



**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 Agriculture 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 Agriculture.

### 1.2 Scope and Objectives

The Ministry of Finance requested that we:

- Examine procurement procedures and internal controls for the Ministry of Agriculture
- Inspect the Ministry of Agriculture'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 Agriculture, 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:

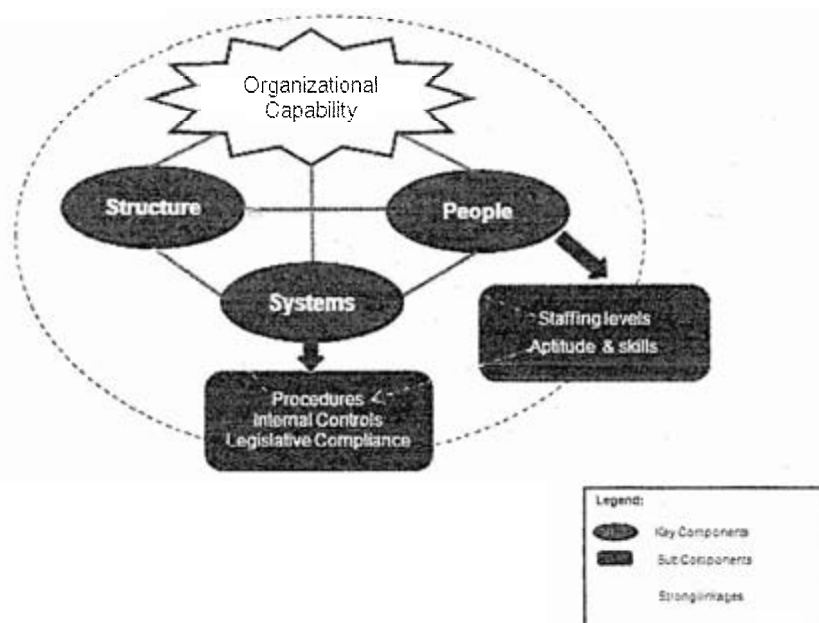


Figure 1. Organisational capability testing framework

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.

## 3.4 Key Findings and Recommendations

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

### 3.4.1 Systems

#### 3.4.1.1 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
- There was missing supporting documentation
- Contracts were directly awarded without sufficient justification
- 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.
- The use of expired central procurement contracts has resulted in the Ministry relying upon expired contracts with an incorrect counterparty. This has also contributed to the direct awarding of purchased goods and services
- The quality of contracts observed 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 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 Agriculture 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 Agriculture.

### 1.4.1.2 Non Compliance with Decree Law

The Procurement Department of the Ministry of Agriculture did not comply with the Decree Law including:

- 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
- Tenders were not published in accordance with the Decree Law
- Contracts were awarded directly (sole sourced) without sufficient justification

## Recommendation

There are a number of steps that can be taken by the Procurement Department of the Ministry of Agriculture 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 ensure that when assessing quotes or tenders there is no evidence of 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.

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.

- The tender requirements articulated within the Decree Law must be abided by.
- The direct award of contracts should only be applied in circumstances strictly permitted by the Decree Law.

#### 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 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 unclear based on shared responsibilities within the Procurement Department. Furthermore, 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.
- It was noted that not all staff attended the 21 Day Procurement Cycle 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 Agriculture 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 Agriculture and the Ministry of Finance for their co-operation and assistance during the course of this examination.



Deloitte Touche Tohmatsu

July 2012

## 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	Comico Baucau Diak	10000750	17.03.2010	30.10.2009	\$ 283,693.00
2010	Comico Timor Diak/Jo	10003655	01.08.2010	28.09.2009	\$ 242,948.00
				30.07.2010	\$ 314,505.00
2010	United General Construction	10000831	23.03.2010	27.02.2010	\$ 707,833.00

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. Actions that circumvent this can result in payments that have not been approved by the Ministry of Agriculture 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.

#### 2.1.2 Other purchasing issues

##### 2.1.2.1 Missing supporting documentation

Several samples were examined where no supporting documentation could be provided to us by the Procurement Department. These transactions were as follow:

Year	CPV No.	Vendor	Type of Procurement	Amount
2009	000000000P89845	PT.Cipta Wahana Nusa	Tender	\$500,000
2009	93223	Dome Unipessoal Lda	Tender	\$5,998,000
2009	94131	Global Brother	Tender	\$5,600,000
2009	94132	Costa Motor Unipessoal	Tender	\$2,601,500
2009	93222	Boa Ventura	Tender	\$352,500
2009	92495	United General Const	Tender	\$3,919,400
2009	92497	PT.Snc Lavalin-Tps	Tender	\$355,083
2010	10000771	Esperanca Timor Oan	Tender	\$344,385
2010	10000773	Aimula Fuels Ltd	Tender	\$344,385
2011	11000514	Aimula Fuels Lda	Request for Quotation	\$28,400
2011	11000515	Esperanca Timor Oan	Request for Quotation	\$28,400

Table 2. Samples with missing supporting documentation

Furthermore, there were numerous instances of incomplete information furnished by the Ministry despite the provision of detailed instructions and documentation to support our requirements. This is highlighted as an issue because it reflects possible disorganisation and inadequate document management practices in the Ministry. As referred to at 2.1.2.2



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. For example, these contracts may have been direct awarded.

Refer to Appendix 5 for the process followed in order to try and obtain FY2009 documentation.

## Recommendation

The procurement department should obtain or create and retain all the necessary procurement documentation. This should be adhered to rigorously.

### 2.1.2.2 Specific missing supporting documentation

Examination of documentation revealed a number of missing supporting documents for several transactions selected for testing. The Procurement Department could not furnish us with the following supporting documentation for transactions listed below:

Year	CPV No.	Vendor	Documents Not Supplied	Amount
2010	10003656	East Gas Co Lda	<ul style="list-style-type: none"> <li>➤ Purchase Order</li> <li>➤ Inspection &amp; Receiving Report</li> </ul>	\$359,700
2010	10003658	East Gas Co Lda	<ul style="list-style-type: none"> <li>➤ Inspection &amp; Receiving Report</li> </ul>	\$359,700
2010	10001225	Comico Timor Diak/Jo	<ul style="list-style-type: none"> <li>➤ CPV</li> <li>➤ Purchase Requisition</li> <li>➤ Invoice</li> <li>➤ Inspection &amp; Receiving Report</li> </ul>	\$283,693
2010	10003655	Comico Timor Diak/Jo	<ul style="list-style-type: none"> <li>➤ Payment Request</li> </ul>	\$557,453
2010	10000763	PT Cipta Wahana Nusantara	<ul style="list-style-type: none"> <li>➤ Inspection &amp; Receiving Report</li> </ul>	\$550,000
2010	10000831	United General Construction	<ul style="list-style-type: none"> <li>➤ Purchase Requisition</li> <li>➤ Inspection &amp; Receiving Report</li> <li>➤ ITB</li> <li>➤ Evaluation Reports</li> </ul>	\$707,833
2010	10002784	United General Construction	<ul style="list-style-type: none"> <li>➤ Purchase Order</li> <li>➤ Inspection &amp; Receiving Report</li> <li>➤ ITB</li> <li>➤ Evaluation Reports</li> </ul>	\$1,866,666
2010	10001935	Lifau Indah	<ul style="list-style-type: none"> <li>➤ Invoice</li> <li>➤ Inspection &amp; Receiving Report</li> <li>➤ ITB</li> </ul>	\$217,930
2010	11001773	Timoria Unipessoal Lda	<ul style="list-style-type: none"> <li>➤ Purchase Requisition</li> <li>➤ ITB</li> </ul>	\$191,114

**Table 3.** Samples with specific missing supporting documentation

The retention of critical procurement information is essential for the proper functioning of procurement controls and the provision of an audit trail. 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

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

### 2.1.2.3 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 Agriculture. 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	818	0	0	818
Standard Procurement	481	69	7	557
Grand Total	1299	69	7	1375

**Table 4.** Number of transactions performed using the Standard and "Commitment Only" processes

Most of the "Commitment Only" disbursements are related to salaries 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 4 to this review.
3. The large volumes of cash payments (\$2,295,177 in total for FY2010 for petty cash) 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. 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 payroll 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's obligations to undertake procurement in accordance with the Decree Law.
6. Discrepancies were found during the examination of Commitment only documentation for one transaction included in our sample selected for testing. These discrepancies are further discussed below (Refer to section 2.1.2.5).

## 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.

### 2.1.2.4 Discrepancies found on a "Commitment Only" transaction

There were several issues identified in a "Commitment Only" transaction that formed part of our sample selected for testing. The details of the "Commitment Only" transaction are as follows:

Year	CPV No.	Vendor Name	Amount
2010	1010118	Commitment Only	\$546,750

**Table 5.** Commitment only transaction examined

The Ministry was able to furnish us with detailed listings for the transaction mentioned above. The remittance schedule for payments to the various recipients reconciled back to the total amount and was signed off by the Ministry of Agriculture. Transactions were then randomly selected from the remittance schedule for further investigation and the following issues were identified:

Money is given to a group representative of each district. The group representative is responsible to distribute money received to various farmers in the representative's district for the improvement of agricultural activities. However, there was no evidence of that the intended recipients of the payments received any money. This exposes this process to the risk of misappropriation.

- There was \$46,024 given to a group representative of Ainaro during the 2010 financial year for the erection of a greenhouse for the community. A contract was signed between the Ministry of Agriculture and the group representative which required that progress reports be supplied to the Ministry of Agriculture after payments had been made. Specifically, this process failed to:
  - Provide any evidence to the Ministry of any progress reports; and
  - The Ministry failed to adhere to any procurement procedures in this transaction – there was a complete lack of an audit trail and control over this transaction.
- A short payment was found where \$50,000 was given to the group representative in Lautem to use for agricultural activities in the community. However, when agreed to the payment receipt of the representative, it was found that the group representative only received \$25,000. No evidence could be found that explained where the remaining \$25,000 went. The listing provided (which indicated \$50,000 was paid out) was never updated with \$25,000. The listing was signed off by representatives of Agriculture and was submitted to Treasury as proof of how the monies were spent. The conclusion is that the final listing sent to Treasury was never corrected and did not agree to the payment receipt of how monies were actually spent. The whereabouts of the 'missing' \$25,000 cannot be explained.

- \$30,000 was paid to the Ministry of Agriculture. No other evidence could be found to indicate if this amount was paid out to anyone else. This amount forms part of the total Commitment only amount of \$546,750.
- In total, \$55,000 from the selected transactions was paid to group representatives who were not the prescribed recipients in accordance with the remittance schedule provided by the Ministry. These payments could not be adequately explained.

Overpayment of \$5,000 was made to a group representative in Lautem. This amount is part of \$35,000 which is included in the \$55,000 mentioned in the previous point above. This was paid to the wrong group representative.

- A receipt of payment was the only supporting documentation that was provided for \$17,000 paid out to a group representative of Dili. The receipt was not signed by the group representative or the Ministry of Agriculture representatives.
- There was \$16,878 paid to a community for fencing for a cattle shed. No procurement procedures were followed.

## Recommendation

The procurement department should follow the established procedures for all grants paid out and obtain or create and retain all the necessary documentation. This should be adhered to rigorously. Deloitte recommends that this issue be addressed at the earliest possible opportunity.

Further investigations should be conducted to ascertain whether misappropriation occurred.

### 3.1.2.5 Reliance on expired central procurement contracts

There was one selection identified in the testing where the Ministry paid (\$1,866,666 in total) for the rehabilitation of irrigation scheme to United General Construction. The details are provided below:

Year	CPV No.	Vendor Name	Amount
2010	10002784	United General Construction	\$1,866,666

Table 6. An example of using the expired central procurement contracts

Per discussions with the Procurement Department, these purchases were undertaken under the authority of the contracts maintained by Central Procurement for the supply of construction services to all government ministries and agencies. However, these contracts have expired and should no longer be relied upon.

The implication of these issues is twofold:

1. The current situation is that the contracts in use are both expired and made between the Government of Timor-Leste (whole government) and not the line ministry as the counter party. As a result no existing legal and operative (extant) contract is in place. The Ministry of Agriculture should establish contracts with suppliers in accordance with the decentralisation principles established in Decree Law 1/2010.
2. The Ministry of Agriculture are not utilising a competitive tendering process that could provide significant advantages through the provision of discounts, volume rebates and other preferred supplier arrangements.

## Recommendation

The Procurement Department is required, under the decentralized procurement regime established under Decree Law, to establish their own procurement arrangements with suppliers. In establishing these requirements there is a need to follow the international tender procurement procedures for construction work over \$1,000,000.

#### 2.1.2.6 Inconsistent vendor names used in FreeBalance reporting

There were two instances where the vendor names in the FreeBalance system were different to the FreeBalance system description (naming another vendor) for the same transaction. The following provides the details on these two instances:

Related Year	CPV No.	Vendor Name	Free Balance Description	Correct Description	Amount (USD\$)
2010	10003656	East Gas Co Lda	Esperanca Fuel	Fuel for Tractors	\$359,700
2010	10003658	East Gas Co Lda	Aitula Fuel	Fuel for Tractors	\$359,700

**Table 7.** Instances where there are inconsistent vendor names

The implication of this occurring is that there is uncertainty surrounding who the vendor actually was. It appears that the East Gas Co LDA was the principal vendor but the exact circumstances surrounding the relationship between the Ministry and the vendor are uncertain based on the involvement of two additional fuel suppliers with extensive fuel sales throughout the Government.

### Recommendation

The procurement process should follow the Decree Law. Specifically, contracts for this size need to be put to national tender and contracts established with the appropriate vendor.

#### 2.1.2.7 Contract Quality

There are notable issues with the contracts observed during the examination of procurement documentation for the Ministry of Agriculture. The contract reviewed as part of this examination was a contract between the Ministry and East Gas Co. LDA for the supply of fuel (Contract No. RDTL-G10-0069-AG). 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.

#### 2.1.2.8 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.

### 2.1.2.9 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 Agriculture should use the Procurement Conduct Checklist in the development of all tenders.

### 2.1.2.10 Fuel Voucher Controls

The controls surrounding the issue and use in purchasing of fuel using the fuel voucher coupons is 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 are opportunities to misuse this system and misappropriate fuel.

#### **Recommendation**

The controls surrounding the management of the purchasing of fuel using coupons requires 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 Agriculture 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 Agriculture 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 Agriculture 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 were 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 Agriculture 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 Agriculture 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 systems**

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.

### 7.2.1.3 Tenders not published in accordance with Decree Law – no evidence of publication in the media

There were a number of tender documents observed in the course of the examination. The Decree Law (and further explained in Best Practice Guide 3) requires that national public tenders be publicised in the media, either in Tetum or Portuguese and international public tenders in English as well as Tetum or Portuguese. There was no evidence that the following tenders were published in any newspaper or media:

For National Public Tenders:

Related Year	CPV No.	Vendor Name	Amount
2010	1001935	Lifau Indah	\$217,930
2010	10000831	United General Construction	\$707,833
2011	11001774	Agrivio Unipessoal	\$210,000
2011	11001773	Timoria Unipessoal Lda	\$191,114

**Table 8.** National Public Tenders were no evidence of media publication was provided.

For International Public Tenders:

Related Year	CPV No.	Vendor Name	Amount
2010	10002784	United General Construction	\$1,886,668
2011	11001962	East Gas Co Lda	\$892,650

**Table 9.** International Public Tenders were no evidence of media publication was provided.

The failure to publish these tenders in the media has several consequences:

1. The action violates Decree law 10/2005 Article 61
2. The lack of dissemination will likely limit the field of potential bidders and opportunity to gain value for money
3. There is potential for stakeholders to influence (in this case restrict) the field of bidders by not adopting the correct publishing requirements.



## Recommendation

The tenders require publication in accordance with the Decree Law. The following are the requirements for both National and International Public Tenders:

- **National Public Tenders:** According to the Decree Law 10/2005, Section II, Article 38 and 61, an announcement for national public tenders should be published in the press and in at least one nation-wide distribution newspaper in Portuguese or Tetum.

**International Public Tenders:** According to the Decree Law 10/2005, Section II, Article 39 and 61, an announcement for International public tenders should be published in the press and in at least one nation-wide distribution newspaper in Portuguese or Tetum and in at least two international distribution newspapers (in English and other foreign language used in international business).

### 2.2.1.6 Tenders not published in accordance with Decree Law – incorrect process

As per the Decree Law 10/2005 Article 61, it is compulsory to follow the international public tender process where the purchase of goods or technical services exceeds USD\$250,000.

However, the following case was found where a National Public Tender process was followed instead of an International Public Tender process:

Year	Vendor	CPV No.	Amount
2010	United General Construction	10002784	\$1,866,666
2011	East Gas Co Lda	11001962	\$892,650

**Table 10.** Tender that exceeded threshold for ITB process but followed the NPT process

This is a breach of the Decree Law 10/2005 Article 61.

## Recommendation

As per the Decree Law 10/2005 Article 61, an International Public Tender process should be followed by the Ministry when the purchase of goods or technical services exceeds USD\$250,000.

### 2.2.1.7 Direct award without sufficient justification

There were a number of purchases observed in the examination that were undertaken using 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. However, there were a number of cases where no supporting documentation was provided to support using this provision. These are as follows:

Related Year	CPV No.	Vendor Name	Reason for Payment	Amount
2010	10003656	East Gas Co Lda	Fuel for tractors	\$359,700
2010	10003658	East Gas Co Lda	Fuel for tractors	\$359,700
2010	10000750	Comico Baucau Diak	Purchase Fertilizer	\$283,693
2010	10001225	Comico Timor Diak/Jo	Purchase Fertilizer	\$283,693
2010	10003655	Comico Timor Diak/Jo	Purchase Fertilizer	\$557,453
2010	10000768	PT Cipta Wahana Nusantara	Design of irrigation scheme	\$550,000
2010	10002194	Timor Agung	Purchase Machine	\$445,400

**Table 11.** Direct Award without sufficient justification

When direct award cases are processed without the required documentation, or when the justifications do not 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. The rationale for direct award contracts is provided at Appendix 4 to this document.

The nature of these purchases appears to be routine for the Ministry of Agriculture – namely the purchase of fuel, fertiliser and equipment.

## 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).

## 2.3 Other compliance issues

### 2.3.1 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.

### 2.3.2 Internet Accessibility

The internet and intranet services for the Ministry of Agriculture 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 Agriculture is provided in the organizational chart that follows:

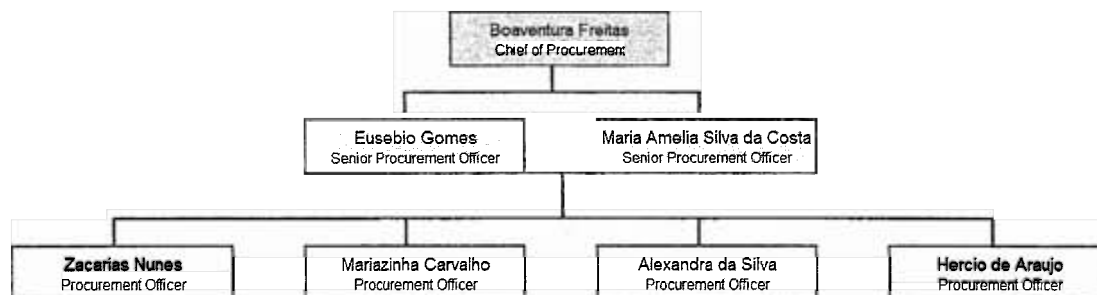


Figure 2. Organisational Chart for Procurement in the Ministry

The organizational chart establishes limits of authority and responsibility. The structure appears unclear based on shared responsibilities within the Procurement Department. However, the quantum of people employed appears reasonable.

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 Agriculture. 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.

Furthermore, there was an instance where the job title for the Manager (refer organisational chart at section 2.4.1) was also referred to as the "National Director of Administration and Finance" in the procurement documentation for the department. This should be remedied by adopting one title and applying it across all documentation to eliminate any confusion.

## 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.

All positions should have a single title and this should be used in all documentation to eliminate any confusion in roles and responsibilities.

## 2.5 People Management

### 2.5.1 Staffing Levels

Examination of the documentation for the complete FY2010 in Ministry of Agriculture's Procurement Department indicates that there were 557 payments made to suppliers following the procurement processes stipulated in the Decree Law and Best Practice Guides (this excludes 818 commitment only payments processed by the Finance Officer) for the period. The details of this can be viewed in Table 7 attached to paragraph 2.1.2.5.

Presently the Procurement Department has seven 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 Agriculture:

First Name	Job Title	Qualifications	Experience
Boaventura Freitas	Chief of Procurement	Economics and Agricultural Degree	11 Years in procurement
Eusebio Gomes	Senior Procurement Officer	Undergraduate - Agronomi Specialist	Not provided
Maria Amelia Silva da Costa	Senior Procurement Officer	Science and Education Degree	6 Years in procurement
Zacarias Nunes	Procurement Officer	Senior High School	Not provided
Mariazinha Carvalho	Procurement Officer	Senior High School	1 Year in procurement
Alexandra da Silva	Procurement Officer	Senior High School	1 Year in procurement
Hercio de Araujo	Procurement Officer	Agribusiness Degree	Not provided

**Table 12.** Ministry of Agriculture 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.

### 2.5.2.2 Training

Discussions with the Procurement staff in the Ministry of Agriculture indicate that a number of procurement staff were unable to attend the Procurement Cycle 21 Day training at the Ministry of Finance. Certificate of attendance at this training were sighted (except one). Majority of staff also did not attend the E-procurement training being provided prior to the adoption of this system. The details of attendance at training is as follows:

First Name	Job Title	Training	
		MoF Financial Process	E - Procurement
Boaventura Freitas	Chief of Procurement	Not Attended	3 Days Attended *
Eusebio Gomes	Senior Procurement Officer	Attended *	Attended *
Maria Amelia Silva da Costa	Senior Procurement Officer	Attended	Not Attended
Zacarias Nunes	Procurement Officer	Not Attended	Not Attended
Mariazinha Carvalho	Procurement Officer	Not Attended	Not Attended
Alexandra da Silva	Procurement Officer	Not Attended	Not Attended
Hercio de Araujo	Procurement Officer	Not Attended	Not Attended
* No certificate provided - training days unknown			

**Table 13.** Ministry of Agriculture training attendance.

The level of attendance at training delivered for the Procurement Staff of the Ministry of Agriculture is poor for both the Procurement Cycle 21 Day course and the E-Procurement 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 Budget	2010 Actual	Variance
<b>Ministry of Agriculture</b>			
Salaries and Wages	4,964,696	4,933,211	31,485
Goods and Services	9,872,384	9,797,198	75,186
Minor Capital	710,000	704,643	5,357
Capital and Development	2,913,683	2,843,313	70,370
Transfers	1,000,000	999,995	5
	<b>19,460,763</b>	<b>19,278,360</b>	<b>182,403</b>
<b>Directorates:</b>			
<b>Office of Minister Agriculture &amp; Fisheries</b>			
Salaries and Wages	64,000	58,357	5,643
Goods and Services	42,700	42,366	314
	<b>106,700</b>	<b>100,743</b>	<b>5,957</b>
<b>Agri - Office Advisor Juridicial</b>			
Salaries and Wages	20,388	19,318	1,070
Goods and Services	8,325	8,293	32
	<b>28,713</b>	<b>27,611</b>	<b>1,102</b>
<b>Agri - Office of Inspection &amp; Auditors</b>			
Salaries and Wages	15,900	13,099	2,801
Goods and Services	27,526	26,182	1,344
	<b>43,426</b>	<b>39,281</b>	<b>4,145</b>
<b>Office Protocol Social Community</b>			
Salaries and Wages	20,184	20,173	11
Goods and Services	10,262	9,990	272
	<b>30,446</b>	<b>30,163</b>	<b>283</b>
<b>DN Administration &amp; Finance</b>			
Salaries and Wages	511,228	510,631	597
Goods and Services	730,847	720,641	10,206
Minor Capital	275,150	275,148	2
	<b>1,517,225</b>	<b>1,506,420</b>	<b>10,805</b>
<b>DN Research services especialization</b>			
Salaries and Wages	249,324	249,324	
Goods and Services	188,197	178,857	9,340
Minor Capital	88,319	84,135	4,184
	<b>525,840</b>	<b>512,316</b>	<b>13,524</b>
<b>DN Quarantine &amp; Blosecurity</b>			
Salaries and Wages	226,276	226,094	182
Goods and Services	185,282	184,264	1,018
Minor Capital	23,505	23,460	45
	<b>435,063</b>	<b>433,818</b>	<b>1,245</b>
<b>DN &amp; Formation of Agriculture</b>			
Salaries and Wages	358,824	358,463	361
Goods and Services	210,700	208,121	2,579
Minor Capital	82,950	82,394	556
	<b>652,474</b>	<b>648,978</b>	<b>3,496</b>
<b>DN Agriculture - Politics &amp; Plan</b>			
Salaries and Wages	119,380	118,355	1,025
Goods and Services	119,452	118,928	526
Minor Capital	17,250	17,250	-
	<b>256,082</b>	<b>254,531</b>	<b>1,551</b>
<b>Office of General Director</b>			
Salaries and Wages	13,464	13,285	179
Goods and Services	21,000	20,732	268
	<b>34,464</b>	<b>34,017</b>	<b>447</b>

<b>Sec.Est Agriculture and Arboricu</b>			
Salaries and Wages	47,000	46,706	294
Goods and Services	22,400	22,367	33
	<b>69,400</b>	<b>69,073</b>	<b>327</b>
<b>DN Agriculture and Horticulture</b>			
Salaries and Wages	229,320	229,249	71
Goods and Services	4,552,537	4,531,695	20,842
Minor Capital	19,300	19,284	16
	<b>4,801,157</b>	<b>4,780,228</b>	<b>20,929</b>
<b>DN Plantas Indus do Agro-come</b>			
Salaries and Wages	131,592	131,476	116
Goods and Services	254,349	251,393	2,956
Minor Capital	27,775	27,675	100
	<b>413,716</b>	<b>410,544</b>	<b>3,172</b>
<b>National Direction of Floresta</b>			
Salaries and Wages	165,958	165,014	942
Goods and Services	350,000	346,124	3,876
Minor Capital	20,800	20,800	-
	<b>536,756</b>	<b>531,938</b>	<b>4,818</b>
<b>DN Irrigation e gestao util agua</b>			
Salaries and Wages	113,232	111,765	1,467
Goods and Services	923,675	913,327	10,348
Minor Capital	22,900	22,844	56
Capital and Development	2,683,683	2,615,175	48,508
	<b>3,723,490</b>	<b>3,663,112</b>	<b>60,378</b>
<b>Secretary state of fisheries</b>			
Salaries and Wages	47,000	45,871	1,129
Goods and Services	22,400	22,304	96
	<b>69,400</b>	<b>68,175</b>	<b>1,225</b>
<b>DN Fisheries and waterculture</b>			
Salaries and Wages	314,076	314,037	39
Goods and Services	389,290	388,593	697
Minor Capital	85,700	85,327	373
	<b>789,066</b>	<b>787,957</b>	<b>1,109</b>
<b>Sec Est Pecuaría</b>			
Salaries and Wages	47,000	46,289	711
Goods and Services	22,400	19,589	2,831
	<b>69,400</b>	<b>65,858</b>	<b>3,542</b>
<b>National Direction of Pecuaría</b>			
Salaries and Wages	159,896	159,681	215
Goods and Services	774,657	768,398	6,261
Minor Capital	23,001	22,975	26
	<b>957,554</b>	<b>951,052</b>	<b>6,502</b>
<b>Dir Ser Community Development AG</b>			
Salaries and Wages	129,912	129,342	570
Goods and Services	192,896	191,671	1,225
Minor Capital	23,350	23,350	-
	<b>346,158</b>	<b>344,363</b>	<b>1,795</b>
<b>Community Fund Development</b>			
Transfers	1,000,000	999,995	5
	<b>1,000,000</b>	<b>999,995</b>	<b>5</b>
<b>Agriculture services in Aileu</b>			
Salaries and Wages	123,144	122,421	723
Goods and Services	46,721	46,721	-
	<b>169,865</b>	<b>169,142</b>	<b>723</b>

<b>Aileu Agriculture Ainaro</b>			
Salaries and Wages	130,176	130,156	20
Goods and Services	67,836	67,836	
	<b>198,012</b>	<b>197,992</b>	<b>20</b>
<b>Agriculture Services in Baucau</b>			
Salaries and Wages	209,172	208,989	183
Goods and Services	75,297	75,296	1
	<b>284,469</b>	<b>284,285</b>	<b>184</b>
<b>Agriculture Services in Bobonaro</b>			
Salaries and Wages	217,680	217,312	368
Goods and Services	70,653	70,653	-
	<b>288,333</b>	<b>287,965</b>	<b>368</b>
<b>Agriculture Services in Covalima</b>			
Salaries and Wages	166,488	165,923	565
Goods and Services	74,950	74,950	-
	<b>241,438</b>	<b>240,873</b>	<b>565</b>
<b>Agriculture Services in Ermera</b>			
Salaries and Wages	146,484	144,999	1,485
Goods and Services	57,741	57,730	11
	<b>204,225</b>	<b>202,729</b>	<b>1,496</b>
<b>Agriculture Services in Liquica</b>			
Salaries and Wages	131,220	130,642	578
Goods and Services	64,852	64,852	-
	<b>196,072</b>	<b>195,494</b>	<b>578</b>
<b>Agriculture Services in Lautem</b>			
Salaries and Wages	157,128	156,124	1,004
Goods and Services	61,609	61,609	-
	<b>218,737</b>	<b>217,733</b>	<b>1,004</b>
<b>Agriculture Services in Manatuto</b>			
Salaries and Wages	148,056	147,077	979
Goods and Services	68,264	68,254	10
	<b>216,320</b>	<b>215,331</b>	<b>989</b>
<b>Agriculture Services in Manufahi</b>			
Salaries and Wages	167,592	164,026	3,566
Goods and Services	81,325	81,325	
	<b>248,917</b>	<b>245,351</b>	<b>3,566</b>
<b>Agriculture Services in Oecusse</b>			
Salaries and Wages	191,592	188,496	3,096
Goods and Services	69,680	69,580	100
Capital and Development	250,000	228,137	21,863
	<b>511,272</b>	<b>486,213</b>	<b>25,059</b>
<b>Agriculture Services in Viqueque</b>			
Salaries and Wages	192,012	190,517	1,495
Goods and Services	84,561	84,561	
	<b>276,573</b>	<b>275,078</b>	<b>1,495</b>
<b>Total Expenditure</b>	<b>19,460,763</b>	<b>19,278,360</b>	<b>182,403</b>

**Table Graph A1-1. Ministry of Agriculture 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	%
UNITED GENERAL CONST	Construction	2,527,831.99	26%
COMICO TIMOR DIAK/JO	Fertilizer	841,145.00	9%
EAST GAS CO.LDA	Fuel	820,650.00	9%
AITULA FUELS LTD	Fuel	616,917.50	6%
ESPERANCA TIMOR OAN	Fuel	592,537.84	6%
PT.CIPTA WAHANA NUSA	Construction	550,000.00	6%
CHYPIS, UNIPESSOAL L	Other	342,538.95	4%
COMICO BAUCAU DIAK L	Fertilizer	283,692.50	3%
FORTUNE STAR	Vehicles	252,843.50	3%
LIFAU INDAH UNIPESSO	Construction	197,712.32	2%
SYMMETRY LDA	Construction	187,700.00	2%
MURAK MEDIC FARMACIA	Other	168,238.19	2%
UD PALMA MTC	Vehicles	153,850.00	2%
NAGARJO CONSTRUCTION	Construction	137,200.00	1%
TIMINA CORP.FUEL,LDA	Fuel	102,036.14	1%
LIJO GENERAL SUPPLIE	Other	94,390.00	1%
JOVIVER SUPPLY	Office Supplies	90,000.00	1%
PT.SNC LAVALIN-TPS	Construction	89,184.36	1%
SAINT JOSEF UNIPESSO	Other	81,786.50	1%
DELA GENERAL SUPPLY	Construction	72,211.00	1%
BOA VENTURA	Other	62,461.50	1%
RATHY,UNIPESSOAL LDA	Other	61,733.00	1%
AUTO VISION, UNIPESS	Vehicles	59,938.40	1%
NETHU UNIPESSOAL LDA	Other	52,155.00	1%
NAZARETH UNIPESSOAL,	Other	49,660.00	1%
VICTORIA LTD	Construction	48,815.00	1%
VICTORY WORKSHOP	Vehicles	48,222.40	1%
FOMENTO MOTORCYCLE W	Vehicles	39,091.00	0%
HARI HAMUTUK,UNIPESS	Construction	38,010.00	0%
NATALIA B DE SA BENE	Other	36,047.10	0%
NOTOSIMA UNIPESSOAL,	Office Supplies	35,120.00	0%
MOGADOURO,UNIPESSOAL	Other	34,901.25	0%
ANISO DAMEABA SUPPLY	Other	32,242.00	0%
LORON FOUN SUPPLIER.	Other	30,098.00	0%
TARQUE UNIPESSOAL LD	Other	29,850.00	0%
LC GENERAL SUPPLY,UN	Other	29,767.00	0%
BRANDO SUPPLIER, UNI	Other	28,349.00	0%
PLANET STATIONERY	Office Supplies	25,816.25	0%
BOTANIA SUPPLIER	Other	25,000.00	0%
GIO CONSULT. UNIP.LD	office supplies	25,000.00	0%

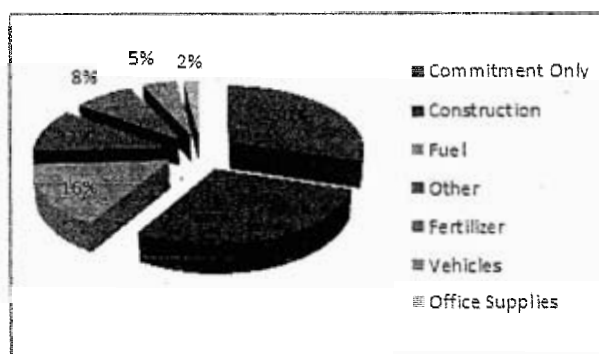
**Table & Graph A2-1.** List of the 40 largest suppliers to the Ministry of Agriculture in FY2010.

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	4,065,975
Construction	3,924,246
Fuel	2,132,141
Other	1,483,941
Fertilizer	1,124,838
Vehicles	625,861
Office Supplies	284,571
<b>Grand Total</b>	<b>13,641,573</b>

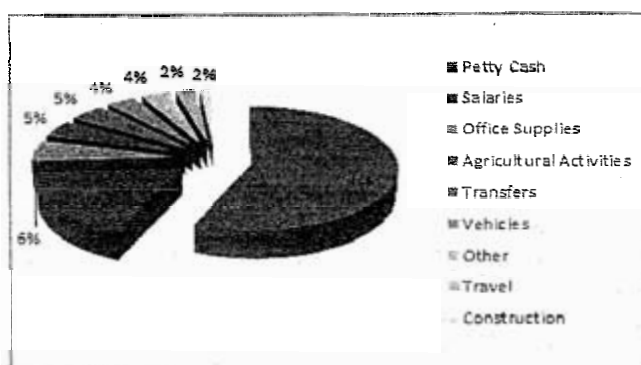


**Table & Graph A2-2.** List of suppliers to the Ministry of Agriculture in FY2010.

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

## “Commitment Only” Supplies:

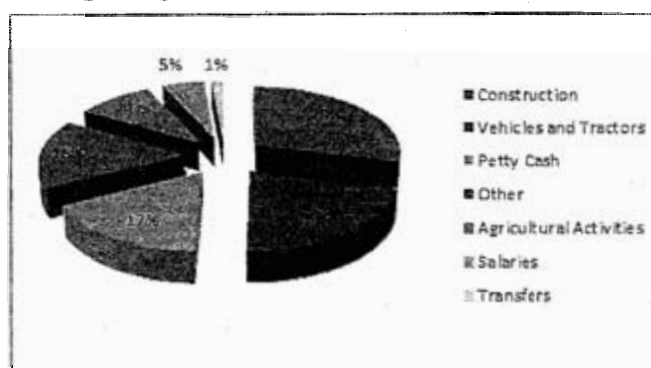
Category	Total
Petty Cash	2,295,177
Salaries	713,080
Office Supplies	223,635
Agricultural Activities	188,723
Transfers	185,049
Vehicles	151,481
Other	145,149
Travel	100,716
Construction	62,965
<b>Grand Total</b>	<b>4,065,975</b>



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

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

Category	Total
Construction	3,987,210.92
Vehicles and Tractors	2,909,483.51
Petty Cash	2,295,176.77
Other	2,238,012.29
Agricultural Activities	1,313,560.43
Salaries	713,080.10
Transfers	185,049.00
<b>Grand Total</b>	<b>13,641,573</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 & 65	
\$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 36 & 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 cases of emergency following an unforeseen event that jeopardizes public health and security
2	Where no bids exist, or where those existing do not comply 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 no competition exists for technical reasons
4	Where the goods or services may only be supplied by a specific entity and no reasonable or substitutive alternatives exist in the market
5	In case of additional supply of goods and services, or of goods the purpose of which is to replace parts, to extend, or to proceed with services or goods for existing equipment, 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	Where the intention is to obtain a prototype for original service or good or for purposes of limited experimentation, or that is created for a specific contract for research, experiment, study or original creation
7	Where the intention is to protect patents, copyrights or other exclusive or intellectual property rights
8	Where the intention is to acquire commodities or to make purchases under advantageous conditions, including unsolicited innovative proposals
9	As a result of a drawing competition
10	For reasons of impracticability or inconvenience duly justified and documented.

## Appendix 5: Process followed in order 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 Santina (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.



**Democratic Republic of Timor-Leste**  
Review of Procurement in the Ministry of  
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