

CARIBBEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS



SMALL ISLAND CHALLENGES

CAROSAI
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1.0 INTRODUCTION

Most small SAI's within the region operate under the Westminster parliamentary system of Government. With most gaining independence over the last 50 years. Constitutions have been similarly established with Directors of Audit or Auditor General's mandates enshrined within said Constitution.

The size of the countries is small in area which translates to small populations and even smaller SAI's. Staff compliments range from 4 staff members to 660 staff members.

SAI	Number of Female employees	Number of Male Employees	Total Number of Employees
Anguilla	1	5	6
Antigua and Barbuda	11	5	16
Aruba	10	3	13
Bahamas	35	8	43
Barbados	31	10	41
Belize	27	19	46
Bermuda	10	11	21
British Virgin Islands	10	1	11
Cayman Islands	12	9	21
Curacao	9	7	16
Dominica	16	5	21
Grenada	17	6	23
Guyana	136	75	211
Haiti	264	396	660
Jamaica	116	43	159
Montserrat	13	3	16
St. Kitts and Nevis	2	14	16
St. Lucia	22	7	29
St. Maarten	3	1	4
St. Vincent and the Grenadine	25	7	32
Suriname	31	12	43
Trinidad and Tobago	135	40	175
Turks and Caicos Islands	7	3	10

As is stated in the table above most of the SAIs have staff complement ranging from 4 to 49 staff personnel. Only four SAIs, have over 100 staff members. These four SAIs are Guyana, Haiti, Jamaica, and Trinidad and Tobago. Although the SAI can be classified based in its staff size there are limitations to what audits can be performed. E.g., Haiti being the largest SAI does not conduct Performance Audit.



2.0 CHALLENGES

Below are the challenges faced by most of our members:

- Low Gross Domestic Product (GDP)
- Lack of sufficient finances and professional expertise to train, educate and retain professional staff
- Unqualified staff
- Low population density
- Vulnerability to National Disasters
- Lack of independence
- Technological Challenges
- Lack of IT equipment and software
- Absence of Audit Act
- Nonfunctioning Public Accounts Committees
- No focus on Stakeholder Engagement

Low Gross Domestic Product (GDP)

Small islands always have the limitation of financial resources, and with the onset of the Covid-19-19 pandemic, coupled with the war in Ukraine and the rising costs of gas/oil, governments of small islands have had to cut expenses to prioritise spending for economic growth and social stabilisation programmes. Some countries economy is boosted by borrowing from the IMF which has its own conditions and rules. Often, the conditions stipulated for borrowing is unpleasant to the citizens, one such condition is the recommendation to Governments to cut its wage bill. Due to the recommendations many Government offices including an SAI become short staffed. This results in less time for staff to participate in internal or external training courses and therefore limit their ability to perform effectively.

Lack of sufficient finances and professional expertise to train, educate and retain professional staff

The survey of members done in 2020 at the onset of Covid-19 revealed that all SAIs require support in the areas of training and Information Technology (IT).

The more specific training areas as stated by the SAIs are Remote Auditing, Remote Access to information, Data Analytics, Guidelines on how to conduct more effective audits and understanding Audit Programs

In the area of IT, the SAIs indicated that they needed support in obtaining additional portable computers, better internet access, available of government data as well as data protection and security. Other areas that individual SAIs seek support are, collaboration with other SAIs, unrestricted access to government information.



Government inability to provide sufficient finances and professional expertise to train, educate and retain professional staff is due to the countries low GDP. Government workers are usually paid lower than the private sector companies, so the problem of high staff turnover exist.

Unqualified staff

SAIs are challenged with attracting and retaining qualified and specialized staff. The lower level of remuneration in the public sector compared to the private sector diminishes the SAI's capacity to attract persons with specialized skills and experience in areas such as IT, Economics, Procurement, and Engineering.

Low population density

Due to low population density, the SAI will not be exposed to some specific areas of audit, as the need for some types of audits may not be required and some are also not within the capacity of the country. Auditors will be limited in capacity due to lack of experience.

Vulnerability to National Disasters

The region is particularly vulnerable to natural disasters in particular, hurricanes and volcanoes. the effects of natural disasters in poorer countries that depend heavily on tourism can be extremely disastrous for its economy. The economic damage is usually to infrastructure and agriculture. Government will spend more to rebuild their infrastructure to keep production moving than to pay for training or for filling vacancies in offices.

Lack of independence

SAIs do not have the authority to act independently on most of its important tasks such as, recruitment, budgeting, choice of audit entity, and publishing of reports. Recruitment of some smaller SAIs is done through Central Government as it is most cost effective to have only one Human Resource Unit within all of Government instead of various Human Resource Department in each Government Agency/Department. Consequently, the skills and attributes of officers assigned to the Audit Office, do not always align with the needs of the Audit Office. As a result, the officers fail to carry out their responsibilities effectively and efficiently. SAIs do not have autonomy over what they spend, so although there may be needs within the SAI it is left to the discretion of the Finance Department/Ministry to provide the funds.

The table below shows the elements of independence practiced by each SAI,¹

¹ CAROSAI Survey- Membership Profile 2020



SAI has full control over human Resources

- Cayman Islands
- Curacao
- Guyana
- Haiti
- St. Maarten



SAI has full control over Budgetary Allocation

- Aruba
- British Virgin Islands
- Curacao
- Dominica
- Haiti
- St. Kitts and Nevis



SAI has unrestricted authority to undertake all types of Audits

- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Bermuda
- British Virgin Islands
- Cayman Islands
- Dominica
- Grenada
- Guyana
- Haiti
- Jamaica
- Monsterrat
- St. Maarten
- Suriname
- Trinikdad and Tobago
- Turks and Caicos Islands



SAI has authority to publish all reports

- Aruba
- Bahamas
- Barbados
- British Virgin Islands
- Cayman Islands
- Curacao
- Dominica
- Guyana
- Monsterrat
- St. Maarten
- Suriname
- Trinidad and Tobago
- Turks and Caicos Islands



All reports submitted to Legislature/parliament and made public

- Aruba
- Bahamas
- Barbados
- Bermuda
- British Virgin Islands
- Cayman Islands
- Curacao
- Dominica
- Grenada
- Guyana
- Haiti
- Jamaica
- Monsterrat
- St. Maarten
- St. Kitts and Nevis
- St. Lucia
- St. Maarten
- St. Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- Turks and Caicos Islands



All reports are published internally

- Anguilla



Technological Challenges

Many small SAIs do not have persons with specialized skills in IT. Due to centralisation, most small SAIs rely on the government's IT Department for their IT related tasks and activities.

The reliance on paper documentation to conduct audits also poses a challenge. During the lockdown period of the Covid-19 pandemic, a number of government offices were closed for a period. Conducting audits remotely proved challenging as during these periods, the records and documents that were needed could not be accessed electronically.

Lack of IT equipment and software

In 2020 CAROSAI conducted two surveys with its members.

1. Effects of COVID-19 on the SAI
2. SAI member profile.

All twenty-three SAIs indicated that they required more IT equipment and software to be more effective in both the field work and the final report. Some SAIs were closed during the initial stage of the pandemic because they were unable to continue operations without remote access to information.

Small SAIs lack the technological tools needed to conduct audits effectively and efficiently.

Absence of Audit Act

This relates mostly to dependent countries. Although the Constitution is the main mandate for the SAIs, there are aspects that are not addressed within and there is clearly a need for the Act which would entail more detail regulations. Passage of the National Audit Bill is outside the remit of the SAI and the dependency is on others for the SAI to become a statutory agency.

Nonfunctioning Public Accounts Committees

Audit reports are submitted to the Office of the Cabinet for onward submission to the Public Accounts Committee (PAC) for discussion. Some SAIs do not have regular PAC meetings and therefore the citizens/stakeholders are not made aware of what is happening within a Government Agency/Ministry. Where there appears to be no accountability citizens lose faith in the system.

Governments should have regular PAC meetings to encourage involvement of citizens who will develop trust and confidence in the operations of the Government.



CAROSAI through Caribbean Common Market (CARICOM) will seek the audience of all Heads of Government to encourage them to promote meetings of the PAC and to encourage finalization of the Audit Act.

No focus on Stakeholder Engagement

In 2020 at the time of the CAROSAI Survey on the ***Effect of the COVID-19 Pandemic on SAIs***, only eight of the twenty-three SAIs had a Stakeholder Engagement Plan.

CAROSAI has as its focus for 2022 and 2023, the development of Stakeholder Engagement Plans for each SAI.

3.0 CONCLUSION

CAROSAI consists of twenty-three members, twenty-one of which are listed by UNESCO as Small Island Developing States (SIDS), with one of the SIDS considered leased developed country. The income of most of the Caribbean Countries is mainly from tourism with a few having natural resources as their main income earner, Due to the vulnerability of natural disasters in the Caribbean, there is always some damage to capital infrastructure which forces the Government to divert spending to repairing damages and rebuilding the infrastructure. Every year at least ten to 15 hurricanes pass through the Caribbean and the Gulf of Mexico, and in recent times Volcanoes have erupted.

As is seen in the challenges as well as the results shared from the survey, many SAIs in the Caribbean region have limited resources to carry out their mandate and to be fully independent. All SAIs have some elements of independence, but none has full independence. Some SAIs have indicated the absence of an Audit act, which can impair the relevance of the audit entity.

The IDIs 2020 Global Stocktaking (GS) Report states that “for SAIs to be effective, credible institutions that deliver on their mandate, they need to be independent from the audited entity (Executive) both in terms of de Jure and de facto SAI independence. Therefore, a well-defined legal basis is a critical prerequisite for the effective functioning of SAIs. It should cover the independence of the SAI versus the executive branch of the government and provide the SAI with sufficient operational powers to establish its role as the external auditor of the government”.

Only a few SAIs have control over their budget formulation. This issue was revealed in the latest Global Stocktaking Report (2020), which ranks CAROSAI with a score of 33, with 100 being the highest and only ahead of CREFIAF with 16 points.

Many SAIs in the region, were unable to function during the lockdown period of the COVID-19 19 Pandemic, as they were not technologically equipped.



Of note, CAROSAI received a high score of 92 on the independence element regarding discretion to discharge SAIs mandates. However, for Principle 1.7 in relation to whether SAIs have appropriate mechanisms for following up on audit findings and recommendations, CAROSAI was the worst performer with an average score of 35, suggesting that SAIs in the region could benefit from mechanism /tools that track the implementation of their recommendations, an important gauge of the effectiveness of SAIs.

UNESCO report states that “Small Island Developing States (SIDS) remain a special case for sustainable development. We recognize the ownership and leadership of SIDS in overcoming some of these challenges, but stress that, in the absence of international cooperation, success will remain difficult.”²

It is therefore imperative that the foregoing challenges be addressed quickly by the respective Governments, as well as through INTOSAI and CAROSAI-led initiatives with the assistance of Donor Funded Agencies.

4.0 RESOLUTION

1. Prepare a programme for training for CAROSAI members.
2. Seek sponsorship on providing IT hardware, software, and training for SAI staff.
3. Develop a mandate for SAI Independence within CAROSAI.

² <https://en.unesco.org/sids/about>