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The UK Overseas Territories Project is a four-year programme of support for public financial management.

The UK branch of the Commonwealth Parliamentary Association (CPA UK), in consortium with the UK National Audit Office (NAO) and the UK Government Internal Audit Agency (GIAA), and funded by the HMG-wide Conflict, Security and Stability Fund (CSSF), works with partners in the UK and Overseas Territories (OTs) to deliver a series of activities to provide technical assistance, training and mentoring to support and encourage effective public financial management.

The Project focuses on three areas: internal audit; external audit; and parliamentary oversight of public finances. The Project has agreed programmes of activities in place with each relevant Territory, working in partnership on their identified priority areas.

This project is a component of a multi-year, cross-Whitehall, Conflict, Security and Stability Fund (CSSF) programme to support the UK Overseas Territories’ aim to reach internationally recognised standards of good governance. As set out in the 2012 Overseas Territories White Paper, it is HMG’s responsibility to ensure that the OTs share the same standards of good governance as the UK.

One of the objectives of the White Paper is sound public finances. This is crucial for enabling economic growth, encouraging private sector investment and building a diverse economy that is resilient to external shocks. The Project will contribute to this goal by supporting the oversight of public finance by internal and external auditors and public accounts committees.

The Project plays a valuable role in achieving a key HMG objective for the OTs, with the deliverables above promoting transparency and sound financial management as well as strengthening arrangements for governance, risk management and control.
CPA UK is a member of the Commonwealth Parliamentary Association (CPA), which is a Commonwealth wide network of some 17,000 national, state, provincial and territorial parliamentarians within 180 legislatures in 53 countries. The purpose of the CPA is to strengthen parliamentary democracy within the 53-country Commonwealth, providing a space for parliamentarians to share, learn, compare and work together to promote Commonwealth values of democracy, rule of law, human rights, good governance and social and economic development.

The UK NAO is the Supreme Audit Institution of the UK responsible for the external oversight of central government in the UK. Annually its 800 staff complete some 500 financial audits as well as over 60 value for money studies or investigations. It works closely with the UK Parliament, in particular by supporting hearings held by the Committee of Public Accounts. The NAO has had a long history of providing capacity-building support to Supreme Audit Institutions and public accounts committees committees and, in recent years, has worked extensively with the UKOTs. This work has included conducting a London-based workshop for PACs, SAIs, internal auditors and ministry of finance officials, working with the UKOTs involved in the Caribbean Organisation of SAIs (CAROSAI) as well as work with individual OTs.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations resulting in better public services delivery. The Government Internal Audit Agency (GIAA) was launched on 1 April 2015. It is the largest of the UK government's internal audit services, providing internal audit and assurance services across a wide range of central government customers. GIAA is working with UKOTs' internal audit offices to improve their capability and capacity and, as a consequence, their ability to help accounting officers understand their risks and improve standards of governance.
Message from the Project Board

A warm welcome to the 2018-19 Annual Review of the UK Overseas Territories Project. Over the past year, the project has continued to build on its success of drawing together key stakeholders in public financial oversight, including parliamentarians, clerks and officials, internal auditors and external auditors.

Participants in project activities have had unique opportunities to meet their counterparts across the Overseas Territories (OTs) as well as the UK and to reflect, share ideas and explore ways to overcome common challenges in oversight of public finances.

The project team, led by the Commonwealth Parliamentary Association UK (CPA UK) in partnership with the UK Government Internal Audit Agency (GiAA) and the UK National Audit Office (NAO) has facilitated diverse and bespoke activities to address each OT's respective priorities. Bringing together the three strands of parliamentary scrutiny and internal and external audit allows for a wide-reaching and holistic approach to good practice in public financial oversight.

As the Project Board we oversee the project with regular updates from the team. We have been delighted to see the positive outcomes from the various activities. In particular, we've been pleased to see the effectiveness of clerk attachments to public accounts committees in the OTs; the progress of external audit offices in carrying out Performance Audits; and the establishment of an Internal Audit Leadership Group which will build on already established relationships and encourage ongoing development.

Once again we would like to take this opportunity to express our gratitude to those that have contributed to the success of the project. We are always delighted by the commitment and dedication shown by not only the project team, but also the large number of individuals that have taken time out of their schedules to be a resource to others.

With the project scheduled to come to an end in 2020, we look forward to seeing how this coming year will cement the learning and good practice that has been developed to ensure that effective public financial oversight continues beyond the life of the project.

Rt Hon. Lord Foulkes of Cumnock
Chair, Project Board

Andrew Rosindell MP
Vice Chair, Project Board
Turks & Caicos Islands PAC member and clerk visit to Westminster and Scottish Parliament
21-24 January 2019 | London & Edinburgh, UK

Overseas Territories Represented at Government Finance Function Event
22-23 January 2019 | Liverpool, UK

Secondment of Montserrat internal auditor to GIAA
April 2018 - September 2018 | Reading, UK

National Assembly for Wales clerk on secondment to St Helena PAC
7-18 May 2018 | St Helena

Overseas Territories represented at Westminster Seminar on Effective Parliaments
26-30 November 2018 | London, UK

2nd Performance Audit Workshop at the NAO
11-13 December 2018 | London, UK

Overseas Territories represented at Westminster Seminar on Effective Parliaments
26-30 November 2018 | London, UK
Key Achievements

121 participants in project activities

36 Parliamentarians
4 Lay Members of PAC
22 Clerks/Officials

38 Internal Auditors
21 External Auditors

- Five External Audit offices supported through Performance Audit process of major capital projects
- Montserrat PAC holds first public inquiry, receives government response and begins second inquiry
- Five clerk attachments from the UK, Devolved Legislatures and Crown Dependencies to PACs in UKOTs
- Bermuda PAC assisted in creation of a draft procedural manual
- Establishment of Internal Audit and External Audit Leadership Groups
- Over 30 key actors from UKOTs attend the Oversight of Public Finances Forum in Miami
Promoting Effective Parliamentary Oversight

The Project supports effective parliamentary oversight and financial scrutiny in the UK Overseas Territories by facilitating an exchange of good practice between Chairs, Members, and Clerks of Public Accounts Committees (PACs) and other parliamentarians, officials, and auditors engaged in these areas. This exchange can be remote, for example using the Project’s online Portal and discussion board, or direct in the form of visits, workshops, or Clerk attachments. Each activity is tailored to participants’ priorities and interests to make it as relevant and useful as possible.

Clerk Attachments to Public Accounts Committees

Clerk attachments present an opportunity for PACs to work directly with experienced clerks from other legislatures to explore new ways of working or addressing specific challenges. Attached clerks get a close insight into their host PAC’s current work processes and collaborate with the PAC Chair, clerk, and members to focus on their priority issues and develop workable solutions.

From April 2018 - March 2019, CPA UK facilitated five clerk attachments:

- Jim McManus, Clerk of the Committee for Finance of the Northern Ireland Assembly, undertook attachment to the Montserrat PAC
- Caro Tomlinson, Clerk to the PAC of the States of Jersey Assembly, undertook attachment with the Turks & Caicos PAC
- Fay Bowen, Clerk to the PAC of the National Assembly of Wales, undertook attachment with the St Helena PAC
- Jonathan King, Clerk to the PAC of Tynwald, Isle of Man, undertook attachment with the Cayman Islands PAC
- Stephen McGinness, Former Clerk to the UK House of Commons PAC, undertook attachment with the Bermuda PAC

Caro Tomlinson on attachment in Turks & Caicos.
Jonathan King on attachment in Cayman Islands.
In focus: Montserrat

A three-day PAC workshop was held in Montserrat in November 2017. The Workshop helped expose Members of the Legislative Assembly, Permanent Secretaries, Heads of Department, and staff, to the roles and functions of PACs.

Following the workshop, the PAC identified a number of future actions they wanted to take, such as developing a committee forward work plan, holding evidence / inquiry sessions, making evidence sessions open to the public, producing publicly available reports, laying PAC reports before the Legislative Assembly, and reviewing the PAC’s Standing Orders.

To strengthen capacity in these areas, CPA UK in partnership with the Montserrat PAC developed a programme of support to be delivered through a clerk attachment. Clerk of the Committee on Finance in the Northern Ireland Assembly, Jim McManus, was attached to the Montserrat PAC in April 2018 for two weeks to partner with the PAC.

Activities of clerk attachment:

• Assisted the PAC Chair and PAC Clerk in developing a Committee Forward work plan, including dates of inquiry sessions and topics
• Partnered with the PAC Chair and PAC Clerk on developing upcoming inquiries, including inquiry terms of reference and creating a planning template for inquiries (delineating scope and suggesting how to ensure cooperation and full disclosure by witnesses)
• Prepared briefings, questions and reports ahead of upcoming inquiries
• Gave advice on managing resource constraints, most significantly in terms of time and staff support
• Provided individual assistance to the PAC Clerk, specifically in managing overarching responsibilities, preparing to launch upcoming inquiries and providing administrative services to the committee
• Created a report template for producing public reports

Support to the PAC in Montserrat resulted in the PAC holding its first ever inquiry and public hearing and receiving a government response. The PAC is now conducting a second inquiry.

“The partnership between the Public Accounts Committee of Montserrat and CPA UK over the last three years has been a great success. The Committee has now completed its first public inquiry and the government has responded to the Committee’s recommendations. This is good news for accountability and transparency of public finances in Montserrat.”

- Hon. Joseph Farrell MLA, Chair of the Montserrat Public Accounts Committee

The Montserrat Public Accounts Committee before its public inquiry.
Building Capacity in External Audit

The UKOT Project aims to assist external audit capacity in the UK Overseas Territories. Through training seminars, tailored resources, e-workshops, pilot audits and other activities, the UK National Audit Office (NAO) seeks to strengthen the capacity of the OTs’ external audit office to perform their role, including their ability to produce timely ISSAI\(^1\) compliant financial audits and report their findings to key stakeholders including Parliament, the Governor and the Financial Secretary.

Performance Audit

Performance audit is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency, and effectiveness, and whether there is room for improvement (ISSAI 300).

The main objective of performance auditing is to promote economical, effective and efficient governance. In addition: it promotes accountability by assisting those with governance and oversight responsibilities to improve performance; and it promotes transparency by providing stakeholders - including taxpayers, the legislature, public servants, private sector partners, and the media - with insight into the management and outcome of government activities. Performance auditing answers questions such as: 'Are we getting value for money?', or 'Is it possible to spend the money better?' It does not question the intentions and decisions of the legislature, but examines whether any shortcomings in the laws and regulations or in their implementation have prevented the specified objectives being achieved.

The infographic below shows the end-to-end performance audit cycle:

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1 The International Standards of Supreme Audit Institutions
The NAO has partnered with external audit offices in each UKOT to share approaches in planning a performance audit in line with international good practice. This assistance included a mix of remote and face-to-face training and assistance.

Two workshops were a key component of the support held in April and December 2018. The first workshop in Miami started the supported performance audit process.

The second workshop, hosted by the NAO in London, allowed for participants to share progress and emerging findings on their chosen audit and receive support and insight from NAO staff.

A Performance Audit Manual for use in the UK Overseas Territories has been developed by the NAO to embed learning in the audit offices.
In focus: St Helena

Audit St Helena (the External Audit Office in St Helena) has introduced a new methodology for financial auditing based on the Financial Audit Manual that was developed by the NAO for OTs in 2017/18. The NAO provided the technical support for development of the manual and the relevant training on its use. This year Audit St Helena has continued to focus on embedding effective practices of financial auditing through tailored use of the manual.

Similarly, within the performance audit function, Audit St Helena benefited from support provided to improve performance audits of major capital projects. The NAO advised teams of auditors from five UKOTs including St Helena on performance audits which included two workshops and mentoring.

In St Helena, auditors carried out a performance audit of a major capital project - the redevelopment of the Jamestown Hospital.

“For us in St Helena the Project has been very helpful. It has been extremely well aligned with our own development plans.”

- Phil Sharman, Auditor General, St Helena
Supporting Internal Audit

As part of the Internal Audit stream of activity within the UK Overseas Territories Project, the Government Internal Audit Agency (GIAA) has been working in partnership with some Internal Audit Offices to facilitate Internal Quality Assessments (IQAs); offer mentoring and opportunities for professional development; and provide secondments.

In focus: The Cayman Islands

In 2016 the Cayman Islands Deputy Governor had an ambition for the islands to have a world class civil service. The internal audit team was keen to be at the heart of that goal to demonstrate excellence in governance. However, there was no audit committee, they had never undertaken any external audit benchmarking and had an auditing IT system they were not using. In 2016 the UKOTP was just starting and it was perfect timing to be able to work in partnership to support the Cayman Islands to develop the necessary capacity.

GIAA provided advice and guidance on how the new Audit and Risk Assurance Committee should be structured and sourced an experienced internal audit senior manager to serve as an independent member. The Audit and Risk Assurance Committee was formally established in December 2018 and should become a Champion for internal audit in the Territory, whilst providing the Deputy Governor with independent advice on risk, governance and control measures.

The GIAA also assisted the Director of Internal Audit to undertake the Internal Audit Services’ first Internal Quality Assessment (IQA) in 2018. This is a benchmarking exercise that measures conformance with international standards and identifies and prioritises improvement actions. Further IQAs will be undertaken periodically ahead of an External Quality Assessment (EQA) which is required every 5 years.

A member of GIAA staff visited the Cayman Islands in 2017 to help the internal audit service resolve configuration and operational problems with their Audit Management Software (AMS).

With the support of GIAA, significant progress has been made by the internal audit service to realise the ambition of conforming with international standards by 2021.

“Assistance received from the UKOTP has helped us get on the right path to sustainable governance improvements; both directly for the Internal Audit Service and for the Cayman Islands Government as a whole. Guiding us through our first ever internal quality assessment programme has given us a clear action plan to further improve our own operations, and the advice and support provided to the wider Government was influential in the creation of our Audit & Risk Assurance Committee.”

- Andy Bonner, Director of Internal Audit, Cayman Islands
Denecia West is an Internal Auditor at the Internal Audit Unit of the Ministry of Finance & Economic Management in Montserrat.

As part of the UK Overseas Territories Project, she undertook an Audit Secondment with the UK Government Internal Audit Agency (GIAA) at the Rural Payments Agency (RPA).

During the secondment she wrote:

“I am thankful for the opportunity to be working alongside the knowledgeable and experienced members of the GIAA team at RPA especially at this opportune time where I get to witness and experience the rolling out of the New Audit Methodology Management System (NAMMS) project along with the team.

I look forward to building on the foundation I already have on Internal Auditing by understanding the way the team manages information, the tools and techniques they employ to gather and report on their findings.

I have identified the differences between GIAA’s methodology and that of ours in Montserrat and what areas we can further improve on, whilst taking into consideration the differences in our organisational structure.

I also look forward to this secondment to be a two way knowledge sharing experience with feedback, together we can both add value to one another’s overall performance.”

At the recent Oversight of Public Finances Forum, the UKOT Heads of Internal Audit functions (HIAs) agreed to establish an Internal Audit Leadership Group (IALG) to collectively manage and provide leadership to the Government Internal Audit Profession in the UKOTs. The IALG membership will include representatives from all eight UKOTs that operate an internal audit service. The UKOTs IALG will be responsible for internal audit and assurance policy and the development of the government internal audit profession in the Overseas Territories. Andy Bonner, Director of Internal Audit for the Cayman Islands government was elected as Chair, with Andrew Gumbs, Anguilla’s Director of Internal Audit acting as the Deputy Chair.
The Oversight of Public Finances Forum 2019 took place in Miami, USA from 5-7 March 2019. It was attended by parliamentarians; clerks; and Heads of Internal and External Audit from Anguilla, Bermuda, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn Islands, St Helena, Turks & Caicos Islands, the UK, and Virgin Islands (UK).

This is the second Forum bringing together these key actors to explore the issue of public financial oversight under the banner of the UK Overseas Territories Project.

The Oversight of Public Finances Forum 2019 explored progress in OTs to date, addressed some of the common challenges faced by PACs, Internal and External Audit agencies and explored future activities in the next phase of the project to ensure long-lasting impact.

Below are some of the key highlights from the Forum:

- Establishment of Internal Audit and External Audit Leadership Groups.
- Update of Partnership Agreements with each Territory to steer future activities (2019/20).
- Committee hearing exercise on evidence gathering for PAC members and clerks.
- Practical outreach and engagement support from communications specialist.

“Being from the UK PAC means that we can offer help and solidarity to the OTs as they try and improve the work they’re doing. But we can also learn things from those Territories that have had to improvise and use ingenuity to overcome the resource issues that we don’t face.”

Gareth Snell MP, UK Parliament
Delegates at the Oversight of Public Finances Forum in Miami.

St Helena Internal Auditor, Blessing Gurure, sharing about progress and challenges at Forum.

Chair of Bermuda PAC, Hon. Patricia Gordon-Pamplin MP at Forum.

Clerk of PAC of Northern Ireland Assembly briefs PAC clerks from OTs ahead of committee hearing exercise.
Looking Ahead

This coming year marks the final year of activities for the UK Overseas Territories Project. Activities have two objectives: to build on progress to date in key areas for the PAC, internal audit and external audit; and to provide advisory support for the Leadership Groups that are intended to carry forward key learning post-project.

CPA UK, GIAA and NAO will work with Territories on the following:

**Parliamentary scrutiny**

PAC activities will deliver parliamentary strengthening support through clerk attachments, PAC workshops, visits to Westminster as well as the Devolved Legislatures and Crown Dependencies to build on experience of PAC roles and responsibilities. An induction programme for new members will ensure that key learning is being transferred and shared across parliaments to foster a better understanding of parliamentary scrutiny.

**Internal Audit**

Internal audit support will focus on internal and external quality assessments, secondments to the GIAA and enhancing capability through participation in key events such as the Government Finance Function Event and the UK Audit Risk Assurance Committee Event.

**External Audit**

External Audit will build on continued adaptation of both the Financial Audit Manual and the Performance Audit Manual and how these inform key audits in-Territory. Secondments will also be used as an opportunity to develop capacity to support improved application.

**Leadership Groups**

Two Leadership Groups – the Internal Audit Leadership Group and the External Audit Leadership Group have also been set up to improve internal and external audit capacity and capability. Launched at the Oversight of Public Finances Forum 2019, these groups offer Territories an opportunity to share good practices and ownership of common issues post-project.

**Multilateral Forum**

Representatives from the three strands of work will also come together for the third and final multilateral Forum. This final meeting is expected to consider overall project’s achievements and will place emphasis on how Territories will continue to share the knowledge and learning beyond the life of the project.