44,125</b>
<b>Embassy - Bangkok</b>			
Salaries and Wages	7,000	-	7,000
Goods and Services	261,046	261,046	-
Minor Capital	29,000	27,254	1,746
	<b>297,046</b>	<b>288,300</b>	<b>8,746</b>
<b>Embassy - Tokyo</b>			
Salaries and Wages	8,000	7,258	742
Goods and Services	565,218	559,510	5,708
	<b>573,218</b>	<b>566,768</b>	<b>6,450</b>
<b>Embassy - Peking</b>			
Salaries and Wages	10,000	-	10,000
Goods and Services	326,000	304,510	21,490
	<b>336,000</b>	<b>304,510</b>	<b>31,490</b>
<b>Embassy - Maputo</b>			
Salaries and Wages	8,000	7,034	966
Goods and Services	315,944	315,944	-
Minor Capital	-	-	-
	<b>323,944</b>	<b>322,978</b>	<b>966</b>

<b>Embassy - Sydney</b>			
Salaries and Wages	11,000	8,123	2,877
Goods and Services	168,509	139,209	29,300
Minor Capital	-	-	-
	<b>179,509</b>	<b>147,332</b>	<b>32,177</b>
<b>Consulate - Denpasar</b>			
Salaries and Wages	9,000	-	9,000
Goods and Services	209,392	179,690	29,702
Minor Capital	5,000	4,032	968
	<b>223,392</b>	<b>183,722</b>	<b>39,670</b>
<b>Consulate - Kupang</b>			
Salaries and Wages	6,000	5,246	754
Goods and Services	199,788	175,440	24,348
Capital and Development	430,000	129,000	301,000
	<b>635,788</b>	<b>309,686</b>	<b>326,102</b>
<b>Independence Memorial Hall</b>			
Salaries and Wages	2,000	1,115	885
Goods and Services	3,000	-	3,000
	<b>5,000</b>	<b>1,115</b>	<b>3,885</b>
<b>Demarcation of Land Boundary</b>			
Goods and Services	259,200	190,834	68,366
	<b>259,200</b>	<b>190,834</b>	<b>68,366</b>
<b>Embassy - Havana</b>			
Salaries and Wages	8,000	7,098	902
Goods and Services	305,527	305,527	-
	<b>313,527</b>	<b>312,625</b>	<b>902</b>
<b>Embassy - Manila</b>			
Salaries and Wages	10,000	4,400	5,600
Goods and Services	283,004	270,106	12,898
Minor Capital	-	-	-
	<b>293,004</b>	<b>274,506</b>	<b>18,498</b>
<b>Embassy - Geneva</b>			
Salaries and Wages	9,000	-	9,000
Goods and Services	450,447	430,951	19,496
	<b>459,447</b>	<b>430,951</b>	<b>28,496</b>
<b>Official Visits</b>			
Goods and Services	150,000	77,307	72,693
	<b>150,000</b>	<b>77,307</b>	<b>72,693</b>
<b>Embassy - Vatican</b>			
Salaries and Wages	8,000	7,058	942
Goods and Services	421,298	398,340	22,958
Minor Capital	3,000	-	3,000
	<b>432,298</b>	<b>405,398</b>	<b>26,900</b>
<b>Embassy - Brasilia</b>			
Salaries and Wages	11,000	-	11,000
Goods and Services	417,000	316,427	100,573
	<b>428,000</b>	<b>316,427</b>	<b>111,573</b>
<b>Embassy - Seoul</b>			
Salaries and Wages	9,000	7,408	1,592
Goods and Services	358,000	311,417	46,583
	<b>367,000</b>	<b>318,825</b>	<b>48,175</b>
<b>Embassy - CPLP/UNESCO</b>			
Salaries and Wages	9,000	-	9,000
Goods and Services	250,364	226,251	24,113
	<b>259,364</b>	<b>226,251</b>	<b>33,113</b>
<b>Liaison Office - Jakarta</b>			
Salaries and Wages	7,000	-	7,000
Goods and Services	122,350	119,307	3,043
	<b>129,350</b>	<b>119,307</b>	<b>10,043</b>
<b>Embassy - Pretoria</b>			
Salaries and Wages	11,000	-	11,000
Goods and Services	153,100	54,755	98,345
Minor Capital	108,000	57,478	50,522
	<b>272,100</b>	<b>112,233</b>	<b>159,867</b>
<b>Embassy - Luanda</b>			
Salaries and Wages	11,000	-	11,000
Goods and Services	260,118	142,745	117,373
Minor Capital	121,000	-	121,000
	<b>392,118</b>	<b>142,745</b>	<b>249,373</b>
<b>Consulate - Manchester</b>			
Salaries and Wages	4,000	-	4,000
Goods and Services	-	-	-
Minor Capital	-	-	-
	<b>4,000</b>	<b>0</b>	<b>4,000</b>
<b>Embassy - Singapore</b>			
Salaries and Wages	-	-	-
Goods and Services	230,000	226,456	3,544
Minor Capital	123,000	122,321	679
	<b>353,000</b>	<b>348,777</b>	<b>4,223</b>
<b>Total Expenditure</b>	<b>14,166,500</b>	<b>11,953,963</b>	<b>2,212,537</b>

**Table Graph A1-1. Ministry of Foreign Affairs Budget & Actual Expenditure for FY 2010.**

NOTE: There is a variance of \$604K between the population derived from the FreeBalance Accountability System for the combined balances for Goods & Services, Minor Capital and Capital & Development and the combined balance for these line items in the Democratic Republic of Timor Leste Annual Consolidated Financial Statement for the Fiscal Year 2010 provided above. (Source: Democratic Republic of Timor Leste Annual Consolidated Financial Statement for the Fiscal Year 2010)

## Appendix 2: Major Suppliers

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

Vendor	Supply	YTD Actual	%
Commitment Only	Commitment Only	10,581,740	88.02%
TIMOR MEGA TOURS / M	Travel	511,033	4.25%
AUTO DILI	Vehicles	150,777	1.25%
GARDAMOR PROTECTIVE	Security	103,640	0.86%
WEFINI LINK LDA	Other	97,388	0.81%
ZEON INTERNATIONAL/J	Office Supplies	92,739	0.77%
CHI-LO SISTERS UNIPE	Office Supplies	84,676	0.70%
TERRA SANTA CONSTRUC	Construction	82,500	0.69%
DRAGON SERVICES	Vehicles	76,000	0.63%
AITULA FUELS LTD	Fuel	50,000	0.42%
ESPERANCA TIMOR OAN	Fuel	50,000	0.42%
AUTO TIMOR LESTE	Vehicles	38,277	0.32%
SAGREAM, UNIPESSOAL	Other	36,568	0.30%
CROWN UNIPESSOAL LDA	Office Supplies	30,250	0.25%
GEUNITECH LDA	Other	13,612	0.11%
PAX SUPPLIER UNIPESS	Other	4,980	0.04%
BRAVO INTERNATIONAL	Office Supplies	4,725	0.04%
VISIMITRA UNIPESSOAL	Office Supplies	4,550	0.04%
AVONG TAILOR	Uniforms	4,160	0.03%
LIN GUOXING QQ KELUA	Other	3,750	0.03%
<b>Grand Total</b>		<b>12,021,363</b>	<b>100%</b>

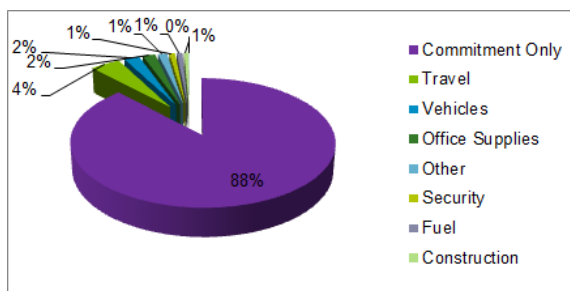
**Table & Graph A2-1.** List of suppliers to the Ministry of Foreign Affairs in FY2010.

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
Commitment Only	10,581,740
Travel	511,033
Vehicles	265,054
Office Supplies	216,940
Other	156,297
Security	103,640
Fuel	100,000
Construction	82,500
Uniforms	4,160
<b>Grand Total</b>	<b>12,021,363</b>

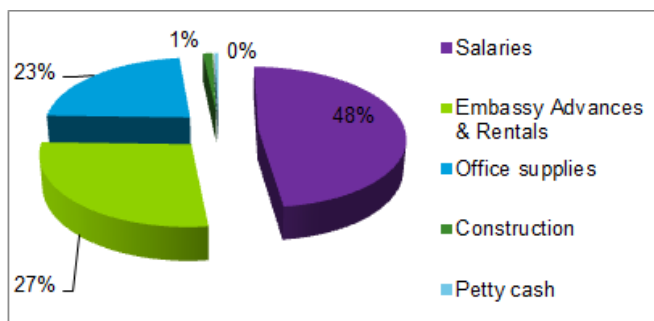


**Table & Graph A2-2.** List of suppliers to the Ministry of Foreign Affairs in FY2010.

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

## “Commitment Only” Suppliers:

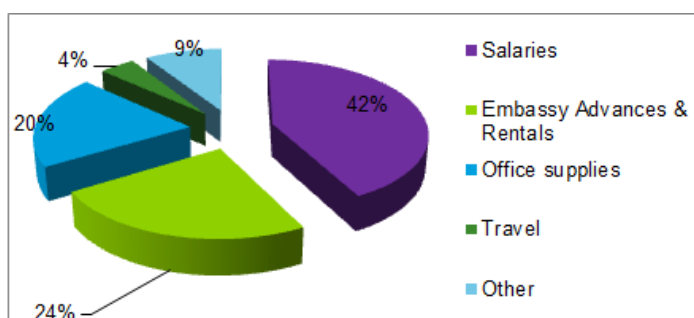
Supply	YTD Actual
Salaries	5,083,887
Embassy Advances & Rentals	2,898,696
Office supplies	2,422,246
Construction	130,000
Petty cash	46,912
<b>Grand Total</b>	<b>10,581,740</b>



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

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

Category	Total
Salaries	5,083,887
Embassy Advances & Rentals	2,898,696
Office supplies	2,422,246
Travel	511,033
Other	1,105,503
<b>Grand Total</b>	<b>12,021,363</b>



**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: Direct Award Procurement Circumstances

Decree Law 10/2010 Article 92 prescribes the conditions under which procurement that requires at least three quotes (or to be undertaken through the tender process) can be awarded directly to a supplier (sole source). These conditions are as follows:

No	Reason for Sole Source
1	In <b>cases of emergency</b> following an unforeseen event that <b>jeopardizes public health and security</b>
2	<b>Where no bids exist</b> , or where <b>those existing do not comply</b> with the criteria provided for in the tender, or where the candidates do not comply with the requirements for participating in the tender
3	Where <b>no competition</b> exists for technical reasons
4	Where the goods or services may <b>only be supplied by a specific entity</b> and <b>no</b> reasonable or substitutive <b>alternatives</b> exist in the market
5	In case of additional supply of <b>goods and services</b> , or of goods the purpose of which is to <b>replace parts, to extend, or to proceed with services or goods for existing equipment</b> , software, services of facilities in which the substitution of the supplier would result in the acquisition of goods and services that do not comply with the requirements of adaptability or compatibility
6	<b>Where the intention is to obtain a prototype</b> for original service or good or for purposes of <b>limited experimentation</b> , or that is created for a specific contract for research, experiment, study or original creation
7	Where the <b>intention is to protect patents, copyrights</b> or other exclusive or <b>intellectual property rights</b>
8	Where the <b>intention is to acquire commodities</b> or to make purchases under <b>advantageous conditions</b> , including unsolicited innovative proposals
9	As a result of a drawing competition
10	For reasons of impracticability or <b>inconvenience duly justified and documented</b> .

## Appendix 5: Reconciliation of Cash Advances to Cash Acquittals

Reconciliation of Advanced Monies to Acquittals - Ministry of Foreign Affairs:										
	Goods & Services			Minor Capital			Capital & Development			
	Advanced	Acquitted	Variance	Advanced	Acquitted	Variance	Advanced	Acquitted	Variance	TOTAL VARIANCE
Permanent Mission in New York	166,000	165,989	11			-			-	11
Embassy of RDTL in Lisbon	181,000	125,488	55,512	49,000	49,000	-			-	55,512
Embassy of RDTL in Jakarta	71,000	70,985	15	5,000	988	4,012			-	4,028
Embassy of RDTL in Washington	259,000	254,105	4,895			-			-	4,895
Embassy of RDTL in Canberra	157,000	157,000	-			-			-	-
Embassy of RDTL in Kuala Lumpur	70,000	68,241	1,759			-			-	1,759
Embassy of RDTL in Brussels	158,000	115,611	42,389			-			-	42,389
Embassy of RDTL in Bangkok	65,000	78,010	(13,010)	29,000	27,254	1,746			-	(11,263)
Embassy of RDTL in Tokyo	161,000	155,292	5,708			-			-	5,708
Embassy of RDTL in Beijing	87,000	79,276	7,724			-			-	7,724
Embassy of RDTL in Maputo	77,000	77,000	-			-			-	-
Consulate of RDTL in Sydney	76,000	74,956	1,044			-			-	1,044
Consulate of RDTL in Denpasar	50,298	86,656	(36,358)	5,000	4,032	968			-	(35,390)
Consulate of RDTL in Kupang	51,000	38,974	12,026			-	430,000	129,000	301,000	313,026
Embassy of RDTL in Havana	90,000	90,000	0			-			-	0
Embassy of RDTL in Manila	75,000	48,755	26,245			-			-	26,245
Permanent Mission in Geneva	158,147	147,576	10,571			-			-	10,571
Embassy of RDTL in Vatican	131,000	153,650	(22,650)	3,000		3,000			-	(19,650)
Embassy of RDTL in Brasilia	130,000	60,011	69,989			-			-	69,989
Embassy of RDTL in South of Korea	130,000	84,839	45,161			-			-	45,161
Embassy of RDTL in CPLP / UNESCO	82,483	77,887	4,597			-			-	4,597
Embassy of RDTL in Pretoria	27,750	50,400	(22,650)	108,000	57,478	50,522			-	27,872
Embassy of RDTL in Luanda	99,075	-	99,075	121,000	-	121,000			-	220,075
Embassy of RDTL in Singapore	62,997	59,453	3,544	123,000	122,321	679			-	4,223
Liason Office Jakarta	18,104	16,929	1,175			-			-	1,175
	<b>2,633,854</b>	<b>2,337,082</b>	<b>296,772</b>	<b>443,000</b>	<b>261,072</b>	<b>181,928</b>	<b>430,000</b>	<b>129,000</b>	<b>301,000</b>	<b>779,700</b>

## Appendix 5: Reconciliation of Cash Advances to Cash Acquittals (cont)

Reconciliation of Advanced Monies to Acquittals - Treasury:										
	Goods & Services			Minor Capital			Capital & Development			
	Advanced	Acquitted	Variance	Advanced	Acquitted	Variance	Advanced	Acquitted	Variance	TOTAL VARIANCE
Permanent Mission in New York	166,000	165,989	11			-			-	11
Embassy of RDTL in Lisbon	181,000	140,930	40,070	49,000	49,000	-			-	40,070
Embassy of RDTL in Jakarta	71,000	70,985	15	5,000	3,148	1,852			-	1,867
Embassy of RDTL in Washington	259,000	254,105	4,895			-			-	4,895
Embassy of RDTL in Canberra	157,000	157,000	-			-			-	-
Embassy of RDTL in Kuala Lumpur	70,000	68,674	1,326			-			-	1,326
Embassy of RDTL in Brussels	158,000	158,000	-			-			-	-
Embassy of RDTL in Bangkok	65,000	65,000	-	29,000	27,254	1,746			-	1,746
Embassy of RDTL in Tokyo	161,000	155,292	5,708			-			-	5,708
Embassy of RDTL in Beijing	87,000	78,276	8,724			-			-	8,724
Embassy of RDTL in Maputo	77,000	77,000	-			-			-	-
Consulate of RDTL in Sydney	76,000	50,876	25,124			-			-	25,124
Consulate of RDTL in Denpasar	50,298	50,298	-	5,000	4,032	968			-	968
Consulate of RDTL in Kupang	51,000	38,652	12,348			-	430,000	129,000	301,000	313,348
Embassy of RDTL in Havana	90,000	90,000	0			-			-	0
Embassy of RDTL in Manila	75,000	69,973	5,028			-			-	5,028
Permanent Mission in Geneva	158,147	158,070	77			-			-	77
Embassy of RDTL in Vatican	131,000	112,075	18,925	3,000		3,000			-	21,925
Embassy of RDTL in Brasilia	130,000	43,157	86,843			-			-	86,843
Embassy of RDTL in South of Korea	130,000	83,885	46,115			-			-	46,115
Embassy of RDTL in CPLP / UNESCO	82,483	77,887	4,597			-			-	4,597
Embassy of RDTL in Pretoria	27,750	27,750	-	108,000	57,478	50,522			-	50,522
Embassy of RDTL in Luanda	99,075	-	99,075	121,000	-	121,000			-	220,075
Embassy of RDTL in Singapore	62,997	59,453	3,544	123,000	122,321	679			-	4,223
Liason Office Jakarta	18,104	18,023	82			-			-	82
	<b>2,633,854</b>	<b>2,271,348</b>	<b>362,507</b>	<b>443,000</b>	<b>263,233</b>	<b>179,767</b>	<b>430,000</b>	<b>129,000</b>	<b>301,000</b>	<b>843,274</b>

## Appendix 6: Process followed to obtain FY 2009 documentation:

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

- 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 DTT with the 2009 documentation as the procurement were done 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 problematic is that neither the relevant Ministry (nor the Ministry of Finance) could access the relevant documents in a timely fashion.
- 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 for 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.

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