



SPECIAL AUDIT REPORT

ON

**THE NATIONAL INFORMATION AND COMMUNICATIONS
TECHNOLOGY PROJECT**



Office of the Auditor General
Brades Main Road
Brades
Montserrat
October 2018

**THE NATIONAL INFORMATION AND
COMMUNICATIONS TECHNOLOGY
PROJECT**

This is a Report of a Compliance
Audit conducted by the Office of the
Auditor General pursuant to Section
103 of the Montserrat Constitution
Order 2010

Florence A. Lee,
Auditor-General,
Office of the Auditor-General,
15 October 2018

PREAMBLE

Vision-Statement

“To be a proactive Supreme Audit Institution that helps the nation makes good use of its resources”.

Mission-Statement

“The O.A.G. 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

“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”.

AUDITOR GENERAL'S OVERVIEW

The Caribbean Organisation for Supreme Audit Institution (CAROSAI) developed a Strategic Plan 2017-2021 which aims to help Supreme Audit Institutions (SAI) to develop their professional capacity. The area of procurement was identified as one area that required further training and development and the Office of the Auditor General was invited to participate in a Collaborative Audit of Procurement. The Ministry of Communication, Works and Labour (MCWL) National Information and Communications Technology (NICT) project was selected for this special review.

Our findings revealed that the Project was a good initiative to improve efficiency in key operations however, there were a number of significant issues relating to the NICT Project. Of great concern to us was the inadequate documentation throughout the procurement process and during the roll out of the project. Minutes of meetings were either incomplete or no recording of discussions were performed. Reports on the progress of the project were non-existent in some cases and no final reports were submitted which hindered our ability to determine which projects were fully completed.

Post procurement reviews were not undertaken which shows that there was a direct contravention of the procurement regulations that stipulates that goods/services received should be assessed. We found that there were differences in the actual payments and the amounts entered in the accounting system for some projects. This made it difficult to verify which projects received their full contractual payment.

A number of recommendations were made for management to consider for implementation for similar projects in the future. I wish to express my gratitude to the staff of the MCWL for any assistance given during this collaborative effort. Special thanks to the auditors who worked on reviewing this project.



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EXECUTIVE SUMMARY

As part of the Carosai Cooperative Procurement Audit Programme, we conducted an audit of the Ministry of Communication and Works National ICT project.

This report represents the results of our audit of the the procurement and contracting practices of the Ministry of Communications, Works and Labour as it relates to the National ICT Project; and whether they comply with the relevant acts regulations and directives. The period covered by this review was 1st April 2015 - 31st March 2017.

An assessment of the control environments that were in place for this project was first done to ensure that the review examined all the relevant controls and procedures. Additionally, the fieldwork included an examination of the files and documents pertaining to the National ICT Project procurement systems and processes. The review of documents was supplemented by discussions with key persons involved in procurement and other processes.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4100 Compliance Audit Guidelines - For Compliance Audits Performed Separately from the Audit of Financial Statements. We were also guided by ISSAI 400– Fundamental Principles of Compliance Auditing.

We found that the Ministry was not in compliance with some of the procurement regulations relating to the documentation and recording of the procurement process. There were several instances where files were incomplete or missing and reports were not submitted.

A detailed description of findings and recommendations is provided in Chapter 2 of the report.

Due to the findings above, poor procurement record keeping has been identified as a serious challenge to the procurement process. For procurement reforms to succeed, record keeping weaknesses must be addressed. The Ministry should comply with procurement policies and regulations to achieve the goals of the National Sustainable Development Plan.

We have made a number of recommendations to our findings around the management, processes and implementation of this project for action and consideration should such initiative be undertaken in the future. The acceptance of these and other recommendations mentioned in this report will bring significant improvement.

CHAPTER 1: INTRODUCTION

BACKGROUND INFORMATION

The Ministry of Communications, Works and Labour (MCWL) is mandated to promote the goals of the Government of Montserrat; by improving the quality of life for its residents through delivery of cost effective, safe, reliable and sustainable projects, programmes and quality services.

MCWL is comprised of five (5) divisions which serve to accomplish MCWL's overall objective as follows:

1. Strategic Management and Administration;
2. Infrastructure Services;
3. Plant Hire and Mechanical Spares;
4. Airport Management and Operation; and
5. Industrial Relations and Employment Services

MCWL plays a significant role in the execution of the National Sustainable Development Plan. This audit is intended to give assurance to the Government of Montserrat and the general public that MCWL complied with the relevant regulations and legislation, and projects and funds are properly managed.

The Public Procurement Board (PPB) is responsible for tenders in excess of \$100,000.00. Departmental Tender Committees, appointed by the PPB within the various ministries, departments, agencies or public organizations oversee the administration of procurement contracts in amounts less than \$100,000.00.

There are currently proposed changes to the Public Finance (Management and Accountability) (Procurement) Regulations. Section 18 of the document states "***that Contract management is generally poor in the public sector. After award of contract, the success of the project or service delivery is dependent on good contract management. A section should be added on the key principles of good contract management.***" This highlights the concerns and need for higher level of accountability and transparency of the procurement process.

AUDIT MANDATE

The audit's mandate as conscripted in the Montserrat Constitution Order 2010, and the Public Finance (Management and Accountability) Act 2009 makes the Auditor General responsible for the audit of the Public Accounts, Accounts of Government Ministries or Departments, Statutory Corporations and entities who are receiving or seeking grants from the public purse. The audit work was conducted in accordance with the Public Finance (Management and Accountability) Regulations 2008 and the Public Finance (Management and Accountability) (Procurement) Regulations 2012.

AUDIT OBJECTIVE

This audit aims to provide reasonable assurance that the procurement practices of the Ministry of Communications, Works and Labour is complying with relevant acts and regulations. Reasonable assurance is appropriate since the information required should be readily available and persons involved with the planning and execution of the National Information and Communications Technology Project (NICT) are experienced and qualified.

We reviewed all stages of the procurement process that are applicable to MCWL. For this purpose, the following sub-objectives were designed to come to an overall conclusion on the whole procurement process could be made:

- Sub objective 1- The planning practice of MCWL complies with relevant acts and regulations;
- Sub objective 2 - The sourcing practice of MCWL complies with relevant acts and regulations; and
- Sub objective 3 - The contract management practice of MCWL complies with relevant acts and regulations.

AUDIT SCOPE

This audit covered the procurement practice of MCWL, which is the three stages of the procurement lifecycle as described in the audit objective. The audit focused on the period April 2015 to March 2017.

AUDIT CRITERIA

The audit criteria used to assess MCWL's NICT procurement practices were derived from the legislation and policies outlined in the audit mandate.

AUDIT METHODOLOGY

A risk assessment of this project revealed that there was a high risk that MCWL did not comply with procurement policies and regulations. The preliminary assessment of the entity's internal control environment has also highlighted that MCWL did not effectively monitor the Ministry's procurement practice for this project. Therefore, in order to address the risk of non-compliance the audit took a substantive approach with sufficient samples tested. This enabled the auditors to form a conclusion on MCWL's overall compliance with the procurement policies and regulations in relation to the National ICT Project.

CHAPTER 2: FINDINGS

As part of the audit, the contracts that were awarded to the fourteen (14) applicants who were selected for full implementation for the National ICT Project were examined against criteria derived from the legislation and policies, which were used for the assessment of MCWL's procurement practices. 100% of contracts were examined.

PLANNING

1. Planning Meeting minutes were incomplete or missing. There was no documentation to show that there were discussions that involved key stakeholders. *PFM&A (Procurement) Regulations.S.16. States that the "Public Procurement Board shall be responsible for maintaining sufficient record keeping."* Proper records of meetings were not maintained by the responsible officials. As a result, it was not possible to verify whether meetings were actually held and their related outcomes.

SOURCING

2. The Ministry did not provide an official tender document for review. An Invitation for proposals was issued to the public through a Community Diary notice, but some information was missing. We reviewed a draft copy of the Community Diary notice. The Community Diary notice we received only specified the date by which proposals should be submitted. There was no indication of the cut off time for submissions. There was also no record of when the announcement was actually broadcast. *PFM&A (Procurement) Regulations.S.24, speaks to the "procedures for soliciting tenders."* It outlines the information that should be published in the invitation to tender document.
3. Some contractors did not follow the proposed templates provided by the Ministry. The templates were designed to capture elements of ICT needed to facilitate Sustainable Development. Successful bidders were required to meet the critical requirements of the Sustainable Development Plan. The offending contractors were not excluded from the procurement process as per *PFM&A (Procurement) Regulations.S.4&5.*

CONTRACT MANAGEMENT

4. We found that contractors did not meet the reporting requirements set out in their contracts. Payments were made to contractors but in most cases, there was no accompanying documentation. Progress reports could not be found for half of the contractors. *According to PFM&A (Procurement) Regulations.S.9: records of the Procurement Process must be kept for five years.* The contracts stipulated that progress reports be submitted at various stages before making disbursements. The reporting requirements for each contractor were outlined. This included the type of reports and the timelines for submitting them. We found that progress reports were either not completed or were submitted and improperly filed by the department. As a result, we were not able to verify whether contractors were fulfilling the conditions of their contracts or that projects were properly monitored.
5. There was no evidence to show that contractors met the reporting requirements set out in their contracts. Final reports were not seen for the majority of contractors. *According PFM&A (Procurement) Regulations.S.9 - Record of the Procurement Process,* the procuring entity is required to keep records of the procurement process for at least five years. The last step in the project is to summarize the different stages into a final report to be submitted to Ministry of Communications, Works and Labour. It appears as if final reports were either not completed or were submitted but improperly filed by the department. As a result, we were unable to verify the existence of some progress and final reports pertaining to the ICT projects. Without the final reports it was unclear which projects have been fully completed.
6. There was no evidence that post procurement reviews were carried out by the Public Procurement Board or the Departmental Tender Committee for MCWL. *PFM&A (Procurement) Regulations.S.16 - Post procurement reviews are required according to Procurement Regulations and are used in order to assess the goods/services received.* Lack of post procurement reviews resulted in non-compliance with relevant regulations. Additionally, stakeholders would be unaware of the value produced by the goods/services rendered.

7. There were differences in actual payments and the amounts entered in SMARTSTREAM for some projects. Ministry of Finance Accounting Manual S.10.1.4 states that certified invoices should be entered into SmartStream. Therefore, the amount entered into SmartStream should be identical to the amount shown in the ministry's payments records. However, the established process for completing transactions was not adhered to when processing payments. As a result, audited figures differ from those presented in documents given for review such as the 'ICT Project for Grant Funding Summary Sheet', which shows the total claims at various stages of the projects. This makes it difficult to identify which projects actually received the full contracted amounts, thus the auditors were unable to identify whether projects have been completed within the agreed timeframes.
8. There was missing documentation for some contractors. For example, the contract for the Montserrat Secondary School ICT project was not found. *According to PFM&A (Procurement) Regulations.5.9&16*, the procuring body should maintain a record of the procurement process for at least five years. The Public Procurement Board is responsible "for maintaining efficient record keeping and quality assurance systems." The Ministry's record keeping management was poor. Sufficient records of the procurement process were not kept. We were unable to verify the existence of documents. This suggests that records have been poorly kept and the procurement process has not been managed efficiently and effectively.
9. Status reports for ongoing projects were not submitted. Status reports are necessary to effectively monitor the project's progress. The only status report submitted was as at October 31, 2016. Management did not provide further reports to show the status after 31st October, 2016. The quarterly report as at 30th September 2016, stated that eleven (11) of the projects had been completed. However, there was no documentation on the contractors' file to verify this. The report also stated that there was "regular monitoring and evaluation of fourteen (14) ICT projects". There was no evidence to support this claim. We were unable to verify the stage of completion for ongoing projects and to find out whether regular monitoring of the projects were actually carried out.

CHAPTER 3: RECOMMENDATIONS AND CONCLUSION

RECOMMENDATIONS

Based on the findings we have made the following recommendations:

10. Management need to ensure that minutes of board meetings are properly recorded and accurately reflect the proceedings and discussions at the meetings. They help to create structure by outlining key decisions made, further actions required, and the persons required to execute actions. The Minutes are evidence that meetings were actually held. They should be kept as a source of reference for management and maintain an audit trail for monitoring, review and continuity purposes.
11. Management should ensure that tender documents provide essential information. Invitations for submissions of proposals should specify the time by which the proposals should be submitted and not just the date. This information is important in order to ensure that the tendering process is transparent and equitable to all.
12. We recommend that the Public Procurement Board or Departmental Tender Committee ensures that all projects are managed in accordance with procurement regulations and that all contractors adhere to the full terms of their contracts. This can be achieved through regularly scheduled reviews. Additionally, if reports were indeed completed personnel should take steps to ensure that documents are properly filed and available for review at all times.
13. Procurement managers should ensure that all stages of the procurement process are managed efficiently. There should be checks to ensure that contract awardees have complied with the terms of the engagement and that the Ministry has received adequate goods and services.
14. All projects should be properly and consistently reviewed in a timely manner by the Public Procurement Board or Departmental Tender Committee.
15. The Ministry should ensure that all payment transactions are completed according to the guidelines and procedures as set out in the GoM's Ministry of Finance Accounting Manual. Therefore, certified copies of invoices should be entered onto the Government Computer System, (SMARTSTREAM) before being passed on for final approval by the

Ministry/Department and Treasury. In doing so, the basis of payments can be verified and audit trails facilitated.

16. We are recommending that management review its method of data storage, with a view to improving accessibility, identification and retrieval times. A proper filing system should be put in place to safeguard important files and documents.
17. The Public Procurement Board or Departmental Tender Committee should perform regular reviews and produce reports that indicate the status of each project at the various stages. In this way, stakeholders will be able to effectively measure project progress against project plans.

AUDIT CONCLUSION

18. We found that, the Ministry of Communication, Works and Labour is not in compliance, in all material respects, with the applicable policies, procedures and regulations as outlined in the *“Public Finance (Management and Accountability) Regulations 2009”* and the *“Public Finance (Management and Accountability) (Procurement) Regulations 2012”*.

CHAPTER 4: MANAGEMENT RESPONSE

19. This is in response to the Audit Report on The National Information and Communications Technology Project for the period April 2015- March 2017. It is to be noted that the ministry has not been able to garner input in the first and immediate past ICT Director who was responsible for the ICT programme due to the fact that she has been on Leave. Her input is essential as in many way she was the sole person who dealt with the programme given the ministry's limited capacity at the time. The Executive Officer within the ministry is also on extended leave and the Clerical Officer with whom the ICT Director worked is no longer with GoM. We are submitting this report without these inputs for the sake of submission within the given deadline. We cannot therefore ascertain the completeness and/or accuracy of the responses. The Ministry notes the findings and recommendation within the report. Please find here the Management responses.
20. (Response to 1.) Due to staffing limitations, no official Minutes were recorded and filed. We acknowledge the importance of Minutes to ensure key decisions and further actions are recorded so that actions can be taken accordingly and recorded for future reference. The Ministry will ensure that this is done going forward in all procedures.
21. (Response to 2 & 3.) Whilst it is acknowledged that times were not given on the community diary notice, it was assumed that a date was sufficient in this case. Tender documents were not provided as the PFM&A Regulations were not followed. The Ministry followed a process which was established in-house. A panel was established to look at the submissions and awarded the contracts based on the Criterion that was developed. Nevertheless, we acknowledge the recommendations.
22. (Response to 4) The Ministry went through a peculiar phase during the process of engagement of contractors. The past Director for ICT was assigned to manage the projects, in addition to her other more substantive duties within the ministry, a workload which was quite onerous. It was therefore not possible to follow some of the contract management requirements as outlined. The Ministry is however certain that all transactions and activities were done transparently and can be thoroughly accounted for. The recommendations made are acknowledged, and the Ministry has since taken the step of creating and filling the position of ICT Coordinator to manage the project going forward.
23. (Response to 5.) Due to several staff changes within the timeframe, a final report was not completed. A report is currently being worked on. However, a status report on the

project was completed in 2016, in addition to quarterly reports for the entire period of the project which were submitted to the Ministry of Finance. The reports were all accepted, discussed and no questions on significant issues were raised on reports and presentations.

24. (Response to 6.) The process to award funds to successful contractors was not done through a tender process as stipulated in PFM&A (Procurement) Regulations.S.24 and therefore Regulations S.16 was not applied. It is acknowledged that a procedure needed to be established to ensure value for the goods/services received.
25. (Response to 7.) Whilst we acknowledge your findings we are unable to give a response on the matter as we do not have evidence of this. We can assure that if these errors occurred, that would have been an oversight.
26. (Response to 8.) The Ministry went through a peculiar phase during the process of engagement of contractors. The past Director for ICT was assigned to manage the projects, in addition to her other more substantive duties within the ministry, a workload which was quite onerous. It was therefore not possible to follow some of the contract management requirements as outlined. The Ministry is however certain that all transactions and activities were done transparently and can be thoroughly accounted for. The recommendations made are acknowledged, and the Ministry has since taken the step of creating and filling the position of ICT Coordinator to manage the project going forward.
27. (Response to 9.) The Ministry went through a peculiar phase during the process of engagement of contractors. The past Director for ICT was assigned to manage the projects, in addition to her other more substantive duties within the ministry, a workload which was quite onerous. It was therefore not possible to follow some of the contract management requirements as outlined. The Ministry is however certain that all transactions and activities were done transparently and can be thoroughly accounted for. The recommendations made are acknowledged, and the Ministry has since taken the step of creating and filling the position of ICT Coordinator to manage the project going forward.