



OAG INTEGRATED ANNUAL REPORT

FOR

FISCAL YEAR ENDING 31 MARCH 2017

OFFICE OF THE AUDITOR GENERAL
P O BOX 23
BRADES MAIN ROAD
BRADES
MONTSERRAT

JULY 2017

OAG INTEGRATED ANNUAL REPORT 2017

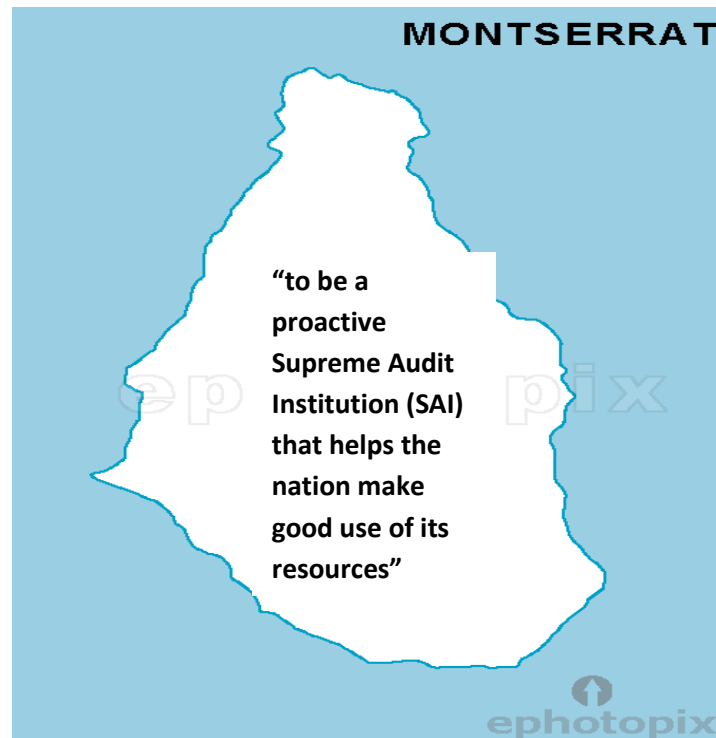
This is a Report by Auditor General on the activities of her office during the period 1 April 2015 – 31 March 2017. The work of the office was conducted pursuant to Section 103 of the Montserrat Constitution Order 2010

Florence A. Lee
Auditor General
Office of the Auditor General
14 July, 2017

Preamble

Vision Statement

The Office of the Auditor General (OAG) plays a crucial role in ensuring that public monies are spent wisely. Our vision is therefore.



Mission Statement

"The OAG is the national authority on public sector auditing issues and is focused on assessing performance and promoting accountability, transparency and improved stewardship in managing public resources by conducting independent and objective reviews of the accounts and operations of central government and statutory agencies; providing advice; and submitting timely Reports to Accounting Officers and the Legislative Assembly".

The Goal

Our goal is "to promote staff development, enhance productivity, and maintain a high standard of auditing and accounting in the public sector, thereby contributing to the general efficiency and effectiveness of public finance management".

Abbreviations Used

CAROSAI	-	Caribbean Organisation of Supreme Audit Institutions
CAATs	-	Computer Aided Audit Techniques
COBIT	-	Control Objectives for Information and Related Technologies
CPA UK	-	Commonwealth Parliamentary Association, United Kingdom
DITES	-	Department for Information Technology and E-Government Services
DMCA	-	Disaster Management Coordination Agency
GOM	-	Government of Montserrat
HRMU	-	Human Resource Management Unit
ICAC	-	Institute of Certified Accountants of the Caribbean
IDEA	-	Interactive Data Extraction and Analysis
IFAC	-	International Federation of Accountants
IIA	-	Institute of Internal Auditors
INTOSAI	-	International Organisation of Supreme Audit Institutions
IPSAS	-	International Public Sector Accounting Standards
ISO	-	International Organisation for Standard
ISSAI	-	International Standards for Supreme Audit Institutions
IT	-	Information Technology
ITAF	-	Information Technology Assurance Framework
ITIL	-	Information Technology Infrastructure Library
NIST	-	National Institute of Standards and Technology
OAG	-	Office of the Auditor General
PAC	-	Public Accounts Committee
PCL	-	Point Cloud Library
PFMAA	-	Public Finance Management and Accountability Act
SAI	-	Supreme Audit Institutions
UK GIAA	-	United Kingdom, Government Internal Audit Agency
UK NAO	-	United Kingdom, National Audit Office
UKOT	-	United Kingdom Overseas Territories

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Introduction

Functions of the Auditor General

1. The functions of the Auditor General are enshrined in Section 103 of the Montserrat Constitution Order 2010. It states in part that the Auditor General shall audit and report on the public accounts of Montserrat and of all public offices, including the Courts, the central and local government administrations, universities and higher education institutions, and any public corporations or other bodies established by an Act of Parliament. In conducting these audits the Auditor General is responsible for determining whether accounts are prepared in accordance with applicable financial reporting frameworks and in compliance with financial management policies and guidelines.
2. The Constitution also allows the Auditor General to conduct value for money audits where the economy, efficiency and effectiveness of government systems, operations, and transactions are assessed.
3. We also operate in accordance with the Public Finance Management and Accountability Act (PFMAA) 2008 and other laws and regulations which affect our work.

Governance arrangements

4. Preliminary work plans are usually shared with the Public Accounts committee (PAC) and its input is sought of other areas that could be included. For audit work, I report to the Legislative Assembly, through the Ministry of Finance and the Clerk of Council's Office. I also report to the Governor/Deputy Governor for administrative matters. Internally, the Deputy Auditor General and the Audit Managers assist me in managing the department.

Risk Assessment and Management

5. Risk is the possibility that an event will occur and that it will adversely affect the achievement of your objectives (COSO). Risk could also be looked at as not taking advantage of your opportunities. Thus, it is imperative that these possible events are identified early such that management can put in place measures to mitigate them. We viewed the major risks affecting our work as:

6. Detection risks. This is the risk that sufficient evidence will not be gathered leading to the issuance of an inappropriate audit opinion. To negate this we ensure that staff with appropriate skills are assigned to each tasks, conduct continuous capacity building activities and ensure that the work is quality checked by senior staff.
7. Operational risks. This refers to any event that disrupts business processes (Investopedia). In preparing our Strategic Plan for the year, we drew attention the following risks that could affect us not achieving or objectives and targets.
- Dependence on the Ministry of Finance for required financing. Should our request for funding not be agreed then we may not be able to conduct some audits and our capacity building activities may also suffer.
 - Dependence HRMU for recruitment of staff. If we do not have adequate skilled staff to conduct field work to gather sufficient appropriate evidence then targets for work completion will not be achieved within the agreed timeframes. We have already discussed our challenges in this regard above. We just want to state here that we were able to combat some of this risk by using private sector auditors to assist us with some financial audits.
 - DITES for IT support services. We depend on this department for maintenance of IT equipment and the provision of network services which allows us to gain access to systems across government and to audit the public accounts. We can clearly see then that once the services are not available it would have a huge negative impact in work completion. This remains an acceptable risk once we remain at our current location.
8. Other risks include health and safety of staff. It is imperative that a good working environment be established to allow staff to complete tasks in timely manner. Where issues that affect the health and safety of staff arise they are drawn to the attention of the landlords, and relevant departments within the public service including that of the Deputy Governor's Office. However, given the immediacy of the situation management may need to give the relevant staff a few hours off from work to prevent further mishaps.

Objectives of this Report

9. The Office of the Auditor General (OAG) aims to add value to the lives of citizens by undertaking assignments that will hold government and accounting officers to account

for the use of taxpayer and funding agents' monies. One of its basic premises is that organisations should be held accountable for their actions. We aim to lead by example in promoting transparency and accountability through credible reporting of our behaviour. Thus, in compliance with ISSAI 20 – Principles of Transparency and Accountability - we provide you with an overview of our operations and performance over the fiscal period April 2016 – March 2017.

10. In the past we have included information on the operation and performance of the Audit Office within the Auditor General's Report on the Public Accounts of Montserrat. We have opted to provide this information in this stand-alone document with the intention of making it more visible to all stakeholders. We intend to use this medium to showcase our work for the foreseeable future.
11. We will draw your attention to progress on our strategic objectives, challenges faced, OAG financial Performance, human resource issues, workforce performance, reports reviewed by PAC, social impact and then provide a synopsis of our plans for the 2016/17 financial year.

Strategic Plan Progress

12. In conjunction with the Policy and Planning Unit of Cabinet Secretariat we developed a Strategic Plan covering three financial years. Our Key Strategies For the 2016/17 financial year were:
 - a) To work with PAC and other stakeholders to secure independence of the Audit Office.
 - b) To strengthen the accountability, transparency and delivery of public service by improving the quality and quantum of audit services.
 - c) To monitor implementation of recommendations and prepare required documents to facilitate follow-up and eliminate systemic problem¹.
13. With respect to securing the independence of the Audit Office we expected that a major part of this would be the enactment of a Revised Audit Act. We expected that having provided the relevant information to facilitate the necessary amendments to be made the Act would have been enacted. However, for this to come to fruition we depended

¹ See Programme Performance Information, Budget Estimates for 2015/16 to 2017/18, page 50.

on the Attorney General's Chambers to conclude the drafting of the Act, Cabinet approving the amendments and the Legislative Assembly to enact it. At the close of the financial year we were still waiting for the necessary actions by the relevant stakeholders to allow this matter to be concluded.

14. Our aim is to be an audit service that provides better value to citizens. To that end we seek to provide Reports that contain information which can be used to hold the Executive arm of government and Accounting Officers to account. In an effort to improve the quality of the audit service we focus on improving our audit skills by engaging in various capacity building initiatives. These are further expanded upon under the section on Human Resources Management and Development.
15. During this year we have expanded our audit products to include Environment Audits. At the end of the financial year we had begun the fieldwork on one audit.
16. We had also committed to providing evidence that our audit recommendations were being followed up to determine progress made toward their implementation. We have devised a specific Report to track this and have decided to provide this Report semi-annually. Our first report was completed in September 2016 and can be found at Appendix 3 of the Auditor General's Report on the 2015/16 Public Accounts. This document can be found on our website <http://oag.gov.ms> under Publications.
17. Overall, we have had mixed results in accomplishing our strategic goals for the year. Some of the challenges we faced that impacted on our achievements are highlighted below.

Challenges faced during year

Staffing

18. Audit examinations and draft reports on findings together with preliminary conclusions and recommendations are all performed by staff at various levels of the organisation. It is therefore difficult for me to provide reports on stewardship of Accounting Officers and operations of Ministries/Department without their input.

19. As at 1 April 2016 six (6) critical positions, representing 50% of the audit labour force, remained vacant despite our efforts to have them filled². These vacancies are broken down by audit type below:

Exhibit 1 – Number of staff vacancies during year

Financial Audit		Performance Audits		Compliance Audits	
Audit Manager	1	Audit Manager	1	Senior Auditor	1
Senior Auditors	2	Senior Auditor	1		
Total vacancy per team	3	Total vacancy per team	2	Total vacancy per team	1

20. Our office is allocated twelve auditors when the Deputy Auditor General is included. With half of our staff complement being unavailable for half of the year it was difficult for us to achieve our work completion targets as set out in our Strategic Plan for the corresponding period.

Frequent Network Failures

21. Our office is located off site and is connected to GOM's servers via wireless link. Our work is saved on these servers as well as most of the information for other Ministries and Departments that we need to conduct the audit of the Public Accounts. There are frequent breakdowns in the network link between our office and the network host servers at the Government headquarters. This means that quite a few man hours are wasted while we wait for staff at the Department for Information Technology and E-Government Services (DITES) to bring the network back on line.
22. As the wireless connection is constantly causing delays to the completion of our work thought should be given to the feasibility of installing connections through fibre optic cabling.

Accommodation issues

23. In July 2007, we moved from the Government Headquarters compound into private sector rental accommodation as part of our effort to be seen as being independent from the Executive. This was with the understanding that GOM would seek to provide appropriate public accommodation for us. As at time of writing this report no action had been taken to address the matter.

² Recruiting staff for the Office of the Auditor General is currently being done by the Human Resource Management Unit

24. During the past year we have encountered many health and safety issues which impacted on our work output. These primarily included non-functioning air conditioning units for large parts of the year and water getting into electricals. We are grateful to the Ministry of Finance for loaning us some fans. However, there were times when the situation got so bad that staff were allowed to leave work early to get out of the clammy and sweltering work environment. Ultimately, this had a negative impact on our productivity.

Electricity blackouts

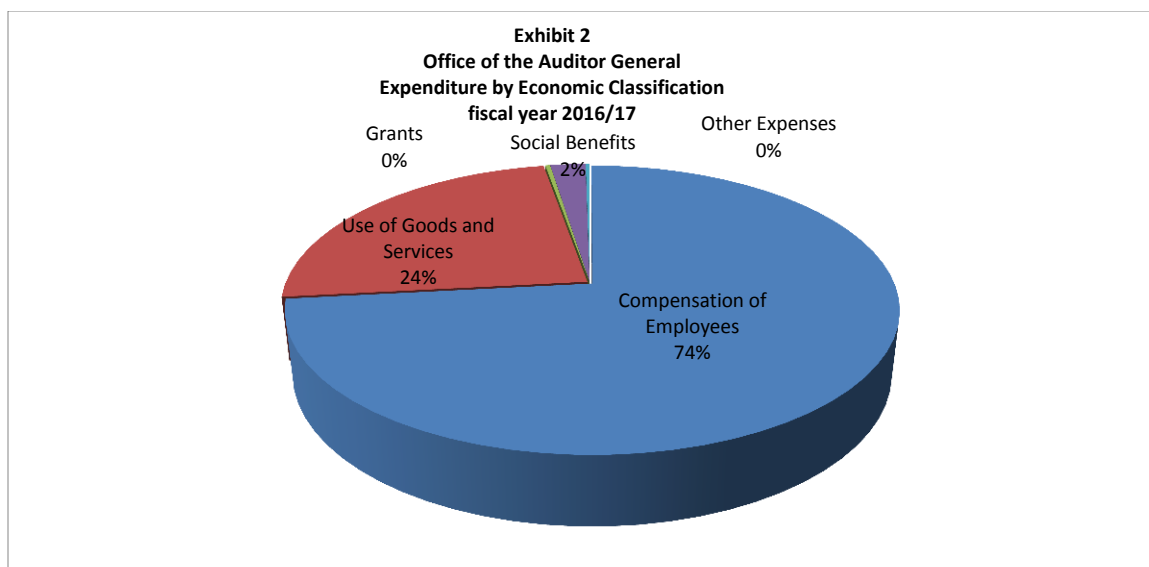
25. To compound matters there were frequent electricity outages during the latter part of the year. This had a significant impact on our work as our accommodations do not have any back up electricity generation supply and our staff was unable to conduct their assigned work during these periods.

Untimely Feedback from Auditees

26. We ask auditees to provide us with clarifications, supporting evidence and feedback to our examinations to allow us to validate findings, agree recommendations and to ensure that an appropriate audit opinion is given. Sometimes these are not forthcoming or are not supplied in a timely manner thus delaying our finalisation of work undertaken. We have adopted several strategies including giving additional time for our request to be actioned and making further written and verbal requests. However, as we cannot keep an audit open indefinitely we have opted to finalise our report, inserting where relevant that we have taken the necessary steps to seek the required feedback from management, but received no comments.

OAG Financial Performance - fiscal year ending 31 March 2017

27. Approved expenditure budget for the 2016/17 fiscal year was EC\$1,258,000. During the year \$190,000 was withdrawn from the department leaving a Revised Estimate of \$1,068,000. Actual expenditure amounted to \$896,273.30.
28. Compensation of employees and acquisition of goods and services continue to be our major expenditure categories utilizing 74% and 24% of the budget, respectively. The chart below provides a graphical depiction of expenditures incurred.



29. We note the under-spend of \$171,727 when actual expenditure is compared with that allocated by Legislative Assembly. This arose primarily because of the large number of vacancies that existed which affected projected payment to employees, training activities and costs and usage of utilities. Additionally, some expenditure did not receive authorisation within the fiscal year although they were agreed to in principle.
30. With respect to revenue collection we were not able to meet our targets as payment on bills submitted to auditees were not processed within the current year. In other cases the work remained outstanding due to staff shortages and a management decision to focus of finalising audits of Public Accounts, our main statutory duty, and for which no fee is charged.
31. Appendix 1 provides full details of our financial performance for the fiscal year ending 31 March 2016/17.

Human Resource Management and Development

Staff Movements

32. The Human Resource Management Unit (HRMU) concluded the recruitment of several staff within the latter part of the year with the filling of two vacancies in September, one in October, one in November and another in February. One support staff was also recruited to fill the vacancy of Office Attendant during the year.

33. Joining our staff were:

Exhibit 3 – Joiners for 2016/17

Name	Position	When Joined
Mr Omari Ryan	Office Attendant	May 2016
Mrs Urica Cassell	Senior Auditor – Financial Audits	September 2016
Miss Kimora Ward	Senior Auditor – Compliance Audits	September 2016
Miss Keane Halley	Senior Auditor – Financial Audits	October 2016
Mr Brent Shuffler	Audit Manager – Performance Audits	November 2016
Miss Karina West*	Audit Manager – Financial Audits	February 2017

*Miss West re-joined our offices after pursuing graduate studies in Accounting and Finance

34. We welcome all to the department and trust that we will all contribute to a mutually beneficial working environment.
35. Miss Vincia Meade, our former Office Attendant, terminated her employment during the year to relocate overseas. We take this opportunity to say thank you to Miss Meade for her years of service to the department and to wish her well in her future endeavours.
36. Our full staff complement can be viewed at Appendix 2.

Capacity Development

37. We work in an environment which requires continuous upgrading of knowledge and skills if we are to operate to industry standards and provide good quality advice that will improve the lives of citizens. To that end we continue to engage in various capacity building activities. These include through mentorship, in-house training, web-based training, and general in-service programmes.
38. Additionally, staff members continue to take personal interest in pursuing qualifications to develop their knowledge and skills to enable the office to provide better value to citizens. The qualifications being worked toward include undergraduate degrees in Accounting, Office Administration and Management, and professional qualifications with accounting supervisory bodies.

Regional training

39. *IT Audit – Jamaica.* We are grateful to the SAI of Jamaica for allowing one (1) member of our staff to participate in their IT Audit and CAATs Advanced Course which took place at their offices in Jamaica over the period 30 October – 11 November 2016. The objective of the training course was to:

- To develop the awareness and the conceptual understanding of the IT systems, technologies and environments necessary to conduct an IT audit
- To develop understanding of IT governance and management practices and standards
- To transfer the skills and knowledge required to conduct an IT audit of systems in use in the public sector.

40. Over the course of ten (10) days, participants were taught how to effectively plan and conduct risk-based IT audits using various international Information Technology (IT)/Information Security (IS) standards, guidelines, and frameworks such as ISSAI, ISO, ITAF, NIST, PCI, COBIT, ITIL. Participants were also taught how to use the powerful computer-assisted audit techniques/tools (CAATs) data analysis software, IDEA. IDEA can interrogate and analyse data in a host of ways to enable the extraction, sampling, and manipulation of data to facilitate the identification of errors, problems, specific issues, and trends.

41. *Beginning Auditor Tools and Techniques – Barbados.* To become a successful auditor, a



strong base of knowledge and an understanding of basic audit skills are essential. New auditors, as well as non-auditors with internal control responsibilities, can learn the ins-and-outs of an audit from beginning to end. Two (2) members of our staff participated in this training which was held in the conference room of the Accra Beach Hotel & Spa in Christ Church, Barbados over the period 1 – 3 March 2017. The training was facilitated by the Institute of Internal Auditors (IIA) – Barbados Chapter.

42. A foundation of knowledge was obtained through team exercise, group discussion and facilitator presentations. The focus of the training was to equip all attendees with the knowledge and understanding on how to properly prepare and conduct a successful audit, using preliminary surveys and evidence-gathering techniques. A basic

understanding of how to identify risk and internal controls in auditing was also stressed, along with interpersonal and team-building skills.

Attendance at Regional /International Conferences/Meetings/Workshops

43. Strengthening **Public Financial Reporting and Accountability**. The Accountant General



and I joined leaders in the public sector and professional accountancy organisations across the Caribbean in Nassau, Bahama during the period 11-14 April 2016 at the captioned workshop which was jointly facilitated by the International Federation of Accountants (IFAC), the Institute of Chartered Accountants of the Caribbean (ICAC) and the World Bank.

44. It allowed participants to explore how improved financial accounting and reporting can support sustainable development. To that end great attention was paid to Caribbean countries adopting accrual accounting, preparing their financial accounts in accordance with international accounting standards with special attention being given to the adoption of the International Public Sector Accounting Standards (IPSAS accrual basis).
45. In preparation for the event participants were asked to prepare a Public Sector Financial Accountability Survey. The objective of the survey was to get an accurate and actual picture of the state of public financial management reform in the Caribbean. As many countries had implemented or were engaged in accrual reforms, the survey also aimed to get a better understanding of the design of the reforms, implementation challenges, and associated benefits.
46. The overall focus of the workshop was to improve the quality of Public Financial Reporting which
- Leads to enhanced public financial reporting;
 - Helps to drive performance leading to better quality public services;
 - Enhances transparency and accountability;
 - Builds trust in government; and
 - Supports Foreign Direct Investment

47. Along with moving to an accrual basis of accounting, it was suggested that countries should also focus on improving their budgetary practices. Instead of preparing budgets solely on a cash basis, they should consider moving to accrual budgeting as accrual based budgeting and accounting systems lead to more coherent decision making.
48. **X CAROSAI Auditor General's Conference.** This conference was held in Paramaribo, Suriname during the period 30 May - 2 June 2016. The main theme of the Conference was "Strengthening SAI's through training, collaborative audits and implementation of ISSAIs".
49. When discussing this topic members looked at strategies used to select and prioritise training areas; benefits and lessons learnt in collaborative audits; how CAROSAI can assist members in conducting collaborative audits; the challenges of ISSAI implementation and what the region can do to create awareness and overcome them.



Other Matters

50. To facilitate the continued operation of CAROSAI a decision was taken to transfer the Secretariat from St Lucia to Jamaica. The Secretary General has also changed as CAROSAI's bylaws mandate that this position be held by the Auditor General of the SAI hosting the Secretariat.
51. The XI CAROSAI Congress will be hosted by SAI Guyana in 2019.
52. SAI Montserrat has been chosen to serve as a member of CAROSAI's Institutional Strengthening Committee for the next three years.
53. **Strengthening Country Systems for Better Investment Results, Regional Workshop, Guyana, 13 - 15 July, 2016.** This workshop was organized by CAROSAI in collaboration with the World Bank who had provided funding through a project to 'improve the ability of the Caribbean countries to more effectively implement capital investment projects

and deliver on their development agenda by enhancing the capacity of their country systems and institutions, with particular focus on external accountability, including legislative oversight, and public procurement.

54. The workshop intended to equip Caribbean parliaments with the tools to exercise a



more effective budgetary review, enhance technical capabilities of Supreme Audit Institutions to audit capital projects, improve government procurement regulatory framework, and create strong citizen-government feedback loops". The Deputy Auditor General, Miss Marsha Meade, represented our offices at this workshop.

55. **UK Overseas Territories Forum, Miami, 1-2 March 2017.** CPA UK, the UK National Audit Office (NAO), and the UK Government Internal Audit Agency (GIAA), are working



together to deliver a three-year programme to support relevant UKOT stakeholders under a project called "Supporting the Role of Public Accounts Committee and Audit Institutions: Oversight of Public Funds". The project is being funded by the Foreign and Commonwealth Office (FCO).

56. Together with the Chair of the Public Accounts Committee and the Chief Internal Auditor, I was invited to participate in the inaugural project launch, in Miami, Florida over the period 1-2 March 2017. The workshop focused on the key theme of adopting good practice in financial oversight and this was the focus of many plenary sessions. More importantly however, was the one-on-one consultations where delegates were provided an opportunity to discuss their priorities for engagement and support. In the case of SAI Montserrat, we discussed ways to modernise our financial and performance audit product through the provision of updated audit manuals (and relevant training in their usage); review of our HR systems and the Audit Act.
57. A guide on effective oversight of public Finances was also shared with all participants. The guidance reflects international best practice and is intended to stimulate the sharing of good practice and to help OT's reflect on, and strengthen, their current practices and procedures³. Participants were encouraged to adapt the guidance to suit their individual needs.
58. **XXIII Commonwealth Auditors General Conference 2017**. I attended this Congress



- held in New Delhi, India over the period 21 - 23 March 2017. Its main theme “Fostering Partnerships for Capacity Development in Public Audit” was discussed in the context of the two sub-themes, namely, “Leveraging technology in public audit” and “Environmental audit: A Commonwealth perspective”.
59. **Leveraging Technology in Public Audit**. This theme highlighted that Commonwealth governments are being pressured by the citizenry to improve the efficiency and effectiveness of their service delivery and are leveraging technology to transform the way in which services are delivered. This has forced SAIs to develop capacity to position itself to access and review such systems, assess impact on the efficiency and

³ Good Practice in Effective Oversight of Public Finances in the UK Overseas Territories

effectiveness of business processes and to extract and analyse voluminous data with a view to arrive at meaningful audit conclusions.

60. The Conference noted that SAIs undertaking IT audits were facing many challenges which included having to deal with big data⁴, lack of resources both in terms of human resource and infrastructure and those stemming from inadequate response from the audited entities. However, the Conference recognised that advanced data analytic tools and techniques are now available which can help in transforming and improving audit approaches and increase the audits' value to the clients. Members were encouraged to share experiences that would allow all to benefit from emerging knowledge and expertise in all aspects of auditing technology in general, and in the application of data analytics in performance and attest audits in particular⁵.
61. *Environmental Audit: A Commonwealth Perspective*. 193 Member States of the United Nations at the Summit on Sustainable Development in September 2015 adopted a new Sustainable Development Agenda, with 17 global goals. There was also a historic agreement to combat climate change and unleash actions and investment towards a low carbon, resilient and sustainable future which was agreed by 195 nations in Paris in December 2016.
62. With the adoption of these, environmental concerns are now embedded in all development activity and SAIs are now encouraged to conduct environmental audits. It was noted that they may be faced with many challenges which includes
- Lack of experience in auditing environmental issues;
 - Insufficient knowledge of international Auditing Standards;
 - Lack of criteria for evaluating environment related performance;
 - Lack of reliable monitoring and reporting systems on environment data;
 - Lack of codification of environmental laws in some countries, etc⁶.
63. Since environmental challenges often affect countries similarly SAIs were encouraged to engage in cooperative environmental audits. Also, it was noted that an increasing number of trainings on audit of environmental issues were being organized, either through the aegis of INTOSAI and regional Working Groups of INTOSAI, or by individual SAIs. The Conference encouraged the Commonwealth SAIs to avail themselves of these

⁴ Big data is a term for [data sets](#) that are so large or complex that traditional [data processing application software](#) is inadequate to deal with them - Wikipedia

⁵ This synopsis was taken from the 23 Commonwealth Auditors General Conference – Results Document

⁶ This overview was taken from the 23 Commonwealth Auditors General Conference – Results Document.

opportunities to equip their staff with the knowledge and skills required for carrying out effective environment audits

64. Independence of Commonwealth SAIs. Recognizing the importance of having independent SAIs as agreed by 66th UN General Assembly of the United Nations Resolution A/66/209⁷ of 22 December 2011, SAIs were encouraged to draw up action plans to address areas of weaknesses in their legal frameworks in order to progress to a sustainable 'high independent' status.
65. Other Matters. The next Commonwealth Auditors General Conference will be held in Fiji in 2020.

Performance Management

66. We continue to follow ISSAI 1220, monitor the work of staff and provide feedback on an assignment basis. In addition, we provide formal feedback semi-annually in keeping with GOM's performance management practices.

Teambuilding efforts

67. Team building activities has many benefits which provide a way to motivate staff, enhance communication among staff and improve morale and productivity of employees. As in previous years, we joined the rest of the public service in celebrating Workers Appreciation Day. All OAG staff participated in a luncheon on this occasion.
68. The staff club was re-established with members agreeing to have a quarterly function. Activities undertaken were two (2) movie afternoons where staff spent two hours watching a movie of choice and sharing experiences. A Christmas luncheon was also undertaken using club dues. The last quarter activity – a fish fry – had to be postponed to April and was held outside normal working hours.
69. Our final team building effort was a Staff Development Motivational Session held at the DMCA and facilitated by Mr Eugene Skerritt, a former Permanent Secretary who held many positions within the Public Service. Workers appreciated this session and encouraged management to have this type of activity more frequently.

⁷ Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions, A/RES/66/209

Workforce Performance

Financial Audit

70. Financial Audits are carried out with the objective of determining whether public monies are expended as authorised by Parliament and/or persons charged with governance directives; that monies are properly accounted for; and that the financial statements are fairly presented in accordance with GOM's regulatory regime and acceptable financial reporting frameworks.

Audit of Public Accounts

71. At the beginning of the fiscal year work had been outstanding on the audits of the Public Accounts for fiscal years 2013/14 and 2014/15. Work on the Public Accounts were completed as follows:

Exhibit 4 - Current and Prior Year Audits: Public Accounts

Fiscal year	Submitted to MOF for onward transmission to Legislative Assembly	Opinion Issued	Tabled in Legislative Assembly
2013/14	27 September 2016	Unqualified	25 October 2016
2014/15	27 September 2016	Unqualified	25 October 2016
2015/16	3 April 2017	Unqualified	2 May 2017

72. The Public Accounts is made up of thirteen statements portraying different elements of the accounts as mandated by the Public Finance Management and Accountability Act (PFMAA) 2008 and two statements prepared under the IPSAS Cash basis of Accounting. These statements represents the accounts of forty-two central government Ministries and Departments.

Statutory Agencies

73. Work was conducted on the audits of statutory agencies accounts as follows:

Exhibit 5 - Prior and Current Year Audits: Statutory Agencies

Statutory Agency	Financial Year	Status
Montserrat Land Development Authority (Housing)	2012	Submitted on MOF for onward submission on 7 November 2016. Tabled in Legislative Assembly on 7 March 2017
Montserrat Land Development Authority (Housing)	2013 -2014	Fieldwork completed. Awaiting amendments to facilitate finalisation of accounts.

Montserrat Land Development Authority (Housing)	2015	Fieldwork completed
Montserrat Land Development Authority (Housing)	2016	Fieldwork in progress
Montserrat Land Development Authority (Corporate)	2015	Fieldwork in progress
Montserrat Volcano Observatory	2011	Audit completed
Montserrat Volcano Observatory	2012- 2013	Fieldwork in progress
Montserrat Arts Council	October 2014 – December 2016	Planning Work completed. Fieldwork delayed as entity wanted more time to complete financial statements
Government Savings Bank	January – July 2014 (final 7 months of operation)	Tabled in Legislative Assembly on 27 September 2016

74. Audits for the Montserrat Community College, Montserrat Philatelic Bureau and the Info Telecommunications Authority remained outstanding.

Private Financial Audits

75. These audits relate to entities that, though not strictly public sector, have specifically requested us to audit their accounts. At the end of the fiscal year the status of these audits were as follows:

Exhibit 6 - Prior and current year audits: Other Financial Audits

Agency	Financial Year	Status
Basic Needs Trust Fund	2015 and 2016	Submitted to MOF for onward transmission to Legislative Assembly on 31 March 2017
Montserrat Civil Service Association	2011 - 2013	Awaiting supporting evidence to enable completion of audit

76. Overall, we have made good progress toward the completion of these financial audits given our staffing challenges in the earlier part of the financial year.

Performance Audit

77. Performance auditing is a systematic and objective examination of public sector activities and organisations in order to assess the extent to which public sector entities utilise their resources in an economic, efficient and effective manner. Its primary objective is to provide Parliament with independent assurance about the economy, efficiency and effectiveness of public sector related activities. Another objective is to

assist audited entities in improving their performance and achieving greater value for money from the use of resources.

78. We had planned that the completion of four performance audit would be achievable with the expectation that the Performance Audit team would be in place early in the fiscal year under review. This did not materialise. By the end of the year only one position for this audit type was filled and this impacted our output.
79. During the period a Performance Report on Selected Outsourced Activities in the Montserrat Public Service was tabled in the Legislative Assembly on 20 December 2016 and subsequently published on our website at <http://oag.gov.ms>. At the end of the fiscal year a second Performance Audit was in progress as described in the below.

Exhibit 7 - Performance Audit in progress as at 31 March 2017

Report Name	Summary	Comments
Payment Methods and Payment Systems within the Montserrat Public Service	The objectives of this review were to determine (a) the efficiency of actual payment methodologies, (b) their effectiveness, and (c) their value for money to stakeholders, to GOM itself, and to the citizens of Montserrat.	The draft report took longer to complete than anticipated given delayed responses to requests for and collation of information. We expect this to be finalised within the first quarter of the 2016/17 financial year.

80. Mr Brent Shuffler took up the position of Performance Audit Manager in November 2016. A vacancy for a Senior Auditor – Performance Audits still remained unfilled despite our several reminders to the Human Resource Management Unit.

Special Audit/Investigation

81. A ferry service was provided as a main means of transport between Montserrat and Antigua and some other neighbouring islands. These services were abruptly terminated causing chaos to the traveling public. The move affected the travel of residents of Montserrat, visitors and day trippers and there was a large public outcry on the matter.
82. My mandate allows me to look into matters that affect the public interest and as a result, we conducted a review to identify any gaps in the previous ferry operations/system, highlight lessons learnt and make suggestions for improvement where necessary. Our findings, in the form of a Montserrat Ferry Service: Lessons Learnt Report, were submitted to the Ministry of Communication and Works and the

Office of the Premier (both entities held responsibility for the ferry operations at various points immediately prior to or during the reporting period).

IT Audits

83. We currently have one dedicated staff to conduct IT audits. However, for the first part of the year she was engaged on performing financial audits due to staff shortages in that area and the need to finalise the audit of the public accounts. As such our targets for four IT audits for the year was not realised. Achievements in this audit type are highlighted below.

Exhibit 8 - Environmental Audit Progress as at 31 March

Report Name	Summary	Comments
Business Continuity Planning: Follow-up Report	An earlier report had highlighted weaknesses in the Business Continuity Planning systems in the Department for Information Technology and E-government Services. This audit was therefore intended to determine whether recommendations from that report were implemented.	The draft report was completed and submitted to management for comments in February 2017. These were not received by the end of the reporting period. The Report was subsequently submitted for tabling in the Legislative Assembly in May 2017.
GOM E-Governance Initiatives - EXCOTRACK	An online system styled 'EXCOTRACK' was created to allow Cabinet to track and manage documents and decisions. This audit seeks to determine whether (1) adequate controls exist to ensure security of sensitive and high level information and (2) provisions were made by the GoM to ensure continuance of these services if person(s) and/or entity maintaining the application and system should leave or have their services were terminated.	By the end of March the planning phase was completed and fieldwork had just begun. We plan to complete the draft report by the end of the first quarter of the 2017/18 fiscal year.

Compliance Audits

84. These types of audits focus primarily on determining whether organizations are complying with laws, regulations and policies of the organisations. The results of these audits are usually communicated to management so that steps could be taken to address them. Excerpts from these reports are usually included in the Auditor General's Annual Report on the Public Accounts of Montserrat.

85. The work of this unit was hampered by lack of staff at the beginning of the fiscal year. However, it was able to complete work in the following areas:

Exhibit 9 – Compliance Audit completed or in progress as at 31 March 2017

Ministry/Department	Subject Area	Audit Conclusion	Status at 31 March 2017
Inland Revenue Department	Areas of Revenue for: Income Tax Company Tax Property Tax Withholding Tax Insurance Levy	Modified Conclusion Unmodified Conclusion Modified Conclusion Modified Conclusion Modified Conclusion	Submitted to audit management for review
Supreme Court/Registry	Revenue Collection Births, Deaths & Marriages	Adverse Conclusion Modified Conclusion	Draft report sent to auditee for comments
Magistrate's Court	Cash Survey	Unmodified Conclusion	Completed Report submitted to auditee management 17 January 2017
Radio Montserrat	Cash survey	Unmodified Conclusion	Completed Report forwarded to auditee management 17 January 2017
Glendon Hospital	Revenue Collection Stores Management Vehicle Management	Two of three subject areas were given Modified Conclusions	Submitted to audit management for review
Customs Department	Revenue Collection		In progress

Environmental Audit

86. Environmental audits are reviews of the public sector operations and process to determine whether they are in compliance with GOM environmental regulations and agreed regional and international accords.
87. We expanded our audit products to include environmental auditing from this financial year after having received appropriate training in the prior financial year. Given this is a new audit type, we targeted one audit for the year. Progress on this audit is outlined below.

Exhibit 10 - Environmental Audit in Progress as at 31 March 2017

Report Name	Summary	Comments
Managing Waste in the	The overall objective of this	The receipt of information and

Public Health Sector	review was to assess whether hospital and clinical waste generated by our hospital, clinics and labs were appropriately managed and disposed of.	guided tour of disposal site took longer than expected. At the end of the reporting period drafting of the report was ongoing and a final site visit was to be conducted.
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Reports Reviewed by PAC

88. PAC did not meet during the reporting period.
89. To compound matters, the former Chair of the Public Accounts Committee resigned from being a member of the Legislative Assembly in November 2016 and a Bye-election to fill that seat was held in January 2017. At the end of the reporting period the Legislative Assembly had not named the new Chair and members of the PAC.
90. At the end of the fiscal year the Report of the Auditor General on the Public Accounts for the fiscal years 2013/14 and 2014/15 together with two Performance Audits and one IT audit were awaiting review by PAC. Since year end the Report on the Public Accounts for the 2015/16 financial year has also been tabled in the Legislative Assembly.

Social Impact of work

91. Accounting Officers are taking our recommendations in hand and are implementing them. Sometimes this happens while the audit is in progress but, more often than not, there are significant delays before implementation. However, despite delayed implementation they lead to improvements in the services offered to the public.
92. As a critical part of some audits we conduct surveys to gauge citizens' opinion on a particular subject matter. As they become more engaged in this type of information sharing, they provide information that allow us to make recommendations that better impact their situations and livelihoods.
93. We note also than excerpts from some of our Performance Audit reports are sometimes discussed on radio programmes. We are encouraged by this as draws the issue into the public domain thereby causing public servants to pay more attention to the services being offered to citizens. Plans are however afoot to have this done in a more organized manner.

OAG Work Programme 2017/18

94. Strategically we will continue to focus on achieving the following:
- Independence of the Audit Office
 - Strengthening the accountability, transparency and delivery of public service by improving the quality and quantum of audit services
95. We will continue to focus on the capacity development of staff in the various types of audits we conduct. To this end, we will continue to participate in training courses and workshops facilitated by various training agencies whether on island, regionally or internationally once appropriate funding is available.
96. With the joint aim of building capacity while tackling regional audit issues we will join with colleagues across the Caribbean to conduct a Collaborative Procurement Audit to determine whether procurement practices complies with relevant Acts and Regulations. In the case of Montserrat we will focus on the ICT Project.
97. In addition to the above, we will begin work to build our Stakeholder Engagement Strategy and practices. Our objective here is to encourage greater stakeholder involvement in our work for broader audit scope and improved audit quality.
98. We are striving to bring all outstanding financial audits up-to-date. This is with the understanding that staff will be available to conduct the field work and that supporting evidence and responses to our queries will be received in a timely manner.
99. We continue to share our proposed work plan with PAC and seek their input in keeping with our shared responsibility to improve financial management within the public sector. Our detailed work plan can be viewed at Appendix 2.

Overall Conclusion

100. We were not able to achieve our strategic objective of gaining independence of our offices during the fiscal year. The final leg of this objective is beyond our control as it falls within the ambit of other agencies. As international best practice requires an independent Audit Office we will continue to draw this to the attention of the relevant authorities.

101. We made significant strides toward strengthening the accountability and transparency of public service delivery through capacity building and expansion of our audit product. Our capacity building efforts and attendance at regional and international workshops provide a synopsis of the areas pursued during the fiscal year. We aim to participate in similar up-skilling activities throughout the 2017/18 fiscal year.
102. All our work areas were hampered by lack of staff until the middle of the financial year. Notwithstanding this we are happy to report that we completed nine (9) reports, several were at the review stage by either audit or client management while other audits were in progress. With the recruitment of the new staff we expect the completion rate to improve as staff becomes more knowledge of our auditing practices.

Acknowledgements

103. Thanks is extended to the staff of the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for the invaluable input, clarifications, advice and any other courtesies rendered to my staff during the course of the various audit assignments.
104. Having knowledgeable and skilled staff provide the impetus for us to conduct high quality work that allow our Offices to provide improved benefits to the citizens of Montserrat. We are thus grateful that several agencies came to our aid and assisted our capacity development initiatives. We take this opportunity to thank the GOM, its Learning and Development Unit, DFID, FCO, UKNAO, CPA UK, UK GIAA, IDI, CAROSAI, SAI Jamaica, the Indian Government, ICAC, IFAC, the World Bank and Commonwealth Auditor General colleagues for their contributions to our capacity building efforts and guidance in managing emerging audit issues.
105. I depend on my staff to conduct the field work for all audits. This year was particularly challenging as many vacancies remained unfilled for much of the reporting period leading staff to undertake more work, often working beyond normal working hours on a daily basis or on weekends to get the work completed. I appreciate the effort and thank you for your hard work, commitment and invaluable contribution despite our many challenges.



Florence Lee
Auditor General
Office of the Auditor General
14 July 2017

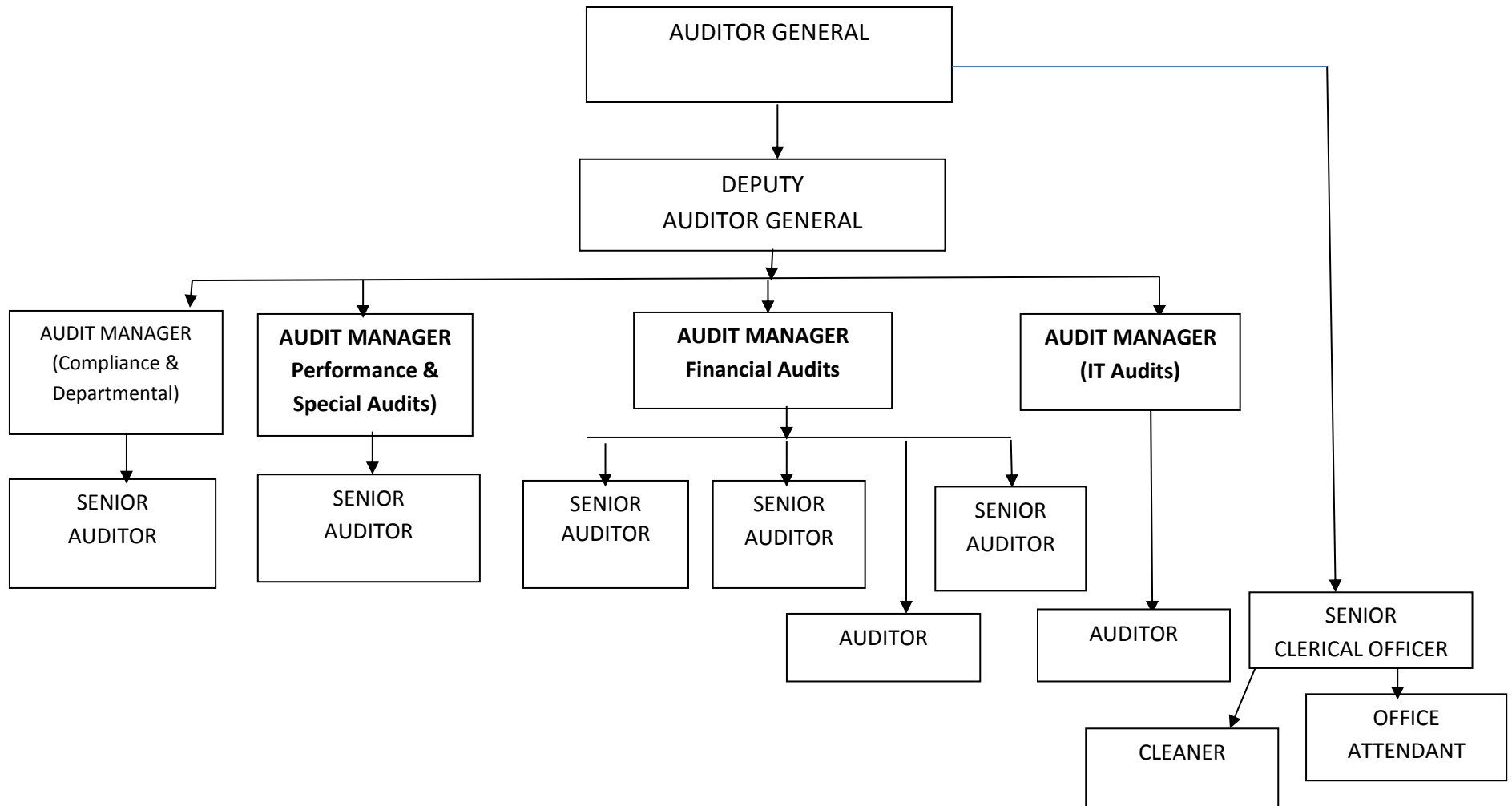
Appendix 1

Annual Abstract of Recurrent Revenue and Expenditure

Revenue							
Head	Details	Approved Estimate	Virement Warrants	Supplementary Estimates	Revised Estimate	Actual Revenue	Variance
13005	Audit Fees	25,000			25,000	0	25,000
Expenditure							
Head	Details	Approved Estimate	Virement Warrants	Supplementary Estimates	Revised Estimate	Actual Expenditure	Variance
210	Personal Emoluments	732,500		-150,000	582,500	558,278	24,222
212	Wages	11,000			11,000	10,920	80
216	Allowances	202,000		-40,000	162,000	87,856	74,144
Total Compensation to Employees		945,500		-190,000	755,500	657,054	98,446
218	Pension & Gratuities	56,500			56,500	19,814	36,686
Total Social Benefits		56,500			56,500	19,814	36,686
220	Local Travel	6,000	0		6,000	4,095	1,905
222	International Travel and Subsistence	12,000	11,600		23,600	23,230	370
224	Utilities	30,000	0		30,000	17,758	12,242
226	Communication Expenses	7,500	-600		6,900	3,842	3,058
228	Supplies & Materials	4,000	3,000		7,000	6,484	516
232	Maintenance Services	4,700	0		4,700	445	4,255
234	Rental of Assets	78,000	-14,600		63,400	59,220	4,180
236	Professional Services & Fees	80,000	0		80,000	75,585	4,415
242	Training	20,000	6,000		26,000	23,722	2,278
246	Printing & Binding	6,000	-6,000		0	0	0
Total Goods & Services		248,200	-600		247,600	214,381	33,219
260	Grants & Contributions	2,800	600		3,400	2,717	683
Total Grants & Contributions		2,800	600		3,400	2,717	683
275	Sundry Expenses	5,000			5,000	2,308	2,692
Total Sundry Expenses		5,000			5,000	2,308	2,692
Total Recurrent Expenses		1,258,000	0	-190,000	1,068,000	896,274	171,726

Appendix 2

OFFICE OF THE AUDITOR GENERAL ORGANISATION CHART



Appendix 3

OFFICE OF THE AUDITOR GENERAL

PRELIMINARY WORK PLAN FOR 1 APRIL 2017 – 31 MARCH 2018

1. Audit of Public Accounts

As per Section 17(2) of the Public Finance (Management and Administration) Act 2008 we are mandated to audit the following thirteen (13) Statements.

- (a) a statement of assets and liabilities;
- (b) an annual abstract of revenue and expenditure by heads; **This is for fourteen (14) entities with forty-two (42) sub-departments.**
- (c) a comparative statement of actual and estimated revenue by sub-heads;
- (d) a comparative statement of actual and estimated expenditure by sub-heads;
- (e) a statement of balances on advance accounts analyzed under the various categories set out in section 30;
- (f) a statement of balances on deposit accounts;
- (g) a statement of outstanding loans made from the Consolidated Fund, by annual and aggregate receipts and payments;
- (h) a statement of public debt;
- (i) a statement of contingent liabilities;
- (j) a statement of investments showing the funds on behalf of which the investments were made;
- (k) a statement of arrears of revenue by sub-heads;
- (l) a statement of losses of cash and stores and of abandoned claims;
- (m) a statement of the Contingencies Fund Account;
- (n) other statements as the Legislative Council may from time to time require.

2. Other Financial Audits

Statutory Agencies (6)

- M/rat Land Development Authority (Corporate & Housing Management)
- Montserrat Volcano Observatory
- Montserrat Community College
- Montserrat Arts Council
- The Info-Communication Authority
- M/rat Philatelic Bureau
-

Private (4)

- Montserrat Civil Service Association

- Montserrat Girls Guide
- St Augustine School
- Basic Needs Trust Fund (BNTF).

3. Performance/Value for Money Audits

- Performance Review of Montserrat Utilities Limited: Value-for-money in Service Delivery to Montserratians
- Impact of Hospitality Sector on Economic Growth of Montserrat
- Efficiency and Effectiveness of GOM'S Procurement Practices
- Performance Review of GOM's Strategic and Budgeting Processes

4. IT Audits

Use of internet and related technologies to improve public sector performance:

- MSS and Primary Schools Laptop Program
- SMARTSTREAM
- Electronic/automated written driving test
- Pension Calculation Follow-Up Audit

5. Compliance Audits

- Compliance with international standards regarding immunization of citizens
- Compliance with GOM Regulations in the areas of Revenue collection, Public Stores and Fixed Assets, Maintenance of Vehicles and Vehicle Log Books, Management of School Savings Accounts, School Lunch Programme for six Ministries/Departments
-

6. Environmental Audits

- Compliance with regional/international accords