



OAG INTEGRATED ANNUAL REPORT

FOR

FISCAL YEAR ENDING 31 MARCH 2018

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

NOVEMBER 2018

**OAG INTEGRATED ANNUAL REPORT
FOR FISCAL YEAR ENDING
31 MARCH 2018**

This is a Report by Auditor General on the activities of her office during the period 1 April 2017 – 31 March 2018. 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
23 November, 2018

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

AFROSAI-E	-	African Organisations of English –speaking Supreme Audit Institutions
CAROSAI	-	Caribbean Organisation of Supreme Audit Institutions
CPA UK	-	Commonwealth Parliamentary Association, United Kingdom
DFID	-	Department for International Development
DITES	-	Department for Information Technology and E-Government Services
DMCA	-	Disaster Management Coordination Agency
GOM	-	Government of Montserrat
HRMU	-	Human Resource Management Unit
IADB	-	Inter-American Development Bank
IFAC	-	International Federation of Accountants
IIA	-	Institute of Internal Auditors
INTOSAI	-	International Organisation of Supreme Audit Institutions
IPSAS	-	International Public Sector Accounting Standards
ISSAI	-	International Standards for Supreme Audit Institutions
IT	-	Information Technology
MNAO	-	Montserrat National Audit Office
OAG	-	Office of the Auditor General
PAC	-	Public Accounts Committee
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

Overview of the Organisation

1. The Office of the Auditor General (OAG) performs external audit duties for the Government of Montserrat. In this regard, it assesses the performance of central government entities (Ministries and Departments) and some statutory agencies by looking into compliance with regulatory authorities and departmental policy directives; the stewardship over resources; and obtaining value for the monies expended. By reporting on the activities of government, as determined by our audit, we seek to promote accountability, transparency and good governance in public finance management.

Functions of the Auditor General

2. 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.
3. 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.
4. 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

5. 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 directly to the Legislative Assembly and to the Governor/Deputy Governor for administrative matters. Internally, the Deputy Auditor General and the Audit Managers

assist me in managing the department. During this year we have also established a Communications Team to assist with stakeholder management and dissemination of information.

Risk Assessment and Management

6. It is important for risk assessments to be undertaken to assist us in achieving our objectives. We viewed the major risks affecting our work as:
7. 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.
8. Operational risks. These are the risks that would prevent us from achieving our objectives. Risks for the year under review were:
 - *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. This risk could be reduced by using private sector auditors to assist us with some financial audit.
 - *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.
9. Technological risks. There risks include the obsolescence of equipment, lack of regular update for software, inadequate memory available for files and insufficient storage space. We rely on the ministry of Finance for additional funding for replacement of equipment. The requests are often honoured though sometimes not in a timely manner.

10. Health and safety risks. 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.
11. Absenteeism of staff. This is the risk that staff will be away from duties and hence not be able to complete their assigned tasks. It would also lead to the Department not being able to complete work plans and targets as promised. To reduce absenteeism to an acceptable level, we seek to create an environment where staff can feel motivated to work by outlining the importance of their input and engaging them in challenging activities, as far as possible.
12. Scheduling audit work. This is the risk that auditees are not available for interviews when work is planned as they may be involved in their front line activities or off island on overseas duties. This impacts when certain activities can be completed. To reduce this risk, we aim to produce an overall audit plan, on an annual basis, that can be shared with management and those charged with governance.
13. Reputational risk. This is the chance that a particular event will cause an organisation's reputation to decline. The OAG's reputation can be damaged by actions that are perceived to be dishonest, disrespectful or incompetent. The OAG seeks to manage this through capacity development and adherence to the auditor's Code of Ethics.
14. Communicational risk. This is the risk that poor communication can derail a business through lack of knowledge; employee mistrust, absenteeism and low morale; bad interpersonal relationships; and misinterpretation and questioning of motive. The OAG hold team meetings on a weekly/monthly/quarterly basis for internal stakeholders. For external stakeholders, it would seek information on possible audit topics and feedback on work completed.
15. Asset management risks: This refers to the risk that the system(s) in place will not adequately protect assets. In relation to storage and file management, the lack of fireproof cabinets and vaults exposes valuable files and books to risks of theft, damage and decay. The large accumulation of papers and documents leads to fire hazards and health risks. More importantly, however is the lack of security for the building which poses risks both to assets and to personal safety of employees. With respect to the

security of the building this relates to rotting doors and missing window pane. These have been drawn to the landlord's attention on numerous occasions. Promises of replacing the items have often been made however these are not backed by action.

Objectives of this Report

16. We feel that organisations should be held accountable for their actions and aim to lead by example in promoting transparency and accountability through credible reporting of their behaviour. Thus, in compliance with ISSAI 20 – Principles of Transparency and Accountability and Section 9(5) of the Public Finance Management and Accountability Act (PFMAA) 2008, we provide you with an overview of our operations and performance over the fiscal period April 2017 – March 2018.
17. We will draw your attention to progress on our strategic objectives, challenges faced, OAG financial performance, human resource and capital management, organisation performance, reports reviewed by PAC, social impact of work and then provide a synopsis of our plans for the 2018/19 financial year.

Strategic Plan Progress

18. Our Key Strategies for the 2017/18 financial year were:
 - a) Establishing the MNAO to ensure an independent audit office that facilitates accountability and transparency.
 - b) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and development of policies, procedures and guidelines that facilitate quality work and meet international audit standards/guidelines.
19. Establishing the MNAO as an independent entity did not come to fruition as the Audit Act was not finalised due to delays in drafting of the Act in the Attorney General's Chambers and the absence of the Auditor General for the last quarter of the financial year.
20. 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.

21. We are also committed to providing evidence that our audit recommendations were being followed up to determine progress made towards their implementation. The Audit Recommendation Follow-Up Report was completed in September 2017 and can be found in the Auditor General's Report on the 2016/17 Public Accounts. This document can be found on our website <http://oag.gov.ms> under Publications.
22. 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

Absenteeism of Staff

23. If the OAG is to meet its work completion and reporting targets it is necessary for it to have staff available to carry out various tasks. Out of a total 3,525 staff days, staff was available 89 percent of the time, with two officers being away from duty on sick leave for over two months each. The result is that some targets could not be met.

Staffing Issues

24. 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.
25. As at 1 April 2017 one (1) critical position, representing 8% of the audit labour force, remained vacant despite our efforts to have it filled¹. This impacts on our work performance and stifles some capacity building efforts. Subsequently, we have requested that this position be re-advertised.

¹ Recruiting staff for the Office of the Auditor General is currently being done by the Human Resource Management Unit

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.

Frequent Network Failures

27. Although occurrences have been reduced from last reporting period, we continue to encounter issues with network and/or internet connectivity as our office is located off site the main GOM hub and is connected to GOM's servers via wireless link. The inability to access the network host servers means that quite a few man hours are wasted as we wait for the Information Technology staff to bring us back on line.

Accommodation Issues

28. We continue to encounter health and safety issues which impacted on our work output. These primarily included non-functioning air conditioning units for large parts of the year. In addition to this, there were times when access to the building was delayed due to swollen wooden doors. These factors reduced the expected number of hours available for work.

Electricity Blackouts

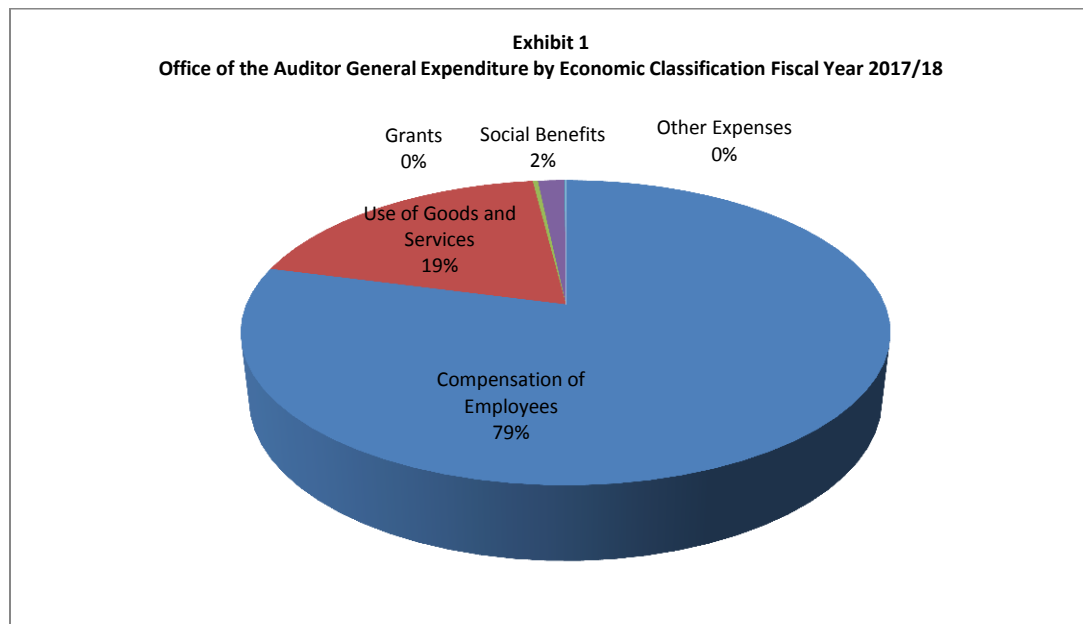
29. To compound matters there were frequent electricity outages during the latter part of the year. This had a significant impact on our work as our accommodations do not have any back up electricity generation supply and our staff was unable to conduct their assigned work during these periods.

Natural Disaster Impact

30. Our work was impacted by the passage of Hurricanes Irma and Maria which caused the close down of work activities for about 10 days in September. This means that the work planned for this period had to be rescheduled, further impacting our completion rate.

OAG Financial Performance - fiscal year ending 31 March 2018

31. Approved expenditure budget for the 2017/18 fiscal year was EC\$1,164,700. Actual expenditure amounted to \$1,045,987.
32. Compensation of employees and acquisition of goods and services continue to be our major expenditure categories utilizing 79% and 19% of the budget, respectively. The chart below provides a graphical depiction of expenditures incurred.



33. We note the under-spend of \$118,713 when actual expenditure is compared with that allocated by Legislative Assembly. This arose primarily because some expenditure did not receive authorisation within the fiscal year although they were agreed to in principle.
34. With respect to revenue collection, \$2,900 payment was received from auditees who were billed for audit work within the current year. In other cases, slow responses to queries presented to our clients prevented us from invoicing for completed audit work.
35. Appendix 1 provides full details of our financial performance for the fiscal year ending 31 March 2018.

Human Resource Management and Development

Size of Workforce

36. The OAG has a staff complement of 16 persons. Of this amount, there are 13 auditors and 3 support staff. In addition to the Auditor General and Deputy Auditor General there are two compliance auditors, one IT auditor, two performance auditors (one position currently vacant), and six financial auditors.
37. Our full staff complement can be viewed at Appendix 2.

Retention Rates

38. At the beginning of the 2017/18 financial year, we had 15 staff in place. We retained 100% of those persons at the end.

Key Skills Needed

39. In the performance of their duties, the auditors undertake a range of activities which includes, but is not limited to, ensuring procedures, policies, legislation and regulations are correctly followed and complied with; identifying if and where processes are not working as they should and advising on changes to be made; liaising with management staff and presenting findings and recommendations. As a result, they need key skills to enable the performance of their duties to a high standard. These skills include self-motivation, determination and confidence; careful attention to detail; excellent problem solving skills and ability to work under pressure, that is, to set deadlines.

Capacity Development

40. To assist the auditors in developing their key skills or performing their activities to a high standard we pursued a range of capacity building activities. As a first step, staff members continue to pursue academic qualifications to develop their knowledge and skills to better position themselves and assist the office in providing better value to citizens. The qualifications being worked towards include undergraduate degrees in Accounting, Office Administration and Management, and professional qualifications with accounting supervisory bodies. I am happy to report that one staff member completed her BSc Degree in Accounting during the reporting period. Other activities undertaken include:

Regional Training

41. **CAROSAI Cooperative (Parallel) Procurement Audit.** Two members of staff attended this training activity which was held over the period 29 May – 2 June 2017 in Jamaica. This was funded by Inter-American Development Bank (IADB) and facilitated by the INTOSAI Development Initiative (IDI). The objective of the training course was to:
- Introduce participants to compliance audit. Participants were given a description of the main concepts of compliance audit to the extent that it covers the compliance audit ISSAIs.
 - Assist participants in gaining an understanding of the nuances of the procurement process and the risks at every stage. Case studies were used to assist participants in addressing risks in procurement and the formulation of recommendations in a procurement audit report.
 - Guide participants through the procurement audit planning process; using appropriate evidence gathering methods; evaluating evidence gathered against materiality and forming conclusions.



Attendance at Regional /International Conferences/Meetings/Workshops

42. **Stakeholder Engagement Strategy Training.** Over the past few years, SAIs have recognised the importance of engaging stakeholders to achieve the much needed value and benefits as contained in ISSAI 12. Recognizing that communicating and interacting with various stakeholders can significantly impact the quality of the SAIs work, the INTOSAI embarked on a series of training programme for its membership and SAI Montserrat was invited to participate in training for the CAROSAI region.



43. A SAI's Engaging with Stakeholder Strategy Development Workshop was held from 7-18 August 2017 in Jamaica. The Deputy Auditor General, Miss Marsha Meade, represented our offices at this workshop. It was facilitated by IDI, the capacity development arm of the International Organisation for Supreme Audit Institutions.
44. SAIs are responsible for watching over government accounts, operations and performance thereby facilitating greater scrutiny by various stakeholders. The objective of the workshop was therefore to assist SAIs in achieving "Greater audit impact through enhanced SAI stakeholder engagement". Emphasis was placed on SAIs understanding their environment.
45. ***Audit of State-Owned Enterprises.*** This training programme took place in India at the International Centre for Information Systems and Audit (ICISA) from 23 October – 17 November, 2017, a four-week training course. One member of staff attended this training activity.



First Row: Mr. Ammanuvel Muniandy (Malaysia) Mr. Vernon Walther Pengel (Suriname) Mr. R. K. Ghose, Dy. CAG Mr. Nand Kishore, Dy. CAG, Ms. Anita Pattanayak, Dy. CAG Mr. Ram Mohan Johri, Director General (ICISA) Mr. K. S. Subramanian, Director General (IR) Ms. Eshranee Narine (Guyana) Mr. Yavuz Yel (Turkey)

Second Row: Ms. Mo Mo Zin Mo (Myanmar) Mrs. Daphane Julatee Cruz (Philippines) Ms. Josephine Alberta Lappay (Philippines) Mrs. Trina Mvula (Zambia) Ms. Teresa Baco Da Costa Garcia (Angola) Mr. Lobzang Thinley (Bhutan) Mr. Md Jamal Uddin (Bangladesh) Ms. Philleta Pamela Myers (Jamaica) Mrs. Akpotu Grace Farquah (Nigeria) Mr. George William Assamah (Ghana) Mrs. Tsigereda Negash Haile (Ethiopia) Mrs. Mulu Yenealem Temesgen (Ethiopia)

Third Row: Ms. Su Su Mon Sun (Myanmar) Mrs. Sirivan Kelynack (Thailand) Mrs. Chulika Lakshi Seneviratne (Sri Lanka) Mr. Hemakantha Pelmadulla (Sri Lanka) Ms. Derardja Sihem (Algeria) Ms. Lauren Piper (Montserrat) Mrs. Tatiana Bazhenova (Kyrgyzstan) Mr. Vimal Ramjeeawon (Mauritius) Mrs. Bedhyafi Mouna (Tunisia) Ms. Bibi Mushira Bussuruddy (Mauritius)

Fourth Row: Mr. Vokhid Ikramov (Tajikistan) Mrs. Lusi Puspita Sari (Indonesia) Mr. Fungai Soko (Zambia) Mr. Garry Armando Reagen (Indonesia) Mr. Mohd. Faizan Nayyar (India) Mr. Hilal Al Habsi (Oman) Ms. Swati Pandey, Director (CISA) Ms. Laneta Senibulu (Fiji)

46. **Training on the UKOT Financial Audit Manual.** CPA UK and the UK National Audit Office (NAO) held a workshop on the new UK NAO produced UKOT Financial Audit Manual for use in the UK Overseas Territories in London during the period 17 – 19 October, 2017. The workshop was attended by external auditors from across the UK Overseas Territories. The creation of the manual and the three day workshop formed part of the UK Overseas Territories project, a consortium between CPA UK, the NAO, and the UK Government Internal Audit Agency to deliver a three-year project to support public financial management in the UK Overseas Territories, funded by the Conflict, Stability, and Security Fund.



47. Two (2) members of our staff attended this training suited for qualified audit staff who were able to pass on the acquired knowledge by training their colleagues on their return. The workshop provided practical training on how to use the key areas of guidance in the manual. It included a ‘train the trainers’ workshop which empowered

attending delegates to train other others. The workshop also provided a platform to share knowledge and develop networks between external auditors from across the UK Overseas Territories.

48. ***Stakeholder Engagement Strategy Review Meeting.*** This review meeting for the stakeholder strategic plans for CAROSAI and AFROSAI-E was held in Johannesburg, South Africa from 12 – 16 March 2018 at the Capital Empire Hotel. This meeting was hosted by AFROSAI-E Secretariat and the objective was to review the completed strategic plans and make recommendations for improvement. Bringing together SAIs across the region presented a greater learning opportunity for the SAIs to share their practices across the INTOSAI Regions. The Deputy Auditor General continued to represent our offices at this review meeting and shared our plan and experiences with other participants.



49. The next Stakeholder Engagement Initiative – A Progress Review is scheduled for 2019.

Succession Planning

50. Succession planning normally looks at filling vacancies with internal employees should the need arise. At the OAG, we look at continuous capacity development as the first step in the process. To that end, we continually look for capacity development initiatives that will fill skill gaps. When conducting these activities, we cross-train staff, for example, auditors of a particular team undertake training in other audit disciplines.

Other Matters

51. SAI Montserrat is into its 2nd year of service as a member of CAROSAI's Institutional Strengthening Committee for the three year tenure.

52. The XI CAROSAI Congress will be hosted by SAI Guyana in 2019.
53. The next Commonwealth Auditor's General Conference will be held in Fiji in 2020.

Performance Management

54. 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

55. 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.
56. The staff club was re-established with members agreeing to have a quarterly function. A Christmas dinner and dance was held at the Tropical Mansions Suites on 22 December, 2017 using club dues. As part of this event a secret gift exchange was done.
57. In January 2018, our club commenced the initiative of presenting \$50 gift vouchers to staff members on their birthdays.

Workforce Performance

Financial Audit

58. 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

59. I am happy to report that we have completed the audit of the Public Accounts for fiscal year 2016/17. 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
2015/16	3 April 2017	Unqualified	2 May 2017
2016/17	14 March 2018	Unqualified	21 March 2018

60. 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 represent the accounts of forty-two central government Ministries and Departments.

Statutory Agencies

61. 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)	2013 – 2014	Fieldwork completed. Awaiting amendments to facilitate completion of the audit
Montserrat Land Development Authority (Housing)	2015 - 2016	Fieldwork in progress
Montserrat Land Development Authority (Corporate)	2015	Audit completed
Montserrat Volcano Observatory	2009 – 2014	Audit completed. Tabled in Legislative Assembly on 21 March 2018
Montserrat Arts Council	October 2014 – December 2016	Fieldwork completed
Montserrat Info-Communications Authority	2014 – 2015	Fieldwork completed

62. Audits for the Montserrat Community College and Montserrat Philatelic Bureau remained outstanding.

Private Financial Audits

63. 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
Montserrat Girl Guides Association	2014 – 2015	Audit Completed
St Augustine Primary School	2011 - 2013	Awaiting auditees response to queries
Montserrat Civil Service Association	2011 - 2013	Audit Completed

Performance Audit

64. 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.
65. We had planned that the completion of five (5) performance audit would be achievable with the expectation that the Performance Audit team would be in place early in the fiscal year under review. The Senior Auditor position remained vacant during this reporting period.
66. During the period a Performance Report on Payment Systems and Payment Methods was completed in April 2017 and was tabled in the Legislative Assembly on 27 October 2017 and subsequently published on our website at <http://oag.gov.ms>. At the beginning of the fiscal year a second Performance Audit was in progress as described in the table below.

Exhibit 7 - Performance Audit completed or in progress as at 31 March 2018

Report Name	Summary	Comments
Montserrat Utilities Limited – Value for Money in the Delivery of Service to the Public	The objectives of this review were to examine (a) the efficiency of utility delivery, payment methods and client service (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. We expect this to be finalised within the first quarter of the 2017/18 financial year.
The Contribution of the Hospitality Sector to the Growth of Montserrat's	The objectives of this review were to examine the pact of the hospitality sector on Montserrat's Gross Domestic	Audit fieldwork and draft report completed. Awaiting auditees response to the draft

Economy	Product and employment.	report
Absenteeism in the Montserrat Public Sector: Prevalence, Causes and Costs	This audit sought to examine the impact of absenteeism in the public sector of Montserrat, (a) quality of the recording and reporting of all categories of absence (b) their recent incidence and trends (c) their underlying causes (d) their impact on organisational efficiency and effectiveness for stakeholders.	Audit fieldwork and draft report completed and submitted for review
Public Prosecution and the Judicial System	This review sought to examine the role of public prosecutions and its impact on the judicial system	Audit planning completed

67. A vacancy for a Senior Auditor – Performance Audits still remained unfilled despite several attempts to have it filled.

Special Audit/Investigation

68. As part of the CAROSAI Cooperative Procurement Audit Training, our auditors were required to conduct an audit in the area of procurement. The Ministry of Communication, Works and Labour (MCWL) National Information and Communications Technology (NICT) project was selected for this special review. At the end of this fiscal year the audit was ongoing and the report writing training element was carded for May 2018 in Jamaica.

IT Audits

69. During the period an IT Audit on Business Continuity Planning Follow-Up re-tabled in the Legislative Assembly on 27 October 2017 after receiving outstanding management response and subsequently published on our website at <http://oag.gov.ms>. Achievements in this audit type are highlighted below.

Exhibit 8 - IT Audit completed or in progress as at 31 March 2018

Report Name	Summary	Comments
GOM E-Governance Initiatives - EXCOTRACK	This audit sought 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.	At the end of the fiscal year, the field work was completed and awaiting management responses.

Post-implementation Benefits audit of the Laptops in Schools Programme	This report was intended to validate if the objective outlined in the GoM's, <i>National ICT Policy, Strategy & Implementation Plan, 2012 – 2016</i> , was realised via the implementation of the Laptop in Schools Programme.	Fieldwork and draft report completed.
Post-Implementation Benefits audit of the Pension Calculator	The report was intended to validate if the introduction of the Pensions Calculator application (1) streamlined the previous pension benefits computation process; and (2) if Pension benefits computations are accurate and if (3) the pensions computations are being executed in accordance with the revised Civil Service Pension Reform and CAP 6.07 Pensions Act and Subsidiary Legislation (Jan 2013).	Audit in progress
Information Technology (IT) audit of Drivers' Written Test	This audit sought to determine whether adequate policies, procedures, and controls exist, and were applied before, during, and after, this ICT project was initiated. The IT audit covered the following areas: (i) Outsourcing (ii) IT Security (iii) Business Continuity and Disaster Recovery (iv) IT Operations and (v) Application Controls	Fieldwork in progress

Compliance Audits

70. Compliance audits, as a standalone exercise, are conducted by two members of staff as stated in paragraph 36 earlier. The work of this unit was hampered by absence of staff due to illness for a substantial portion of the third quarter of the fiscal year. The Unit was able to complete work in the following areas:

Exhibit 9 – Compliance Audit completed or in progress as at 31 March 2018

Ministry/Department	Subject Area	Audit Conclusion	Status at 31 March 2018
Magistrate's Office	Revenue Collection Public Stores Fixed Assets Leave Records	Unmodified Conclusion	Audit Completed
Ministry of Education	Revenue Collection School Lunch Programme	Adverse Conclusion	Draft report sent to auditee for

	Bus Tickets Nursery School Fees Day Care Fees Public Stores & Fixed Assets Vehicle Log Books		comments
Primary Health Care	Immunization Compliance Audit	Incomplete	Fieldwork in Progress
Her Majesty's Prison	Revenue Receipts & Payments Stores & Inventory Vehicle Log Books	Incomplete	Fieldwork in Progress
John A Osborne Airport	Revenue Collection	Incomplete	Fieldwork in progress
Customs Department	Revenue Collection		In progress

Environmental Audit

71. 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.
72. During the period an Environmental Audit on Managing Clinical Waste in the Public Health Sector was tabled in the Legislative Assembly on 12 January 2018 and published on our website at <http://oag.gov.ms>. Progress on another audit is outlined below.

Exhibit 10 - Environmental Audit in Progress as at 31 March 2018

Report Name	Summary	Comments
Coastal Degradation – Gunn Hill	The overall objective of this review was to assess whether the removal of Gun Hill has had any significant impact on coastal areas or infrastructure in accordance with relevant laws and regulations.	Extraction of a significant portion of Gunn Hill has weakened the superstructure; there is also evidence of landslides to the south of the hill and continuous separation or further break off of the cliff's edge. At the end of the reporting period auditor was awaiting further documentation a final site visit was to be conducted to collect photo evidence.

Reports Reviewed by PAC

73. We are happy to report that the Public Accounts Committee (PAC) has been very active during the reporting period. UK Overseas Territories Project for 2017 provided support to the role of the Public Accounts Committee on Montserrat. CPA UK organised a three (3) day multi-stakeholder workshop in November 2017 where the deficiencies of the Committee were highlighted and options provided for the way forward. Subsequently, a decision was made to undertake the first ever Public Inquiry Session on a Special Performance Audit – Selected Outsourced Activities in the Public Sector focusing on the Cleaning Services on 18 April 2018.
74. At the end of the fiscal year the Report of the Auditor General on the Public Accounts for the fiscal year 2015/16 and a number of tabled Audit Reports were awaiting review by PAC. At the end of the financial year, the Audit Report on the Public Accounts for the 2016/17 was tabled in the Legislative Assembly.

Social Impact of Work

75. Accounting Officers are taking some of our recommendations in hand and are implementing them 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.
76. 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.

OAG Work Programme 2018/19

77. Our preliminary work plan is at Appendix 3. Strategically, we will continue to focus on achieving the following:
 - Establishing the Independent Montserrat National Audit Office that facilitates accountability and transparency.
 - Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and development of policies,

procedures and guidelines that facilitate quality work and meet international audit standards/guidelines.

- Conducting a peer review to assess compliance with international audit standards and overall effectiveness of our operations.

78. Our strategies are linked to the Montserrat Constitution Order 2010 and Goal 4.1 “Strengthened transparency, accountability and public engagement within the National Government Framework” of GOM’s Policy Agenda 2016-2019.

79. 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.

Overall Conclusion

80. 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.

81. We made significant strides toward strengthening the accountability and transparency of public service delivery through capacity building and conducting more special audits. 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 2018/19 fiscal year.

82. All our work areas were hampered mainly by slow response rates and other challenges outlined in paragraphs 23 - 30.

Acknowledgements

83. Thanks is extended to 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.

84. 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, and the Indian Government for their contributions to our capacity building efforts and guidance in managing emerging audit issues.

85. I depend on my staff to conduct the field work for all audits. This year was much improved as 92% of our labour force was in placed and in order to meet deadlines staff, often work 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 some challenges.



Florence Lee
Auditor General
Office of the Auditor General
23 November 2018

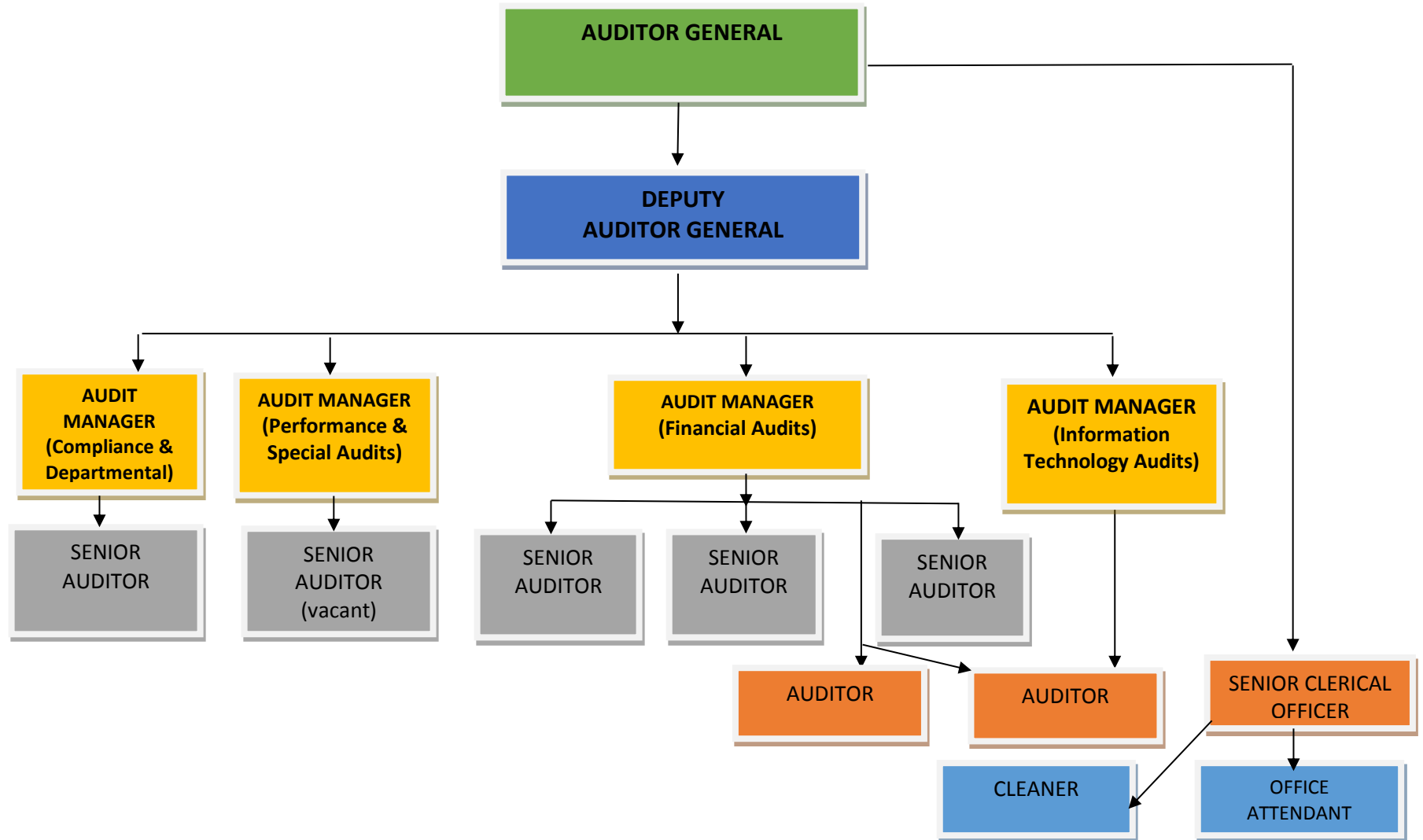
Appendix 1

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	706,300			706,300	705,414	886
212	Wages	11,000			11,000	10,920	80
216	Allowances	194,200			194,200	110,653	83,547
Total Compensation to Employees		911,500			911,500	826,987	84,513
218	Pension & Gratuities	17,600			17,600	16,528	1,072
Total Social Benefits		17,600			17,600	16,528	1,072
220	Local Travel	6,000			6,000	4,217	1,783
222	International Travel and Subsistence	12,000	3,000		15,000	8,689	6,311
224	Utilities	30,000			30,000	22,093	7,907
226	Communication Expenses	7,500			7,500	3,659	3,841
228	Supplies & Materials	7,000			7,000	6,989	11
232	Maintenance Services	4,700			4,700	2,072	2,628
234	Rental of Assets	60,000			60,000	59,220	780
236	Professional Services & Fees	80,000	-3,300		76,700	71,381	5,318
242	Training	20,000	300		20,300	20,052	248
Total Goods & Services		227,200			227,200	198,372	28,828
260	Grants & Contributions	3,400			3,400	3,200	200
Total Grants & Contributions		3,400			3,400	3,200	200
275	Sundry Expenses	5,000			5,000	900	4,100
Total Sundry Expenses		5,000			5,000	900	4,100
Total Recurrent Expenses		1,164,700	0		1,164,700	1,045,987	118,713

Appendix 2

OAG Organisational Structure



Appendix 3

OFFICE OF THE AUDITOR GENERAL

PRELIMINARY WORK PLAN FOR 1 APRIL 2018 – 31 MARCH 2019

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

- Public Prosecutions and the Judicial System
- Geothermal Energy Development Project
- Roads & Bridges Project
- GoM's Strategic Planning & Budgeting Processes

4. IT Audits

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

- Material Financial Systems underpinning the Public Accounts
- Montserrat Ferry Service Booking Application
- Asycuda
- Geographical Information Systems

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