



REPORT OF THE AUDITOR GENERAL

ON THE

**AUDIT OF THE PUBLIC ACCOUNTS OF
MONTSERRAT, WEST INDIES
and other selected activities**

FOR THE

FISCAL PERIODS ENDED 31 MARCH 2014 AND 2015



OFFICE OF THE AUDITOR GENERAL

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7 March 2016

AUD 7/24

Honourable Minister of Finance
Ministry of Finance
P O Box
Government Headquarters
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Montserrat

Sir

In accordance with Sections 100 and 103 (2) of the Montserrat Constitution Order 2010 and Section 42(2) of the Public finance (Management and Accountability) Act 2008, I forward, for laying before the Legislative Assembly, my Report on the examination of the public accounts of Montserrat, and of other financial statements and accounts required to be audited by me in respect of the financial years ending 31 March 2014 and 31 March 2015.

Yours respectfully

Florence A lee, CPA, BSc, MSc
Auditor General

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ABBREVIATIONS USED

BOM	Bank of Montserrat
BNTF	Basic Needs Trust Fund
CDB	Caribbean Development Bank
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
DFID	Department for International Development
ECCB	Eastern Caribbean Central Bank
EU	European Union
GDP	Gross Domestic Product
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
HRMU	Human Resource Management Unit
IAU	Internal Audit Unit
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ICAT	ISSAI Compliance Assessment Tool
ISACA	Information Systems Audit and Control Association
ISSAI	International Standards for Supreme Institutions
MOFEM	Ministry of Finance and economic Management
MCC	Montserrat Community College
MCSA	Montserrat Civil Service Association
MDC	Montserrat Development Corporation
MFSC	Montserrat Financial Services Commission
MICA	Montserrat Info-Communication Authority
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPB	Montserrat Philatelic Bureau
MSSF	Montserrat Social Security Fund
MTB	Montserrat Tourist Board
MVO	Montserrat Volcano Observatory
MUL	Montserrat Utilities Limited
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PFMAA	Public Finance Management and Accountability Act
PFMAR	Public Finance Management and Accountability Regulations
UKNAO	United Kingdom National Audit Office

VISION, MISSION AND GOAL

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”.

AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE

1.0 Strategic Assessment

1. In an effort to be “a proactive audit institution that helps the nation to make good use of its resources’, it is imperative that we assess our operations and processes to ensure that we identify challenges and opportunities in our environment which will hinder or assist us in delivering our constitutional mandate. To that end, we have identified some legal, economic, social and technological factors that impact our operations. We must therefore analyze the factors, along with identifying risks to operations and develop strategies that will allow us to take advantage of any opportunities whilst mitigating threats and reducing weaknesses.

1.1 Legal Environment

2. Sections 101 - 103 of the Montserrat Constitution Order 2010 set out the functions of the Auditor General and by extension the Office of the Auditor General. The sections outline the responsibilities of the Auditor General and the institutions/entities to be audited and reported upon. The Public Finance Management and Accountability Act (PFMAA) 2008 and the Public Finance Management and Accountability Regulations (PFMAR) provide further guidance on the areas to be audited.

3. It is normal practice for the Constitutional provisions to be further delineated in subsidiary legislation. In the case of the Audit provisions they would be further outlined in an Audit Act. Subsequent to the introduction of the revised Montserrat Constitution 2010 the Audit Act 2002 was repealed. Efforts to have a revised Audit Act enacted have proven to be futile.

4. According to the international guidelines/benchmarks for achieving independence of Supreme Audit Institutions¹ (SAIs), as developed by the International Organisation for Supreme Audit Institutions (INTOSAI), a SAI should have operational and functional independence to enable it to operate objectively and effectively. This is inclusive of having financial and managerial/administrative autonomy.

5. Sec 101 provides for the independence of the Auditor General by indicating that in the exercise of her functions she shall not be subject to the direction or control of any other person or authority. It also covers several of the other matters as detailed in ISSAI 11 – INTOSAI Guidelines and Good Practices Related to SAI independence. We are not however compliant with the provisions relating to financial and managerial/administrative autonomy as our finances and human resources are controlled by the Ministry of Finance and Economic Management (MOFEM) and the Human Resources Management Unit (HRMU), respectively. This has been repeatedly drawn to the

¹ Supreme Audit Institutions refer to the national audit office of the state, in our case, the OAG.

attention of those charged with governance. They are yet to take definitive steps to address the matter.

1.2 Economic Environment

6. As a result of ongoing volcanic activity, Montserrat is operating under a system whereby the revenue collected locally is insufficient to cover its operating expenditures. The circumstances forced the country to return to a system of grant-in-aid whereby the Department for International Development (DFID) provides monies to cover a significant portion of recurrent expenditures as well as capital investment. Other development partners, for example the European Union (EU) and the Caribbean Development Bank (CDB) also provide funding to assist with our development. It is therefore important that we audit and report on the stewardship of such funds, making recommendations to facilitate good governance, accountability and transparency in government operations.

7. The economic environment lends itself to tight fiscal management. The OAG is not immune from cuts to its proposed budget and therefore seeks other opportunities to ensure that it functions effectively. One such opportunity is to participate in capacity building activities facilitated by INTOSAI Development Initiative (IDI) and which are provided at minimal cost to the Government of Montserrat (GOM).

1.3 Social Environment

8. Citizens of Montserrat, those living on island as well as throughout the diaspora, are becoming more educated and knowledgeable of good governance systems and arrangements. To that end they are becoming more open and vocal on public finance matters. In turn, they are demanding more openness and transparency over the use of taxpayers' and development partners' funds.

9. In seeking to deliver value for citizens it is vital that we take their views and concerns into consideration when developing our audit plans. To that end we have engaged our stakeholders in various focus group sessions. These discussions were geared toward soliciting possible topics/areas for audit review as we seek to develop our performance audit stream.

1.4 Technological Environment

10. The technological environment is becoming more challenging as GOM seeks to operate in a paperless environment and are bringing services online to facilitate greater efficiency in service delivery. Our use of technology is therefore essential if we are to be efficient in operations. To that end we have procured audit management software to help us to automate our work papers. At the end of the reporting period, we were still undertaking training in the use of the software.

11. Moreover, if we are to understand the systems used by our clientele and to assess them effectively, we need to have persons with the skills to perform the necessary IT audits. We are in the process of developing such skills and making plans for the establishment of a dedicated IT audit unit.

12. Finally, we reside off site and are connected to our main clients via wireless link. We often experience outages in the network link. This impacts our access to GOM's financial systems and reduces our ability to complete work within set deadlines.

1.5 Public Sector Initiatives

1.5.1 Reform Initiatives

13. The general public sector is undertaking various reform initiatives which will affect the way we conduct our audits. Some Ministries/Departments are undergoing organization reviews where services were streamlined; some services outsourced; new Units established; more services going online. As GOM institute these changes we have to ensure that we have the correct knowledge and skills to perform expeditious, efficient and effective audits.

1.5.2 Performance Management

14. In its quest to improve performance across the public service, GOM sought to improve its performance management and monitoring system. A Performance Development Assessment and Review system was developed and shared with staff across the public service. In this system management and staff will agree up to five objectives. Official assessment of achievement will be done at mid-year and year end.

15. All staff, including those at the OAG, were expected to begin to use the system at the beginning of the 2014/15 fiscal year.

1.5.3 Establishment of Internal Audit Unit

16. An Internal Audit Unit was established within MOFEM during the period of review. We view this as a good addition to the governance function as wider audit coverage will be obtained. As we have the same clientele we have signed a Memorandum of Understanding (MOU). This allows us to share audit plans focusing mainly on audit areas to be covered and the timing of the audit. This is to ensure that our clientele do not have to deal with both sets of auditors at the same time. Nothing in the MOU prevents me from conducting my own independent audit where necessary.

2.0 Financial Management

17. For the 2013/14 fiscal year, the OAG was given an approved expenditure budget of EC\$1,120,300 to provide audit services to central government agencies and a few quasi-government agencies. \$217,800 was withdrawn from the department and used

to offset payment for urgent expenditures elsewhere within the public service, revising authorized expenditure to \$902,500. Actual expenditure was \$865,296. The revenue budget was \$25,000. Actual revenue was \$13,600.

18. As regards fiscal year 2014/15, we were given an approved budget of \$1,117,900. Of this amount \$11,800 was later withdrawn to expenditures elsewhere within the public service. Our actual expenditure amounted to \$1,084,251.

19. Compensation of employees continues to utilize a significant portion of our allocation recording approximately 83% and 84% of total actual expenditure of the department for fiscal years 2013/14 and 2014/15 respectively.

20. The acquisition of goods and services utilized an additional 16.8% and 14.9% of actual total expenditures for the fiscal years under review. Within this expenditure classification group, significant amounts were spent on International Travel and Subsistence, Utilities, Rental of Assets and Training.

3.0 Recruitment and Retention

21. During the reporting period one Audit Manager relocated overseas while another demitted office due to natural attrition. One Senior Auditor position remained vacant, and funding for another was withheld. One Senior Auditor was promoted to IT Auditor. By the end of the reporting period our vacancies were recorded at two Audit Managers and four Senior Auditors. The absence of these persons severely impacted our work performance and the timeliness of submitting our work on the Public Accounts.

22. Efforts to fill the vacancies were unsuccessful largely due to the low remuneration packages on offer. This forced us to reassess job worth and to find a median salary range which would motivate qualified persons (both at tertiary and professional levels) to join our staff. We have repeatedly drawn these matters to the attention of HRMU and the MOFEM. The realignment of staffing levels with that of comparative positions within central government was agreed however the funding was not initially provided to enable us to acquire the staff we needed.

23. Moreover, direct recruitment of staff rests with the HRMU. At the time of writing this report we were still awaiting that department's completion of the recruitment process for Audit Managers and Senior Auditors.

4.0 Workflow Management

24. Given our staffing constraints and in an effort to reduce its impact, a retiree was asked to assist us with some work elements. Additionally, we sought outside professional help by tendering the audit of one statutory agency. This agency had a backlog of audit work spanning five years.

25. The vacancies also forced us to focus on the completion of the financial and compliance audits. Attention was geared toward auditing of the public accounts for the fiscal years 2013/14 and 2014/15. Compliance audits were conducted as part of the financial audits, for example, when auditing the public accounts or as stand-alone audits performed separately from the audit of the financial statements. Two performance audits were completed during the reporting period.

26. Other workflow management strategies include the discontinuance of certain practices of the past which involves, but is not limited to, the vouching of pension benefits for all government workers prior to payment. We viewed the practice as a significant self-review threat to objectivity.

5.0 Capacity Development

27. There are continuous changes to our audit environment thus we need to develop strategies to deal with this if we are to perform effectively and provide value for citizens. One of our strategies focus on becoming a learning organization where skills and abilities of individuals, and the organization as a whole, are constantly upgraded. In keeping with this strategy, we participated in the following capacity development initiatives.

5.1 In-house Training

28. We continue with our programme of on the job training, coaching and mentoring staff. As these programmes are conducted by in-house staff as part of their routine job functions no additional funding is required. We therefore view them as being very beneficial to expanding/upgrading staff knowledge, skills and output of the department.

5.2 Participation in regional/international audit specific programmes

29. Our capacity building programme was further enhanced when our Deputy Auditor General was invited to Oslo, Norway, over the period 25 June 2013 – 5 July 2013, to be trained as an IDI subject matter expert and on-line mentor for the E-Learning Course on Risk-based Approach to Financial Audits. This served to improve her knowledge base on financial audits as well as developing her facilitation skills.

30. An additional two members of staff improved their financial audit knowledge and skills when they successfully completed the online Risk-based Approach to Financial Audits course over the period 9 September – 25 October 2013.

31. As we continue to build our IT audit skills a member of staff participated in the “Fundamentals of IT Audit and Assurance course in Las Vegas, USA, over the period 9 – 12 December 2013. The course was facilitated by the Information Systems Audit and

Control Association (ISACA) – this is a pace-setting global organization that sets standards for information governance, control, security and IT audit professionals. The Course introduced the essential components and steps needed to perform an information system (IS) audit, and gave a basic understanding of audit objectives and controls.

32. During the financial year 2014/15 the following capacity building initiatives were undertaken. These included

Compliance Audit training. Over the period July 13 – 18, 2015, our participant, Mrs Vernitha Weekes, Audit Manager, attended a Facilitating ISSAI Implementation Workshop in Antigua. This was the final phase of an e-learning course – ISSAI Compliance Assessment Tool (iCAT) on Compliance Audit. The course was designed to train auditors as facilitators to implement International Standards within their SAIs and also provide support to other SAIs. This



workshop provided face-to-face contact where auditors were given hands on training and were also required to demonstrate their ability to facilitate the process. At this workshop trainees were given an assignment to send an Action Plan to IDI to receive certification as Facilitators. The Action Plan was submitted on 6 August 2014 and Mrs Weekes is now an IDI Compliance Audit Facilitator. See website <http://www.IDIcommunity.org> for further confirmation of this.

33. **ISSAI training.** Our SAI has agreed to conduct its audit using the International Standards for Supreme Audit Institutions (ISSAIs). It is therefore imperative that all members of staff understand the ISSAIs to enable us to produce a quality audit product. ISSAI 10 – SAI Independence - and ISSAI 30 – Code of Ethics - were



chosen to remind staff of the principles that underpin our work and behaviour.

34. Nine members of OAG staff along with five members of the Internal Audit Unit (IAU) participated in this half-day workshop held at the Police Training Room at Brades, Montserrat. It was facilitated by Mrs Vernitha Weekes, OAG Audit Manager and IDI Compliance Audit Training Facilitator. Mrs Weekes also received her IDI Facilitator's Certificate at this workshop.

35. **Information Technology Audit.** This capacity development initiative was provided to SAIs world-wide and facilitated by the INTOSAI Development Initiative (IDI). The initiative comprised of the following elements:

➤ An eight-week e-learning course, ending 25 July 2014, where staff were required to access the training materials, prepare assignments and solicit feedback from facilitators. Three members of staff participated in this training and were required to spend two hours per day over the training period to learn and build their skills in this audit. Each participant was required to obtain an 80% pass mark in order to participate in the second stage of the IT course. All participants from SAI Montserrat obtained the required passes. This can be verified at <http://www.learnatunitar.org>.

➤ Conduct a pre-study. As an output from the training, trainees had to identify a topic for audit, gather information and prepare a preliminary findings report.

➤ A five-day face to face Audit planning meeting whereby the preliminary audit plan was reviewed and trainees given feedback on areas that were to be further developed. This took place in Poland during the period 8 – 13 December 2014.



IDI Global Programme on Information Technology Audit, Audit Planning Meeting, Warsaw, Poland, 8 – 12 December 2014

➤ Fieldwork was finalised. At year end, the draft report was being prepared for submission to IDI for review.

➤ An audit review meeting (face to face session) was scheduled to discuss the preliminary audit report, identifying and strengthening areas of weakness. This was scheduled to take place during fiscal year 2015/16 but, at end of the fiscal year 2014/15, the place and time was yet to be communicated to us.

5.3 General in-service training

36. The Training Division within the Human Resource Management Unit (HRMU) continues to provide training activities for staff across the general public service. We were able to participate in some of these programmes for example Work Ethics for the more junior levels of staff and Administrative Law for mid-senior levels.

5.4 Professional Development

37. Two members of staff continue to pursue professional accreditation with the Association of Chartered Certified Accountants (ACCA). As we seek to improve the general professionalism of the department other members of staff are encouraged to gain professional accreditation from recognized supervisory bodies.

5.5 Personal Development

38. We continue to encourage staff to take ownership of their own development. Thus, they continue to undergo personal development initiatives to improve their skills and abilities. This is inclusive of researching relevant topics on the internet, pursuing academic programmes at regional training institutions, or pursuing development of core competences through the use of the UK Civil Service on-line training programmes.

6.0 Attendance at Conferences and Workshops

39. Strengthening Audit and Parliamentary Oversight in Overseas Territories (OTs). The Deputy Auditor General, the Chairman of Public Accounts Committee (PAC) and myself attended the captioned conference at the United Kingdom National Audit Office (UKNAO) during the period 28 – 31 January 2014. The aim of the conference was to give auditors access to a higher standard of auditing skills and technical knowledge and to establish a stronger peer support network amongst OT based auditors. The exposure was also intended to improve levels of transparency and accountability and to enable value for money improvements to public finances.

40. Along with providing guidance on conducting special and performance audits, we discussed best practices regarding the independence of audit offices, how internal auditors support the governance process and to whom should they report. The role and function of PAC was discussed. Guidelines for holding PAC discussions were discussed and this part of the conference culminated with the holding of a mock PAC 'hearing' session.

41. 22nd Commonwealth Auditors General Conference. I attended this Conference



held in Floriana, Malta over the period 24-27 March 2014. The Conference Theme was “Securing Independence of SAIs to Improve the Effectiveness of Reporting and Communication of Audit Findings”. This theme of securing independence is a recurring one being previously addressed at the INTOSAI level whereby ISSAI 11 sets out the eight core principles for SAI Independence. Participants were welcomed to the conference by the Auditor General of Malta and the President of Malta.

42. Prior to launching into the sub-themes of the conference participants were given various perspectives and developments regarding experiences between the National Audit Office (NAO) and the Executive, Parliament and the NAO, and the Public Accounts Committee and the NAO. With respect to the relationship between the NAO and the Executive it was stated that the role of the Auditor General is critical since inefficiencies, extravagancy and waste have no place in a country which is practising fiscal consolidation. Due importance was given to Audit Office providing independent appraisals on the extent to which government expenditures are controlled as well as providing early warning systems for the attainment of government’s social and economic programmes.

43. With regard to PAC success it was suggested that the top three critical factors were the power to: formulate recommendations and publish their conclusions; investigate all past and present public expenditures; and choose topics for review without government interference. In discussing the PAC’s expectation of the NAO it was found critical for PAC to be furnished with factual and technically sound reports to supplement the Committee’s work in improving public governance. It also found that the NAO’s audits should give due consideration to parliamentary concerns in setting audit priorities.

44. The core paper for Sub-Theme I was prepared by the Auditor General, General Accounting Office of the United States of America (USA) and focused on “Ensuring Independence of SAIs for effective SAI Reports”. The purpose of the theme was to enable each SAI to assess its degree of independence by performing an analysis of its functional, legal, organizational, and financial independence. It was stressed that SAIs, being part of the State, cannot be fully independent. However, to ensure effectiveness, the SAI need to possess the functional and organisational independence necessary to carry out their mandates.

45. A key note address was given by the Comptroller and Auditor General of the United Kingdom and focused on “Independence beyond legal frameworks”. Here he

stated that while we need to have all the elements of independence as enshrined in INTOSAI's Mexico declaration, it is more important for us to have intellectual, emotional and the ethical strength to use that independence. Auditors were thus encouraged to praise government when things have gone well and to speak out when things have gone wrong providing clear suggestions for improvements. He concluded the address by encouraging auditor's to keep campaigning for improvements to the legal independence of Audit Offices.

46. Sub-Theme 2 focused on "Effective Communication of Audit Findings to Key Audiences". In deliberating on this topic and bearing in mind the need to deliver value and benefits to citizens, the Conference found that SAIs need to carefully consider the following four elements of communication:

- **Content** - reports must be of good quality and readily understandable;
- **Medium** – consideration needs to be given to how, and through what media and other means, messages are communicated;
- **Audiences** – the SAI must be clear about which audience or constituency it is seeking to influence: the Public Accounts Committee, legislators, the Head of Government or the Cabinet, public service managers, and specific constituencies within the general public; and
- **Image** – In a world saturated with vivid images, Commonwealth SAIs must reflect carefully on the image which their reports project of the institution, its role and the content of their report. In communicating reports, SAIs must project an image which makes the Office visible, credible, knowledgeable, integral or honest, impartial, and at the same time, sensitive to the legitimate interests of those delivering public services, those spending or collecting public monies.

7.0 Public Accounts Committee Meetings

47. One of the primary functions of PAC is to provide parliamentary oversight/legislative scrutiny of public finances. It partly does this by examining the reports of the Auditor General and calling Accounting Officers to account for their stewardship of the public resources placed under their control. During the reporting period PAC held several 'hearing' meetings. These meetings took into consideration matters referred to in the Auditor General's reports covering the period 2005 – 2009 and 2011² - 2013.

48. The matters discussed at the Strengthening of Audit Oversight meeting held in the UK in January encouraged, as best practice, the sharing of the OAG'S work plan for the year. One PAC meeting was thus held to share the proposed audit plan for the new fiscal year and gain the input of the Committee in finalizing the plan. The Committee also felt that the hearings should be made public. To that end, a member was given the task to source an appropriate venue and needed equipment for televised meetings. In the midst of this a general election was called which culminated in a change of

² This Report was for the 15-month period ending 31 March 2011

government and the membership of PAC. Plans for public hearings were shelved and, although further meetings to discuss matters from the 2011 – 2013 Auditor General's Reports, these were held 'in camera'.

8.0 Acknowledgement and Appreciation

49. I must express out thanks to the staff of the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for the invaluable input, clarifications, advice and any other courtesies extended to my staff during the course of the various audit assignments.

50. Special thanks is extended to the GOM, its Learning and Development Unit, DFID, IDI, CAROSAI, and its member organizations, the Indian Government, the UKNAO for their contribution to our capacity building initiatives.

51. Finally, I applaud my staff for their hard work, commitment and invaluable contribution despite our many challenges. As they are responsible for conducting and provide their assessments of the findings, it would not be possible to provide this report without their continuous efforts,



Brades, Montserrat
7 March 2016

Florence A Lee, MSc, BSc, CPA
Auditor General

**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE YEAR ENDING 31 MARCH 2014 AND 2015**

EXECUTIVE SUMMARY

Scope of the Audit Report to the Legislative Council

The Auditor General has the responsibility of auditing the Public Accounts of Montserrat and of all public offices and public bodies established by an Act of Parliament and to provide a report on her findings to the Legislative Assembly as per Sections 103 of the Montserrat Constitution order and Section 42(1) of the Public Finance (Management and Accountability) Act 2008.

2. This Report contains the findings of audits of the accounts and transactions of Accounting Officers and Receivers of Revenue for the 2014 and 2015 fiscal years. Information of the audit status of statutory agencies and Government companies are provided where necessary.

Criteria and Standards Used

3. The Public Finance Management and Accountability Act 2008, and the Public Finance Management and Accountability Regulations were the main criterion used to conduct this audit. INTOSAI auditing standards were the main guidelines used to conduct the audits.

Financial Administration and Management

4. I am required to certify the Statement of Assets and Liabilities and the abstract accounts of Revenue and Expenditure. These Statements are included in this Report as Appendix 1 and 2.

5. We are generally satisfied with the work that has been done to improve the accounts and give a clearer picture of the financial status of the State. As such, the accounts have been given an unqualified opinion.

Financial Performance

6. Over the reporting period we have seen that not all of the revenue streams are performing as planned as some are reporting shortfalls when compared against their original budgets. We have however observed notable increases in the collections of local recurrent revenue. For the 2013/14 fiscal year, we saw an increase of \$1,169,556, an approximate 2.8% increase in collections when compared with collections 2012/13. In 2014/15 there was another increase of \$2,455,469, a 5.6% increase in collections over that of the previous year.

Credibility of the Budget

7. A credible budget is a first requirement of effective public financial management³. Accordingly, in the PEFA framework one element of the assessment focuses on the outturn of expenditure against the original budget. With this in mind we reviewed movements in expenditure for the years under review. We note a number of Virements and Supplementary Estimates being issued and observed movements of 14% and 9.7% in the 2013/14 and 2014/15 fiscal years, respectively. If left unchecked, such movements will contribute to low scores when the credibility of the budget is assessed.

Cash Position of Government

8. Cash balances at the end of the 2013/14 and 2014/15 fiscal years are provided below.

Description	Balances (EC\$) 31 March 2014	Balances (EC\$) 31 March 2015
Consolidated Fund	11,302,818	13,679,691
Development Capital Fund	28,806,410	23,607,796
TOTAL	40,109,228	37,287,487

Arrears of Revenue

9. Arrears of Revenue stood at \$8,710,915 and \$9,572,924 for the 2013/14 and 2014/15 financial years. GOM had implemented an arrears reduction strategy which encouraged taxpayers to make payments toward their debt whilst government forgave a portion. In the 2013/14 financial year this resulted in a write-off of \$10.47M tax arrears ranging from as far back as 1967.

10. We however note a 9.9% increase in arrears of revenue when we compare arrears at the end of both years. Receivers of revenue should exert greater effort in revenue collection such that GOM's arrears reduction strategy is achieved.

Key findings relating to Ministries/Departments/Statutory Agencies

11. **Crosscutting issues.** These include the rising cost of claims against government reduces funds available for core government services and impacts the level of services that can be offered to citizens; unsigned legal instruments which could lead to circumstances where contracts cannot be enforced, government not obtain the desired project outcome, or not gain expected control over investments; and weak controls in

³ Improving budget Credibility: Budget Formation Process, Florence N. Kuteesa, Public Finance Management Advisor, IMF East AFRITAC,

wages monitoring which could lead to under or over payment of workers and general material misstatement of wages.

12. **Project Development and Management.** We reviewed a number of projects and encountered situations where crucial project documents were not presented for audit leading to an inability for us to determine whether the projects were conducted in compliance with government contracting policies; project memoranda not provided or was provided but was missing critical information; some projects had significant variations; project funding had significantly increased but the work not completed as originally intended.

13. A house was built to relocate a family thus facilitating the completion of road works at the Carr's Bay junction. Although the new building was completed over a year it remains unoccupied. As a result the expected benefit of the project was not realized.

14. **Reconciling bank accounts.** We saw some improvement in the performance of reconciliations. However, there is further need for improvements as, in some instances, the required adjustments are not done in a timely manner.

15. **Montserrat Government UK Office.** There are weaknesses in the governance and management arrangements for this entity. There is therefore a need for an organization review to determine the future path of this entity.

16. **Other financial audits.** GOM has closed, or taken steps to close, three entities within the reporting period. These are the Montserrat Tourist Board, The Government Savings Bank and the Montserrat Development Corporation.

17. The other Statutory Agencies/Government owned companies were at various stages of completion of their annual audits.

Performance and Special Audits

18. Three performance and/or special audits were completed. A synopsis of the findings and recommendations can be found in Chapter 5 of this Report.

CHAPTER 1

1.0 FINANCIAL STATEMENTS FOR APRIL 2013 – MARCH 2014

1.1 Audit Mandate and Objective

1. We audited the Public Accounts for Montserrat for the period April 2013 – March 2014 in accordance with the provisions of Section 103(1) of the Montserrat Constitution Order 2010 and Section 42(1) of the Public Finance (Management and Accountability) Act 2008.

2. The objective of the audit was to express an opinion as to whether:

- a) The financial statements presented by the Accountant General fairly represent, in all material respects, the financial position of the Government of Montserrat.
- b) Appropriate internal controls systems existed and were adhered to, and
- c) Funds were expended in accordance with Legislative directives.

1.2 Methodology

3. Examination of the public accounts consisted mainly of analytical review of documentary evidence supporting the financial statements, physical examination, confirmations, recalculations and interviews with the Accountant General and staff, personnel in the Ministry of Finance, and Accounting Officers.

1.3 Standards used

4. The standards developed by the International Organisation for Supreme Audit Institutions (INTOSAI) were used to guide the auditing process.

1.4 Statement of Assets and Liabilities of the Consolidated Fund

5. Table 1 below highlights movements in cash assets and liabilities over the period 1 April 2013 – 31 March 2014. See Appendix 1 for a detailed statement, as presented by the Accountant General.

TABLE 1
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2013	2014	Increase/ (Decrease)
Assets			
Cash	11,805,811	11,302,818	(502,993)
Development Capital Fund	46,399,266	28,806,410	(17,592,856)
Fixed Deposits	3,406,716	1,411,793	(1,994,923)
Investments	2,168,400	2,244,071	75,671
Advances	(38,017,322)	(22,,995,657)	15,021,665

Total	25,762,871	20,769,435	(4,993,436)
Taxpayer's Equity			
Deposits	7,312,783	4,649,915	(2,662,868)
Consolidated Fund	18,450,088	16,119,520	(2,330,568)
Total	25,762,871	20,769,435	4,993,436

6. **Development Capital Fund.** The large increase in this balance is due primarily to monies made available for the operation of major projects but left unspent at the end of the fiscal year. This would include, but is not limited to, the Geothermal Project, the Road Refurbishment Salem to St John Project and the Port Development 1 - Gun Hill Project.

7. **Investments.** The downward movement in investments arose through a combination of write-off of the BAICO investments and a re-statement of the CLICO and Montserrat Mills investments.

8. **Advances.** Efforts were made to ensure that these advances represent collectible amounts and there was a write-off of a large number of uncollectible amounts. The write-off was however not authorized by the Legislative Assembly by the end of the financial year.

9. **Miscellaneous Deposits.** My last Report indicated that there were a number of balances that could not be verified. These balances were written off to allow fair presentation of outstanding sums.

1.5 Movements on the Consolidated Fund

10. The movements on the Consolidated Fund for the fiscal year under review can be summarized as follows:

<u>Expenditure</u>	<u>Authorized</u>	<u>Actual</u>
Personal Emoluments, Wages & Allowances	43,806,300	43,260,493
Benefits	13,507,050	13,488,963
Services	<u>59,319,350</u>	<u>57,811,817</u>
Sub-Total	116,632,700	114,561,273
Less: Revenue	<u>100,498,000</u>	<u>115,530,553</u>
Surplus/(Deficit*)	<u>16,134,700</u>	<u>969,280</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2013		20,229,283
Surplus for the year		969,280
Prior Period Adjustments		(1,899,997)
Funding of Local Projects		<u>(1,399,850)</u>
Balance c/f 31 March 2014		<u>20,769,436</u>

* Value of Supplementary Appropriations raised during fiscal year.

1.5.1 Recurrent Revenue

11. Approved Recurrent Revenue amounted to \$100,498,000. Actual revenue collected amounted to \$115,530,553, an increase of \$15,031,653. This increase was largely due to increases in budgetary aid.

1.5.2 Revenue Surpluses and Shortfalls

12. Table 2 below records surpluses or shortfall in the various categories of revenue.

TABLE 2
REVENUE SURPLUSES AND SHORTFALLS

<i>Recurrent Revenue Head</i>	<i>Budgeted</i> \$	<i>Actual</i> \$	<i>Surplus</i> \$	<i>Shortfalls</i> \$
Taxes on Income, Profits & Gains	17,560,000	16,281,301	0	1,278,699
Taxes on Property	1,700,000	981,263	0	718,737
Taxes on Domestic Goods & Service	1,355,000	1,443,241	88,241	0
Licences	2,668,000	2,804,253	136,253	0
Taxes on Int'l Trade & Transactions	16,660,800	16,399,994	0	260,806
Fees, Fines and Permits	1,432,900	1,902,088	469,188	0
Rents, Interest & Dividends	634,000	313,520	0	320,480
ECCB Profits	0	33,950	33,950	0
Reimbursements	35,000	424,032	389,032	0
Budget and Grants	55,780,000	71,922,874	16,142,874	0
Other Revenue	2,673,200	3,024,037	350,837	0
TOTAL	100,498,900	115,530,553	17,610,375	2,578,722
Net surplus/(deficit)			15,031,653	

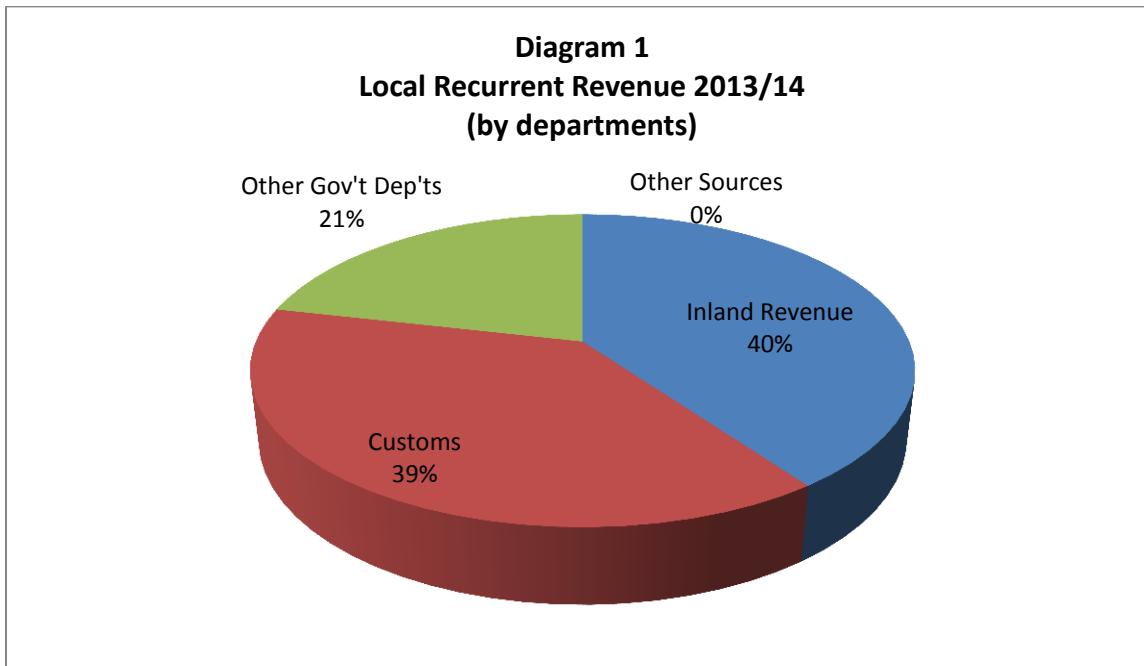
1.5.3 Total Recurrent Local Revenue

13. The Legislative Assembly budgeted collections of \$44,718,900 for Recurrent Local Revenue was \$45,647,880. Actual revenue amounted to \$42,438,304, a shortfall of \$1,111,221 when compared with the budget. However, when compared with last year's collections, it shows a modest 2.8% increase.

14. Despite the foregoing 40% of the revenue categories realized shortfalls. Such shortfalls ranged from a low of \$260,806 to a high of \$1,278,699.

15. Actual Tax Revenue collected was \$37.91M whilst Non-Tax Revenue amounted to \$5.7M.

16. Diagram 1 shows revenue collections by percentage and major revenue collection departments for the 2013/14 fiscal year.



1.5.4 Special Budgetary Assistance

17. When the 2013/14 Estimates were approved in the Legislative Assembly, the envisaged receipts of \$55,780,000. However, actual receipts were \$71,922,874. The increase of \$16,142,874 was provided to meet costs of centralized legal posts; facilitate operation of an Opposition Office; meet pension obligations and training needs; payment of arrears of contributions; increased insurance cost; increased cost of Internal Audit services; outsourcing costs (cleaning and school bus services) ; and medivac services.

18. Table 3 below provides a breakdown of the monies received.

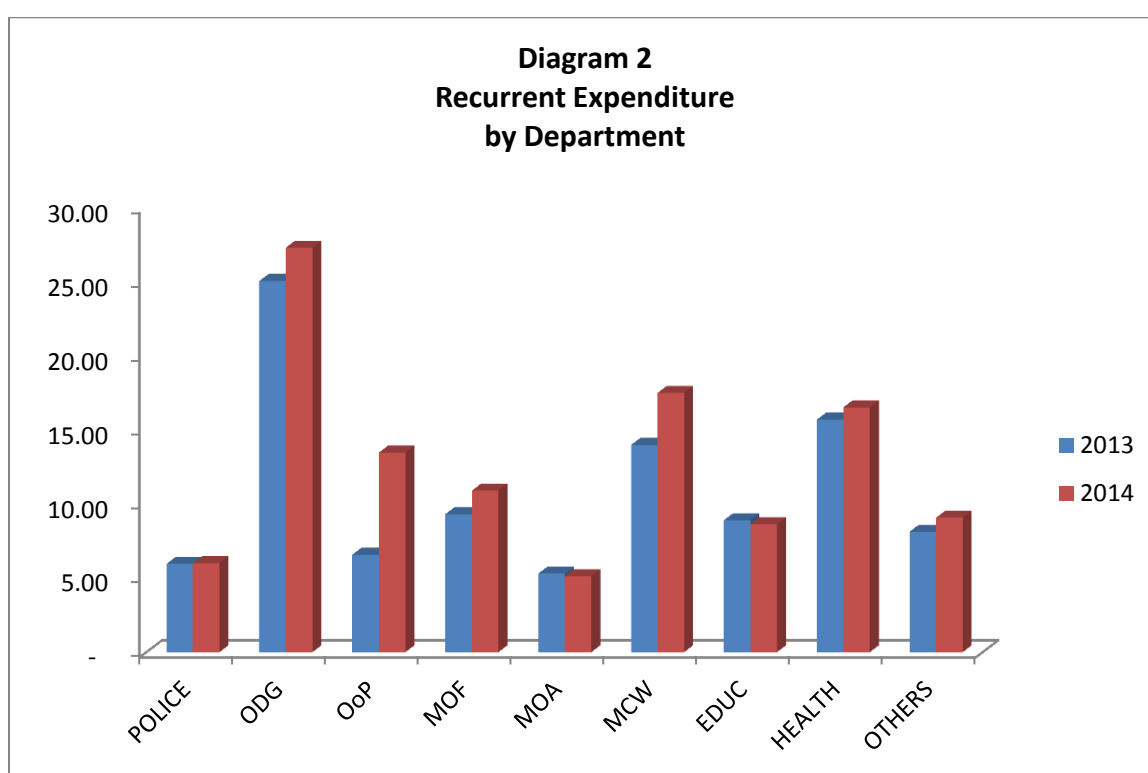
TABLE 3
BUDGETARY AID 2013/14

DATE	RECEIPT #	PARTICULARS	£	EC\$
06/5/2013	157444	1 ST quarter budgetary aid	4,268,919	17,529,463
09/03/2013	161169	2 nd quarter budgetary aid	3,124,218	13,063,604
11/28/2014	165554	3 rd quarter budgetary aid	5,434,678	23,814,759
02/28/2014	169238	4 th quarter budgetary aid	4,314,862	19,315,048
02/28/2014	JV	To correct misallocation – Small Capital Project	0	-1,800,000
Total budgetary aid			17,142,677	71,922,874

1.5.5 Recurrent Expenditure

19. The Appropriations Act, Ordinance #5 of 2013 authorized expenditure of \$100,498,900 for the fiscal year. Four Supplementary Estimates and a General Warrant, totaling \$16,133,800 were approved by the Legislative Assembly. This brought the total authorized expenditure to \$116,632,700. Actual expenditure for the year amounted to \$114,561,274.

20. The Legislative Assembly allocates spending by Ministries and Departments. Diagram 2 below is used to show actual Recurrent Expenditure incurred by those Ministries and Departments for the year being reviewed and to compare this with spending of the previous year. Departments that do not form a part of any Ministry, except for Police, are grouped under Others⁴. They are primarily non-ministerial departments.

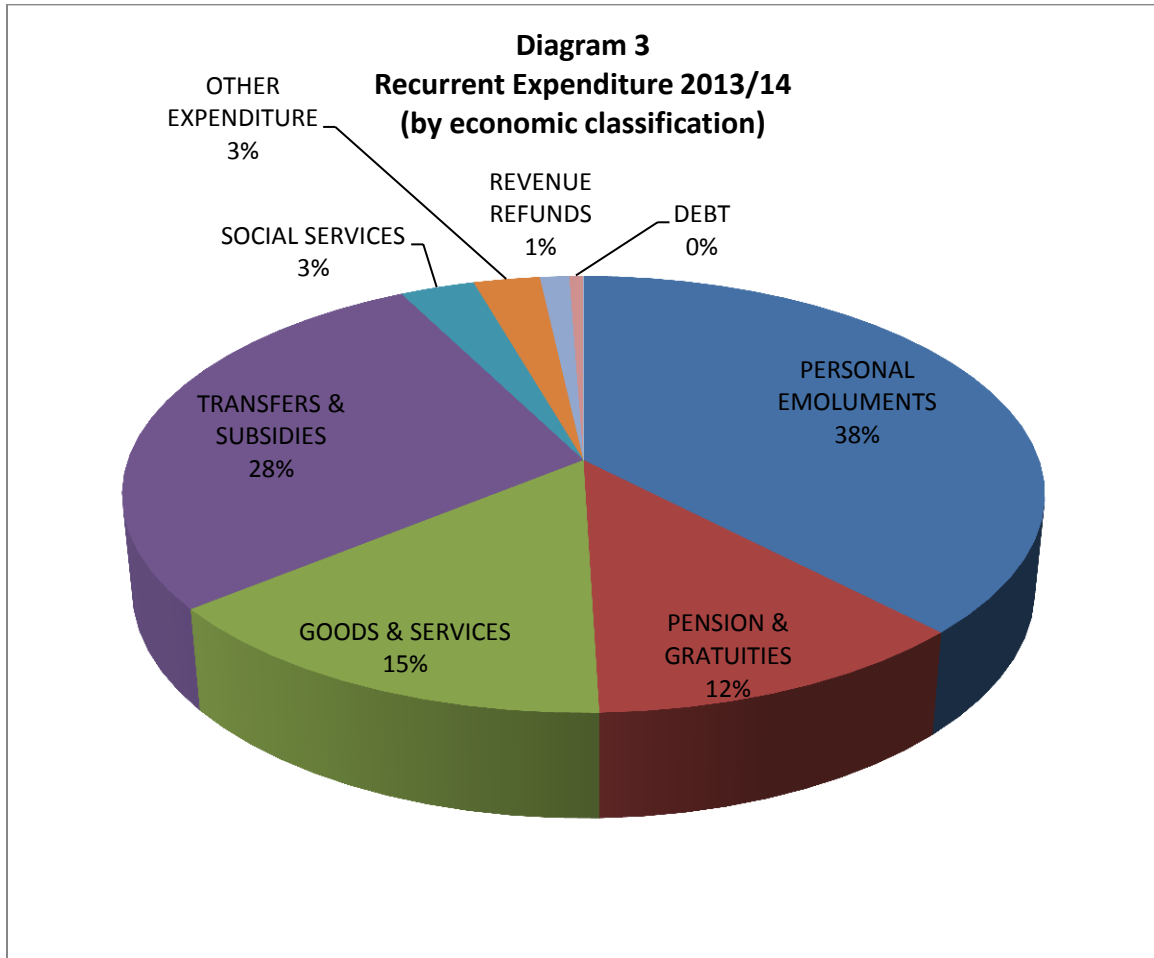


21. Also of note is that from this financial year there was a closure of the Ministry of Economic Development and Trade with some functions being transferred to the Ministry of Finance (renamed the Ministry of Finance and Economic Management) and the Office of the Premier. A Cabinet Secretariat department was also established.

⁴ These departments include the Legal Department, Magistrate Court, Supreme Court, Legislature, Public Prosecution and Cabinet Secretariat

22. Expenditure usage remained constant with Personal Emoluments, Pensions and Gratuities, Goods and Services, Transfers and Subsidies utilizing more than 10% per category of overall expenditure incurred.

23. Diagram 3 below shows expenditure by economic classification and gives relative percentages used per classification.



1.5.6 Credibility of the Budget

24. **Warrants.** Two general warrants and four supplementary estimates were issued. Seven Virement Warrants were also approved.

25. **Movement in Expenditure.** Original Estimate totaled \$100,498,900. Actual expenditure amounted to \$114,561,274, a movement of \$14,062,374. When compared against original estimate it shows a movement of 14%⁵.

⁵ Debt payments excluded as per PEFA assessment tool.

1.6 Arrears of Revenue

26. At the end of the fiscal year being reviewed Arrears of Revenue stood at \$8,710,915 and are itemized as follows: -

TABLE 4
ARREARS OF REVENUE

Executing Agency	Arrears at 31 March 2014	Arrears at 31 March 2013
Ministry of Communications and Works:	0	0
PWD Laboratory	8,060	10,770
Resaleable Stock	3,236	1,107
Revenue Plant & Workshop	21,368	7,338
Mechanical Spares	1,459	231
Aircraft Landing Fees	9,501	2,675
Navigational Charges	12,795	2,950
Concessional Rental - Airport	8,955	5,900
Scenic flights	130,600	39,938
Telecom Licence	6,450	0
Inland Revenue:-	0	0
Income Tax	2,921,067	9,544,304
Company Tax	3,248,328	3,272,334
Property Tax	1,414,330	3,954,867
Broadcasting Services (Radio M/rat)	0	0
Advertising Receipts	14,800	21,631
Customs	0	0
Customs Officer Fees	2,595	76,525
Treasury:	0	0
Trade Licences	10,650	18,481
Emergency Fuel Supply	533,359	533,359
Ministry of Health and Community Service	0	0
Hospital Receipts	178,025	163,412
Development Unit	0	0
Factory Shells	0	1,500
Ministry of Agriculture	0	0
Departmental Accounts	185,337	21,631
Total	8,710,915	17,678,953

27. GOM implemented an arrears reduction strategy in an effort to arrive at a more realistic figure. As part of the strategy taxpayer's were encouraged to make payments toward reducing their debt whilst government forgave a portion. The sharp decrease in arrears is largely due to the write-off of \$10.47M tax arrears ranging as far back as 1967 in some instances.

1.7 Development Fund

1.7.1 Statement of Assets and Liabilities

ASSETS		31 Mar 2013		31 Mar 2014
British Development Aid Claims Outstanding				2,727,796
Donor Agencies Expenditure Outstanding		2,415,953		2,391,780
Consolidated Fund Receivable		40,957,315		23,253,496
Total Assets		43,373,268		28,373,072
LIABILITIES				
Deposits within Development Fund		19,132,684		24,537,070
Local Funds		699,952		699,952
British Development Claims Deposits		20,404,584		
Consolidated Capital Fund	(26,141,944)	0	20,839,868	
Add Revenue over Expenditure	29,277,993	3,136,049	(17,703,819)	3,136,049
Total Liabilities		43,373,268		28,373,072

28. This statement contains a number of 'dead' accounts with debit and credit balances that are in need of write-off. We are again recommending that effort be made to have such accounts removed from this statement.

1.7.2 Capital Expenditure

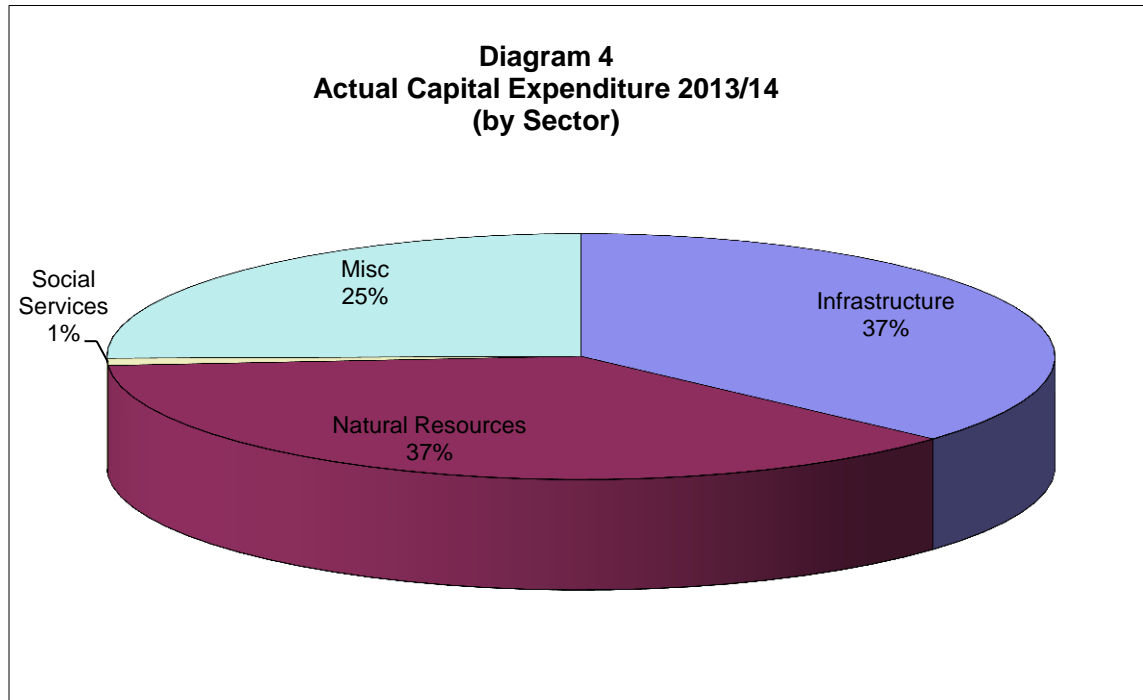
29. Table 5 below provides a view of authorized expenditure and recorded results for the Development Fund, by funding agency.

TABLE 5
Comparison of Development Fund Estimates and Record Results 2013/14

Development Fund Expenditure	Authorized	Actual	Variance
DFID	84,324,400	48,471,961	35,852,439
LOCAL	2,309,500	1,399,850	909,650
DARWIN	309,300	203,155	106,145
CIDA	0	0	0
UNICEF	0	0	0
PSF	0	0	0
ECLAC	0	0	0
EU	38,675,800	16,640,993	22,034,807
OPEP	434,700	80,722	353,978
CDB	0	0	0
JNCC	0	0	0
TOTAL	126,053,700	66,796,681	59,257,019

30. The Appropriations Act authorized spending on capital projects as \$78,529,000. Approvals for four Supplementary Appropriations valuing \$47,524,700 brought the Revised Estimates to \$126,053,700. Actual spending for the year amounted to \$66,796,681 being 53% of authorized expenditure for the year.

19. A pictorial view of capital expenditures, by sector, is given in Diagram 4 below. The expenditures have been classified by sectors. For this fiscal year we note the down-turn in infrastructure development.



1.8 Other Statements

1.8.1 Statement of Contingent Liabilities

32. At the end of this fiscal year, total contingent liabilities amounted to \$24,046,017. Although GOM announced the closure of the Government Savings Bank it was not done in sufficient time for depositors to withdraw their funds. Consequently, GOM remained liable to depositors for \$17,759,363⁶. Other possible legal claims amounted to \$6,286,654.

1.8.2 Statement of Special Funds

33. At the end of the fiscal year, we were still awaiting the closure of the unused accounts.

⁶ Section 7 of the Savings Bank Act requires GOM to make up any deficiency between assets and the lawful claims of depositors.

1.8.3 Statement of Public Debt

34. In observing the IMF's transparency guidelines in relation to debt management, amounts owing to local and regional institutions have been included as part of the Public Debt Statement. At the close of the fiscal year, GOM owed \$6.04M⁷.

35. Total Public Debt⁸, exclusive of unpaid contributions to local and regional institutions, and revenue refunds, amounted to \$6,638,869. Public Debt per capita⁹ was \$1,338.48¹⁰.

36. Principal repayment on external debt was recorded as \$501,864 being 1.15% of local recurrent revenue. This is well within the ECCB'S debt sustainability threshold of 60% of government revenues.

37. Interest paid on External Debt amounted to \$150,313.63. This represents 0.34% when compared with actual local recurrent revenue for the year.

⁷ Revenue refunds due for over payment on taxes were not included in this amount.

⁸ Total Public Debt = Total External Debt

⁹ ECCB Gross Domestic Product Data - 2014 population estimate was 4960

¹⁰ Calculation based on total population as working population unknown.

CHAPTER 2

2.0 FINANCIAL STATEMENTS FOR APRIL 2014 – MARCH 2015

2.1 Introduction

38. We continue to audit and report on the statements mandated for audit by Section of the Public Finance Management and Accountability Act 2008. The INTOSAI auditing standards were the main tools used to guide this work.

2.2 Statement of Assets and Liabilities of the Consolidated Fund

39. The movements in cash assets and liabilities for the period 1 April 2014 – 31 March 2015 is highlighted in Table 6 below. Full details for this statement, as presented by the Accountant General are presented in Appendix 2.

TABLE 6
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2015	2014	Increase/ (Decrease)
Assets			
Cash	13,679,691	11,302,818	2,376,873
Development Capital Fund	23,607,796	28,806,410	(5,198,614)
Fixed Deposits	0	1,411,793	(1,411,793)
Investments	11,860,811	2,244,071	9,616,740
Advances	(18,271,272)	(22,,995,657)	4,724,385
Total	30,877,025	20,769,435	10,107,590
Taxpayer's Equity			
Deposits	4,567,035	4,649,915	(82,880)
Consolidated Fund	26,309,990	16,119,520	10,190,470
Total	30,837,025	20,769,435	10,107,590

40. **Fixed Deposits.** During the fiscal year GOM cleared its investment in CLICO.

41. **Investments.** Monies held for the Montserrat Mills investment account was repaid to the Consolidated Fund. There was a significant increase in the investment in Bank of Montserrat. This resulted from increases in the number of shares due to a stock split and the receipt of bonus shares.

2.3 Movements on the Consolidated Fund

42. The movements on the Consolidated Fund for the fiscal year under review can be summarized as follows:

<u>Expenditure</u>	<u>Authorized</u>	<u>Actual</u>
Personal Emoluments, Wages & Allowances	41,942,000	41,332,700
Benefits	14,212,300	14,142,815
Services	<u>66,417,300</u>	<u>64,201,317</u>
Sub-Total	122,571,600	119,676,912
Less: Revenue	<u>108,541,900</u>	<u>121,412,906</u>
Surplus/(Deficit*)	<u>14,029,700</u>	<u>1,735,994</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2014		20,769,436
Surplus for the year		1,735,994
Prior Period Adjustments		8,966,310
Loss Allocation (ECCB)		(187,955)
Funding of Local Projects		<u>(323,880)</u>
Balance c/f 31 March 2015		<u>30,877,025</u>

* Value of Supplementary Appropriations raised during fiscal year.

2.3.1 Recurrent Revenue

43. Projected Recurrent Revenue was \$108,541,900. Total receipts amounted to \$121,412,906, showing an increase of \$12,871,006. As in prior years, the increase was mainly due to additional budgetary aid. We however note that local recurrent revenue increased by \$1.61M when assessed against budget.

2.3.2 Revenue Surpluses and Shortfalls

44. The surpluses and shortfalls in the various categories of revenue are recorded in Table 7 below.

TABLE 7
REVENUE SURPLUSES AND SHORTFALLS

<i>Recurrent Revenue Head</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Surplus</i>	<i>Shortfalls</i>
	\$	\$	\$	\$
Taxes on Income, Profits & Capital Gains	15,010,000	15,744,101	734,101	0
Taxes on Property	910,000	708,912	0	201,088
Taxes on Domestic Goods & Service	2,005,000	1,612,302	0	392,698
Licences	1,975,800	2,863,783	887,983	0
Taxes on Int'l Trade & Transactions	16,665,000	18,210,571	1,545,571	0
Arrears of Tqxes	3,000,000	1,070,514	0	1,929,486
Fees, Fines and Permits	1,591,400	2,109,887	518,487	0
Rents, Interest & Dividends	621,000	1,225,032	604,032	0
ECCB Profits	0	0	0	0
Reimbursements	110,000	150,613	40,613	0
Budget and Grants	64,088,900	75,349,758	11,260,858	0
Other Revenue	2,564,000	2,367,433	0	196,567
TOTAL	108,541,100	121,412,906	15,591,645	2,719,839
Net surplus/(deficit)			12,871,806	

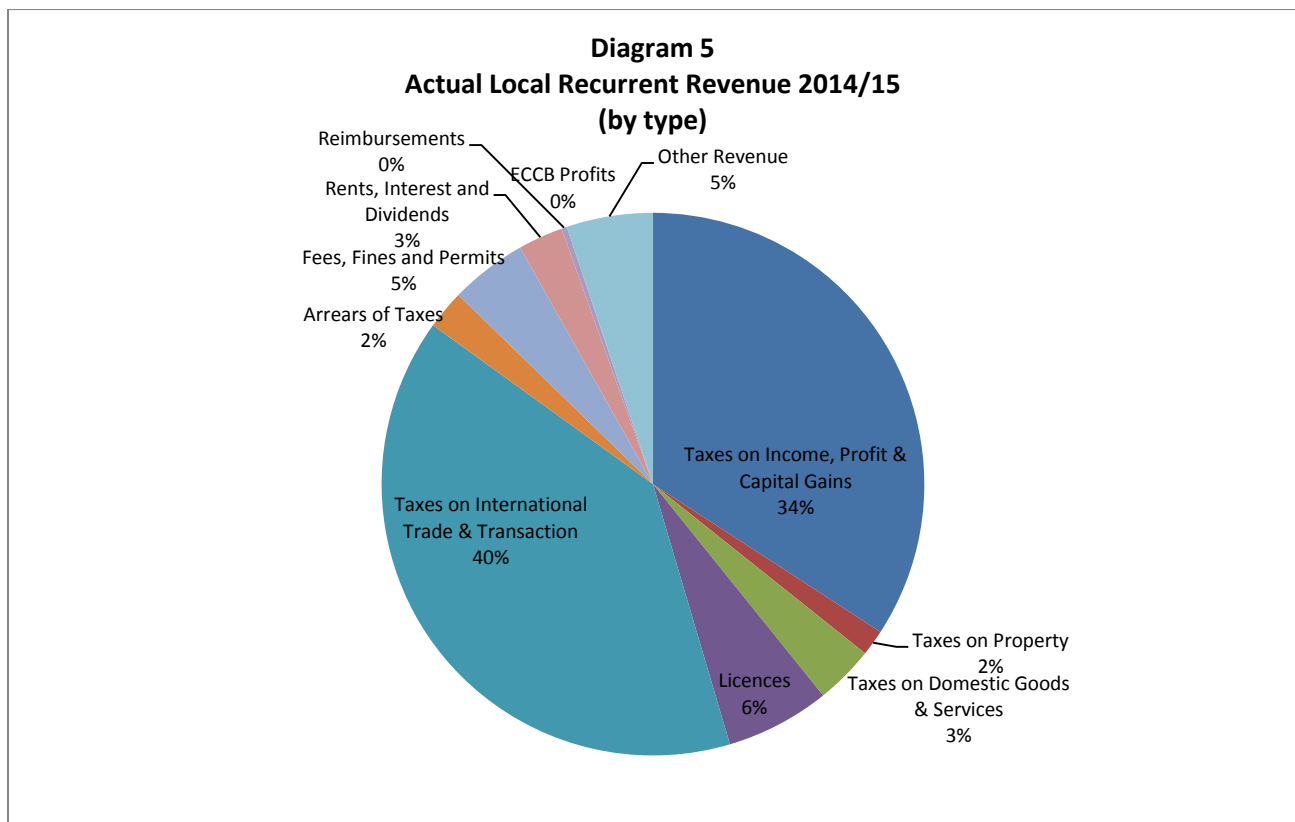
2.3.3 Total Recurrent Local Revenue

45. Budgeted Local Recurrent Revenue was \$44,452,200. Actual collections amounted to \$46,063,148, an increase of \$1,610,948 when compared with the budget. A 5.63% increase was realized when compared with collections of the previous year.

46. Four revenue categories realized shortfalls. This is inclusive of the newly introduced 'Arrears of Taxes' category which recorded a \$1.9M shortfall.

47. Actual Tax Revenue collected was \$40.21M whilst Non-Tax Revenue realized \$5.5.85M.

48. Revenue collections by percentage and major revenue collection departments for the 2014/15 fiscal year are shown Diagram 5 below.



2.3.4 Special Budgetary Assistance

49. Approved budgetary assistance for the fiscal year was \$64,088,900. Actual receipts were \$75,349,758. The additional amount of \$11,260,858 was provided to cover cost of training; meet regional contribution costs; provide for small capital projects; outsourcing costs (school bus services) ; and Social Welfare Review implementation.

50. Table 8 below provides a breakdown of the monies received.

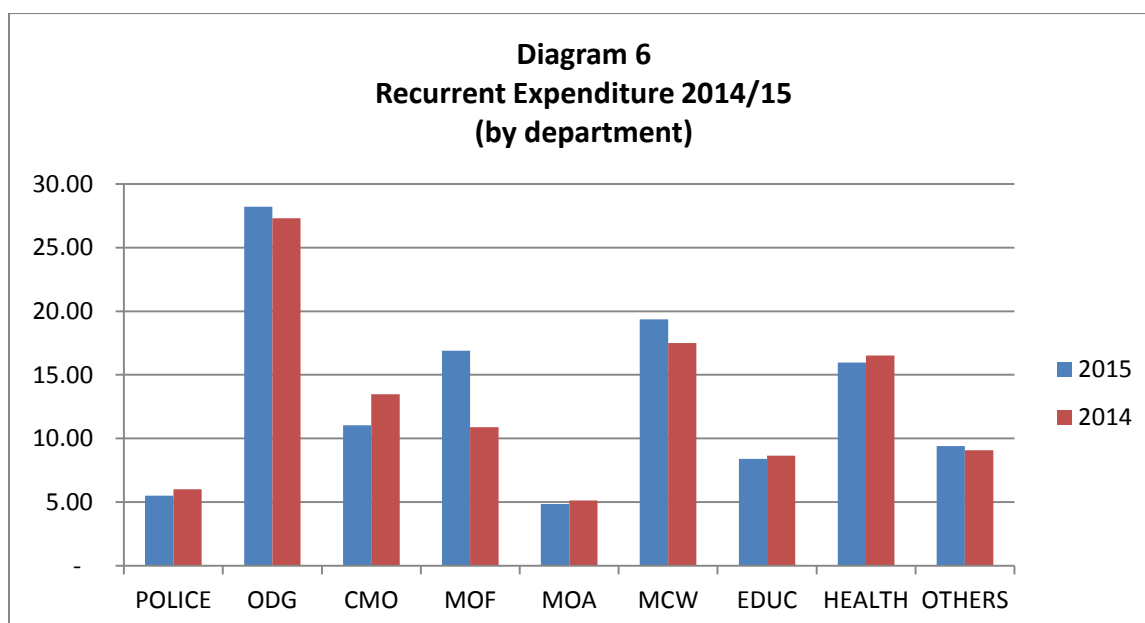
TABLE 8
BUDGETARY AID 2014/15

DATE	RECEIPT #	PARTICULARS	£	EC\$
04/25/2014	171278	Proceeds from T/T #652/14	377,700	1,663,580
06/27/2014	173408	1 ST quarter budgetary aid	4,183,359	19,133,429
09/02/2014	175701	2 nd quarter budgetary aid	3,632,130	16,212,739
12/04/2014	181095	3 rd quarter budgetary aid	3,625,054	15,268,726
02/26/2015	184855	4 th quarter budgetary aid	5,539,457	23,071,284
Total budgetary aid			17,357,700	75,349,758

2.3.5 Recurrent Expenditure

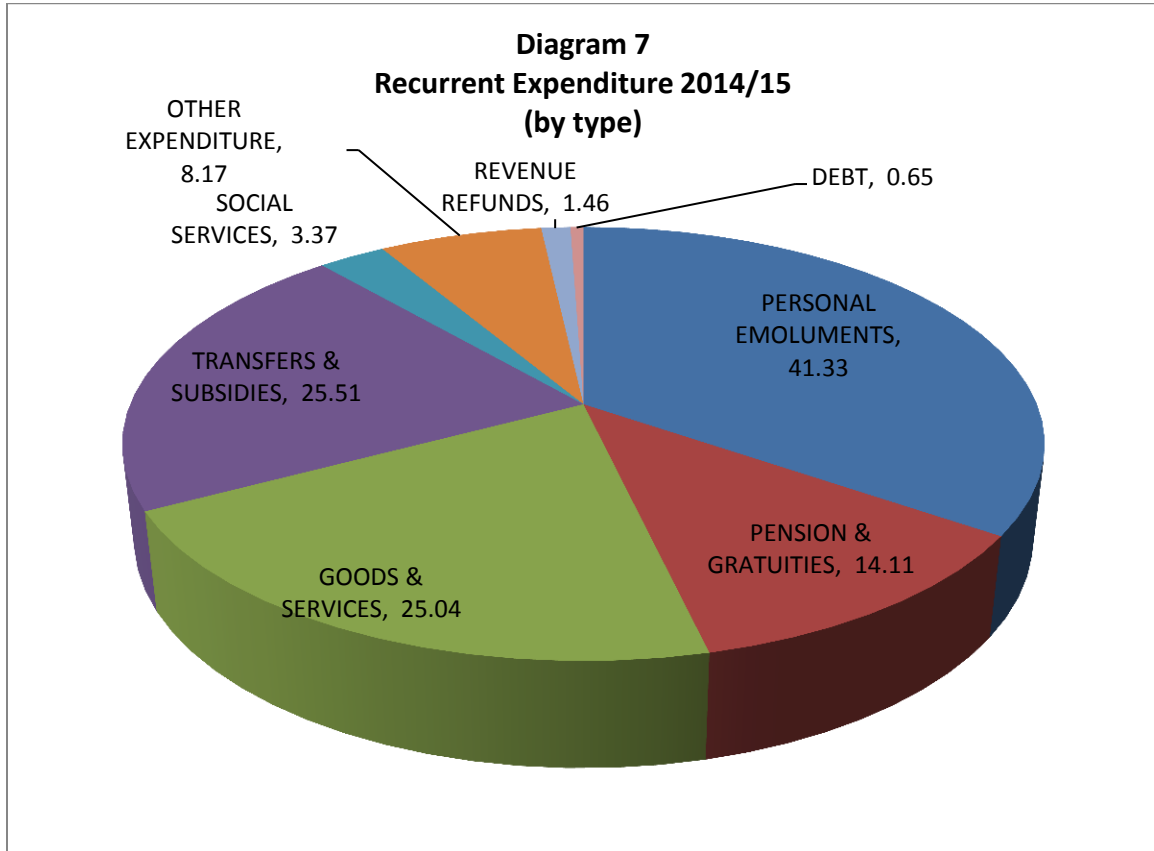
51. The Legislative Assembly authorized recurrent expenditure of \$108,541,100 (Appropriations Act, Ordinance #5 of 2014). Supplementary Estimates # 2 authorised an additional \$14,028,700 enabling a Revised Estimate of \$122,571,600. Actual expenditure for the year amounted to \$119,676,912.

52. Diagram 6 below is used to show actual Recurrent Expenditure incurred by Ministries and Departments for the year being reviewed. Non-ministerial departments, except for Police, are grouped under Others¹¹.



¹¹ These departments include the Legal Department, Magistrate Court, Supreme Court, Legislature, Public Prosecution and Cabinet Secretariat

53. Diagram 7 shows expenditure by economic classification and gives relative percentages used per classification. It shows that major expenditure utilization sources continue to be Personal Emoluments, Transfers and Subsidies, Goods and Services and Pension and Gratuities.



2.3.6 Credibility of the Budget

54. **Warrants.** Two general warrants and three supplementary estimates were issued. Six Virement Warrants were also approved.

55. **Expenditure Movements.** Original authorized budget totaled \$108,541,100. Actual expenditure was \$119,676,912, a movement of \$11,135,012. When actual expenditure is compared against the original budget this represents a movement of 9.7%.

2.4 Arrears of Revenue

56. At the end of the fiscal year being reviewed Arrears of Revenue stood at \$9,572,924 and are itemized as follows: -

**TABLE 9
ARREARS OF REVENUE**

Executing Agency	Arrears at 31 March 2014	Arrears at 31 March 2015	Change
Inland Revenue:-	0	0	0
Income Tax	2,921,067	3,442,494	521,427
Property Tax	3,248,328	3,292,585	44,257
Company Tax	1,414,330	2,280,344	866,014
Treasury:	0	0	0
Trade Licences	10,650	8,925	-1,725
Emergency Fuel Supply	533,359	0	-533,359
Ministry of Communications and Works:	0	0	0
PWD Laboratory	8,060	9,320	1,260
Resaleable Stock	3,236	14,002	10,766
Revenue Plant & Workshop	21,368	60,812	39,444
Mechanical Spares	1,459	7,601	6,142
Aircraft Landing Fees	9,501	2,925	-6,576
Navigational Charges	12,795	2,866	-9,929
Concessional Rental - Airport	8,955	7,005	-1,950
Scenic flights	130,600	138,758	8,158
Telecom Licence	6,450	9,177	2,727
Broadcasting Services (Radio M/rat)	0	0	0
Advertising Receipts	14,800	0	-14,800
Customs	0	0	0
Customs Officer Fees	2,595	5,710	3,115
Ministry of Health and Community Service	0	0	0
Hospital Receipts	178,025	223,183	45,158
Ministry of Agriculture	0	0	0
Departmental Accounts	185,337	0	-185,337
Royalties – Sand mining	0	18,075	18,075
Lease of government lands	0	9,428	9,428
Sale of government lands	0	39,714	39,714
Total	8,710,915	9,572,924	862,009

57. We note a 9.9% increase in arrears of revenue when we compare arrears at the end of both fiscal years. Receivers of Revenue should exert greater effort in revenue collection such that GOM's arrears reduction strategy is achieved.

2.5 Development Fund

2.5.1 Statement of Assets and Liabilities

ASSETS		31 Mar 2015		31 Mar 2014
British Development Aid Claims Outstanding		7,504,642		2,727,795
Donor Agencies Expenditure Outstanding		2,381,966		2,391,780
Consolidated Fund Receivable		22,953,281		23,253,496
Total Assets		32,839,889		28,373,071
LIABILITIES				
Deposits within Development Fund		28,710,950		24,537,070
Local Funds		992,890		699,952
Consolidated Capital Fund	3,436,262	0	20,839,868	0
Add Revenue over Expenditure	(300,213)	3,136,049	(17,703,819)	3,136,049
Total Liabilities		32,839,889		28,373,071

58. We reiterate that effort be made to purge 'dead' accounts from this statement.

2.5.2 Capital Expenditure

59. Outturn on the Development Fund is Table 5 below provides a view of authorized expenditure and recorded results for the Development Fund.

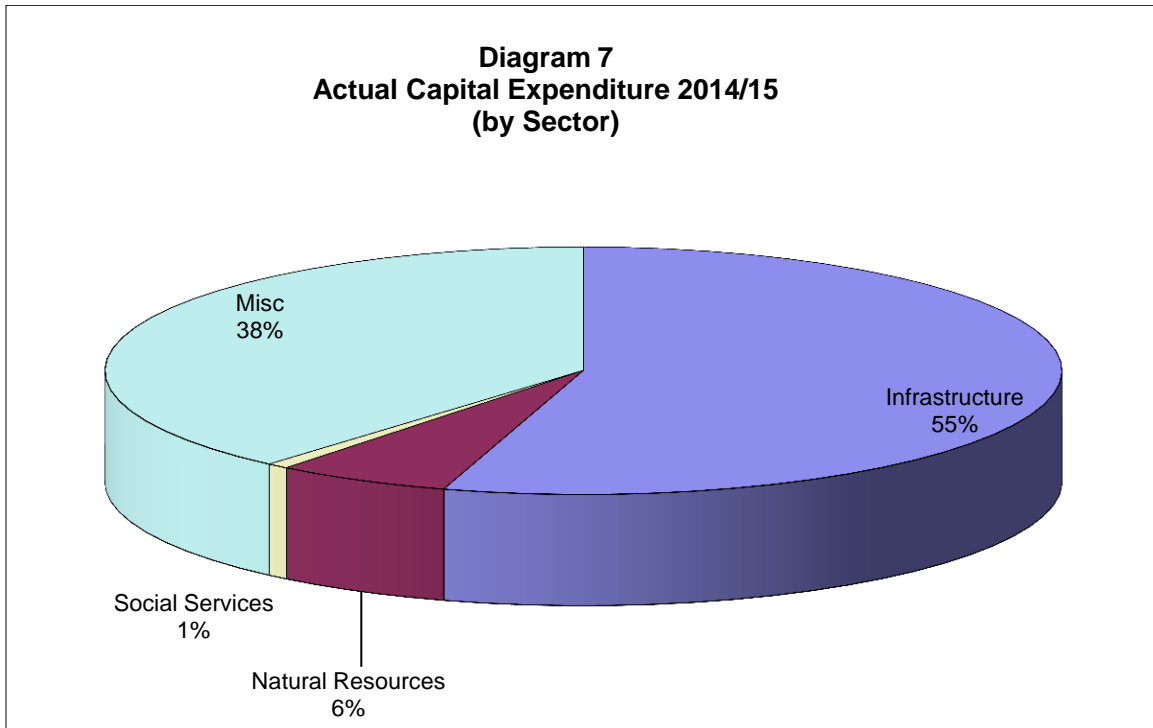
TABLE 10
Comparison of Development Fund Estimates and Record Results 2014/15

Development Fund Expenditure	Authorized	Actual	Variance
DFID	45,819,000	21,778,676	24,040,324
LOCAL	1,971,400	1,794,480	176,920
DARWIN	342,800	186,503	156,297
CIDA	0	0	0
UNICEF	0	0	0
PSF	0	0	0
ECLAC	0	0	0
EU	18,491,700	9,936,105	8,555,595
OTEP	8,400	0	8,400
CDB	0	0	0
JNCC	0	0	0
TOTAL	66,633,300	33,695,764	32,937,536

60. The Appropriations Act authorized spending on capital projects as \$52,216,000. The Legislative Assembly approved four Supplementary Appropriations valuing \$14,416,900 bringing total allocation to \$66,633,300. One Development Fund Reallocation Warrant (No. 1 of 2014/15) totaling \$2,190,000 was not included in the Supplementary Estimates submitted to the Legislative Assembly for authorization.

61. Actual expenditure for the year amounted to \$33,695,764 being 51% of authorized expenditure for the year.

62. The utilization of capital expenditures is shown in the diagram below.



2.6 Other Statements

2.6.1 Statement of Contingent Liabilities

63. At the end of this fiscal year, total contingent liabilities amounted to \$24,046,017. Although GOM announced the closure of the Government Savings Bank it was not done in sufficient time for depositors to withdraw their funds. Consequently, GOM remained liable to depositors for \$17,759,363¹². Other possible legal claims amounted to \$6,286,654.

2.6.2 Statement of Special Funds

64. At the end of the fiscal year, we were still awaiting the closure of the unused accounts.

2.6.3 Statement of Public Debt

65. GOM owed \$1.9M¹³ to local and regional institutions at the close of the fiscal year.

¹² Section 7 of the Savings Bank Act requires GOM to make up any deficiency between assets and the lawful claims of depositors.

¹³ Revenue refunds due for over payment on taxes were not included in this amount.

66. Total Public Debt¹⁴, exclusive of unpaid contributions to local and regional institutions, and revenue refunds, amounted to \$6,137,205. Public Debt per capita¹⁵ was \$1,224.50¹⁶.

67. Principal repayment on external debt was recorded as \$501,664 being 1.09% of local recurrent revenue. This amounts to 0.3% when compared to GDP (in current prices for the year)¹⁷.

68. Interest paid on External Debt amounted to \$139,956.02. This represents 0.3% when compared with actual local recurrent revenue for the year.

¹⁴ Total Public Debt = Total External Debt

¹⁵ The Montserrat Statistics Department 2015 mid-year population estimate was 5012

¹⁶ Calculation based on total population as working population unknown.

¹⁷ GDP 2015 was measured at \$168.04M. Source: ECCB GDP data

CHAPTER 3

3.0 MINISTRIES AND DEPARTMENTS

69. This chapter highlights the concerns raised during the audit of Ministries/Departments. It focuses mainly on breaches of regulations and/or weaknesses in internal controls.

3.1 Cross Cutting Issues

70. **Rising cost of Claims Against Government.** Recently we have seen increases in citizens and entities legally challenging Government entities¹⁸/Accounting Officer's decision making capabilities and successfully winning those challenges. In the 2014/15 fiscal year these challenges resulted in the government spending approximately \$5.5M, representing 4.59% of total recurrent expenditure. This raises concern as it reduces the funds available for core government services and impacts the level of services that can be offered to citizens and taxpayers.

71. **Unsigned legal instruments.** During the course of our audits we have encountered two specific instances where crucial legal instruments remained unsigned by the contractor and/or consignee. This could lead to circumstances where contracts cannot be enforced, government not obtain the desired project outcomes¹⁹, or not gain expected control over investment²⁰.

72. **Weak controls in Wages Monitoring.** Accounting Officers are responsible for ensuring that adequate controls are in place to manage workers and record their wages. During the fiscal year 2013/14 we noted a number of weaknesses in the control systems at several departments²¹. Such weaknesses included the following:

- *Non-presentation of some necessary supporting records.* If proper documentation is not maintained there is the possibility that workers may be under or over paid.
- *Improper maintenance of time cards or other time keeping records.* This resulted in differences between the number of days worked as listed on the time cards being different from the total days recorded on the wages vouchers.
- *Illegible information on time cards* impairing verification and legitimacy of time worked.
- *Workers being paid for some weeks but names not found on the time keeping register for that particular week.* There is a risk that monies were being paid to absent employees.

¹⁸ Such entities are inclusive of the Central Tenders Board

¹⁹ Occupation of Murphy Edward's house

²⁰ Control over MOVA IT system

²¹ These included the Governor's residence, Ministry of Agriculture, Public Works Department, Airport Ministry of Education, Environmental Health Department

- *Time cards not signed by authorized personnel.* This could result in staff punching time cards for friends or claiming false hours or days.

73. Recognizing that weak controls could lead to material misstatement of wages, we recommended that:

- **Accounting Officers take steps to ensure that**
 - directives are adhered to and all transactions are supported by adequate documentation regarding time keeping and disbursement records;
 - individual Time Cards are reviewed and authorized by supervisory personnel;
 - improvements are made in record keeping to prevent weakening of controls over wages.
- **Treasury Department - the agency with overall responsibility for internal control and for the processing of wages - carry out spot checks of the various departments [control systems and] source documents to ensure the accuracy of the information received.**

3.2 Project Development and Management

74. We audited several projects to determine whether:

- a) contracts were awarded based on GOM's tendering procedures;
- b) regulations and other accounting directions were complied with;
- c) projects were managed in accordance acceptable systems and procedures.

75. Our main findings are reported here by project:

3.2.1 The Alfred Edwards House

76. As per discussion on ZJB, GOM in its effort to widen the main road at the Carr's Bay junction, offered to relocate the Edwards household to Davy Hill. The offer included the acquisition of land, construction of 3 bed-room house and associated legal fees. Our review of this project revealed the following:

- a) Files were not properly maintained as certain documents were not provided;
- b) There was no project memorandum document which would outline the purpose, cost, duration and benefits of the project;
- c) The Tenders Board minutes was not presented for audit examination. It was therefore not possible to verify approval for the award of the contract.
- d) We noted some variations from the contract price. However, there was no documentary evidence to indicate that the variations were approved prior to payment.

- e) The settlement agreement was not signed by Mr Edwards. At the time of writing this report, over a year since completion of construction, the house was still unoccupied. As a result the expected benefit of the project was not realized.

77. We recommend that record keeping be improved to provide appropriate transparency over key decisions. Additionally, management should explore all legal steps to have the building occupied to ensure that value is obtained for the taxpayer funds utilised.

3.2.2 A01 Road Project – Salem to St. John’s and Ghaut Replacement Projects

78. These projects included road resurfacing, drainage improvement, erecting sidewalks and retaining walls, and ghaut replacements. The project was approved in the 2010 financial year but work began in earnest during the 2010/11. The original budget was EC\$14,667,600. An additional sum of EC\$2,800,000 was provided to facilitate Ghaut Replacement due to Damage caused by Hurricane Earl. By end of financial year 2014/15 a total of \$22,615,526.12 was spent on both projects.

79. Our findings are as follows:

- a) Over 30 contractors were used on the projects however documents such as minutes of meetings selecting contractors, and notice to winning contractors were not readily available for our review.
- b) There was no clear procedure for administration and management of this phase of the project in the project documents. It is customary for the Clerk of Works to verify the valuation of work performed before payment is authorized. This therefore presented a risk that payment could be made without the proper authorization.
- c) In some instances the amount paid to contractors significantly exceeded the new contract sum²². This ranged from a low of \$2,164.78 to a high of \$70,912.24.
- d) In some cases the variations amounted to more than 100% of the original contract sum. This indicates significant deficiencies in the planning and costing processes.
- e) The project document stated that the work would be completed at St John’s. We note that work stopped at Brades. Full benefit of the project as outlined in the project document was therefore not realized.

80. Care should be taken to ensure that all relevant documents are secured and made available for use by management and any other stakeholder. Project memoranda should contain all standard management reporting systems and procedures. Estimation processes for valuation of work to be completed should be revisited such that actual work completed is more in line with budget.

²² New contract sum = Original Contract Sum + Total Variations

3.2.3 Government Accommodation – Montserrat Customs and Revenue Service (MCRS) and Ministry of Agriculture, Lands, Housing and Environment (MAHLE) Buildings

81. As part of a larger Government Accommodation Project, the MCRS and MAHLE buildings were constructed. The agreed tender sum was \$2.1M and \$1.7M respectively with completion dates of 17 April 2015 and 2 May 2014.

82. With these projects we found that:

- a) Insufficient information was provided by PIU for the auditors to complete the audit and verify that the work and payments were in accordance with government's contracting policies.
- b) At the time of the audit the buildings were still under construction but were outside the agreed construction dates as specified in the contract.

83. To strengthen contract management arrangements, enhance transparency in decision making and facilitate future project reviews we recommend that record keeping be improved.

3.3 Treasury Department

3.3.1 Reconciling Bank Accounts

84. We saw some improvement in the performance of reconciliations. However, there is need for further improvements as, in some instances, required adjustments are often not made in a timely manner as there are still delays in researching the basis of transactions that are on bank statements but not in the accounts. The issue is still a cause for concern as associated accounts may be under or overstated. This matter was drawn to the attention of staff at the Treasury Department where management was asked to take greater oversight of the reconciliation process.

3.4 Ministry of Agriculture, Lands Housing and the Environment

3.4.1 Revenue Collection

85. In reviewing the records of the Department of Agriculture two cashbooks could not be located resulting in non-examination of several receipt books. This shows that there was a compromise in safe custody of the records for revenue collection. **We recommended that the books be located and presented for audit.**

86. At the Physical Planning Unit several Electrical Contractors failed to renew their licences after the expiry date and thus are operating in breach of the regulations. **We recommended that management issue reminders to Electrical Contractors to renew their licences.**

87. We noted several discrepancies in the recording of data with respect to planning applications. This included giving more than one application the same number or some

applications not recorded in the register. As a result there were instances where we could not verify the receipt of revenue. **We recommend that due care and attention be paid to the recording of information.**

3.5 Ministry of Communication and Works

3.5.1 Revenue Collection

88. We reviewed the Ministry's revenue collection processes and noted inadequate separation of duties where on two occasions the cashier issued receipts to herself and the cashier issuing receipt books to herself. To address these issues **we recommended that a supervisor issue receipt books to the cashier and, in instances where the cashier needs to pay for services, the receipt must be issued by another authorized officer.**

89. While examining invoices to departments for vehicle maintenance, discrepancies were seen between the number of hours worked and the number of hours billed. This could result in under or over charging for work completed.

3.6 Office of the Premier

3.6.1 Montserrat Government UK Office (MGUK)

90. MGUK performs 'Overseas Mission' functions for GOM. We audited the financial transactions of the Montserrat Government UK Office over the period 10 – 18 September 2015. We noted that the accounting records were generally maintained in a satisfactory manner. We noted some discrepancies and other matters which are detailed below.

91. **Absence of enabling Legislation.** Each Ministry/Department/Unit is expected to have relevant regulatory factors including specific laws and regulations to guide their operations. With respect to the MGUK we could not locate any enabling legislation or any documented and clearly defined role despite seeking the necessary documents from the relevant sources.

92. **Inadequate oversight and governance structures.** GOM's accountability framework includes the development of Strategic/Business Plans to guide its operations and enable effective monitoring mechanisms to be employed. From Fiscal Year 2010 the MGUK was allowed to operate without the development of a Strategic Plan. This therefore is non-compliance with existing authorities which requires the development of yearly, and more recently, 3-year Strategic Plans.

93. **Inadequate budget.** MGUK operates with an inadequate budget which forces management to utilize funds earmarked for a specific project on operations. Additionally members of staff use personal funds to pay for some operational expenses. Although such personal funds are eventually refunded the petty cash it poses difficulty in accounting for transactions. **There should be no co-mingling of personal staff and MGUK funds.**

94. **Non-completion of project.** GOM had provided MGUK with funds to cover refurbishment of the Montserrat Cultural Centre under the Montserrat Cultural Centre Refurbishment Project. This project was never completed and substantial sums remain in this account with the last transaction being made in 2013. **Management should examine whether the funds are still required for the original purpose. If not, it should be paid into the Consolidated Fund.**

95. **Overall, we recommend that an organization review be carried out with the intention of determining the best way forward for this entity.**

CHAPTER 4

4.0 OTHER FINANCIAL AUDITS

4.1 Montserrat Land Development Authority (MLDA)

96. The Montserrat Land Development Authority Operating and Financial Report for the year ended 31 December 2012 was tabled in the Legislative Assembly on 22nd April 2014. The 2013 Financial Statements were submitted to our offices and are awaiting audit.

97. The Financial Statements for Property Management for periods ending 31st March 2012 and 31st March 2013 were submitted to our offices and are awaiting audit.

4.2 Montserrat Social Security Fund (MSSF)

98. The 2012 and 2013 Financial Statements were tabled in the legislative Assembly on 4 August 2015. The accounts for the fifteen month period January 2014 - March 2015 are currently being audited.

4.3 Montserrat Port Authority (MPA)

99. MPA'S Financial Statements for 2011, 2012, and 2013 were tabled in the Legislative Assembly on 21 October 2015.

100. The Manager has informed that the 2014 accounts were audited and have been approved by Board at its Meeting held on 10 February 2016. He further stated that the External Auditors are finalizing the Statements which should be available for tabling shortly and advised that the 2015 accounts have been prepared but is awaiting tender.

4.4 Montserrat Tourist Board (MTB)

101. The 2011 – 2013 financial statements were audited by our offices and returned to MTB for adjustments. Said adjustments were never received as GOM took a decision to close this agency effective 25 July 2014²³ with the management and accounting staff no longer employed by that entity.

4.5 Annual Government Accounts

102. The Auditor General's Report on the Audit of the Public Accounts of Montserrat for the year ending 31 March 2013 was tabled in the Legislative Assembly on 25 November 2014.

²³ Tourist Board (Repeal) Act 2014 (Commencement Order 2014) – SRO 11 OF 2014.

4.6 Montserrat Civil Service Association (MCSA)

103. The 2008 - 2010 Accounts were tabled in the Legislative Assembly on 21 April 2015.

4.7 Golden Years Foundation for Care of Elderly (GYFCE)

104. The Financial Statements for the period ending 31 March 2014 were laid before the Legislative Assembly 4 August 2015.

4.8 Montserrat Financial Services Commission (MFSC)

105. The 2012 and 2013 Financial Statements were tabled in the Legislative Assembly on 25 November 2014.

106. The 2014 Financial Statements were approved by the Board and forwarded to the Ministry of Finance for submission to the Legislative Assembly.

4.9 Montserrat Utilities Limited (MUL)

107. The Chairman of the Board has informed that the 2010, 2011 and 2012 Financial Statements were submitted to the Ministry of Finance for onward submission to the Legislative Assembly.

108. The Financial Controller has advised that the 1st draft of the audited 2013 Financial Statements were received from the auditors and adjustments are currently being made before submission to the Board. The 2014 and 2015 are currently being prepared.

4.10 Montserrat Development Corporation (MDC)

109. I was informed that bound copies of the 2013 – 2015 audited Financial Statements are awaited. These should shortly be returned to the Office of the Premier before submission to the Legislative Assembly.

110. In November 2014 GOM appointed an interim board to oversee the operations of the MDC. In March 2015 GOM announced that it will close the MDC under the Companies Act. The interim board was tasked with completing the voluntary liquidation of the entity. Winding up procedures (accounting, auditing and liquidation procedures) were expected to conclude by 31 July 2015.

4.11 Government Savings Bank (GSB)

111. The 2013 Financial Statements were submitted to the Ministry of Finance for onward transmission to the Legislative Assembly. The accounts for the period January – July 2014 are currently with the auditors.

112. GOM has taken a decision to close this entity effective 31 March 2014²⁴ with final disbursement of funds by 31 July 2014.

4.12 Montserrat Info-Communication Authority (MICA)

113. MICA was established to, among other things, regulate info-communications activities on the Island in order to achieve and sustain fair competition for purposes of the public good.

114. MICA's Financial Statements for the periods 31 March 2012 and 31 March 2013 were submitted to our Offices and are awaiting audit.

4.13 Basic Needs Trust Fund (BNTF)

115. The 2014 BNTF accounts were tabled in the Legislative Assembly on 22nd December 2015. We have been advised that the 2015 accounts are awaiting audit.

4.14 Montserrat Volcano Observatory (MVO)

116. The Business Manager has informed that the accounts have been brought up-to-date to fiscal year 2014. These are awaiting audit.

4.15 Project Implementation Unit

117. The Financial Statements for the period 31 March 2010 and 31 March 2011 were tabled in the Legislative Assembly on 21 April 2015.

4.16 Montserrat Girl Guides Association

118. The 2012 and 2013 Financial Statements were tabled in Legislative Assembly on the 4 August 2015.

²⁴ Savings Bank Order, SRO #26 OF 2014 and Savings Bank (Amendment Rules) 2014, SRO 69/2014

CHAPTER 5

5.0 PERFORMANCE/SPECIAL AUDITS

5.1 Attracting, Retaining and Managing Specialist Skilled Staff in the Montserrat Public Service

119. This audit was conducted in accordance with the ISSAI 3100 AND 3100, the standards and guidelines for performance audits as issued by the International Organisation for Supreme Audit Institutions (INTOSAI).

5.1.1 Focus of the audit

120. Public sectors have issues such as the ageing of the workforce, reduction in the availability and supply of workers, increased competition for skilled staff, changing employee attitudes to work and life balance and the different requirements of older and younger employees. These changes provide a significant challenge to the way in which organisations recruit and manage their workforces.

121. Over the years, the ability to attract and retain critical skills has proved rather challenging for the Montserrat Public Service (MPS). It is expected that over time this will be alleviated through long-term training and development strategy underpinned by a new set of learning and development protocols. Government is keen on ensuring that people are given the opportunity to develop to their fullest potential²⁵. Offering the vast majority of new entrants into the MPS only temporary/contracted employment opportunities does not appear consistent with the mission to attract and retain. To successfully recruit specialist skilled staff (SSS) into the MPS, measures must be taken to attract people with the qualifications, skills and attitudes required for effective output.

5.1.2 Key Findings & Recommendations

122. The Human Resources Management Unit (HRMU) establishment stands at 16 officers with only 3 trained HR specialists. Currently, the Director of Learning and Development Division (LDD) and a Senior Assistant Secretary post are vacant. Despite staff shortages, HRMU has made several notable improvements in recent years with the implementation of key systems and guidelines. However, there are still a number of outdated manuals and necessary policies/strategies that require immediate attention. The main ones being the HRM Procedures Manual, an Orientation/Induction Programme, Succession Planning Policy and a Comprehensive Training Strategy.

123. **We recommend** the recruitment of qualified HR professionals to fill vacant positions and the implementation of key manuals and policies

124. Our analysis of the recruitment process highlighted some issues to include - the process is lengthy, recruitment uses too much staff resources and the quality of

²⁵ Budget Statement 2014/15 – Counting our Blessings Amidst the Challenges

recruitment could be improved. It was difficult to quantify the cost effectiveness of the HRMU's initiatives to recruit and retain personnel in the absence of robust data collected by the Unit.

125. **We recommend** the introduction of performance metrics such as cost per hire or indicators which should be included in the operational plan.

126. The survey we conducted of the MPS SSS highlighted that 78 percent of respondents were satisfied with their job but 63 percent said their working environment were inadequate and had considered leaving the service for this reason. 90 percent did not believe they were being adequately compensated for the work that they do and 54 percent did not received adequate career development support. Most respondents answered all of our questions, and many provided supplementary observations.

127. **We recommend** that the Unit should perform regular surveys to gather information that can be used to assist with the development of activities, ways to improve service delivery and ideas that will assist with the direction of HRMU plans.

5.1.3 Audit Opinion

128. HRMU has done well to attract and retain some specialist skilled staff with the limited resources available to them however, more needs to be done to retain staff and for the unit to be more effective. An important responsibility of HRMU management is to ensure the formulation, coordination and implementation of policies and procedures, projects, strategic and operational plans but the lack of up-to-date manuals and policies have seen some procedures being dealt with in an adhoc manner.

129. The unit must expedite the development of a succession plan and strategies that will ensure retention and continuity. The Government of Montserrat (GoM) must also seek to improve remuneration packages and make the necessary decisions resulting from previous job evaluation reviews, performance evaluations and the impact of economic inflation. The teaching profession suffers significantly because of low pay salary and short term contracts.

130. Whilst working conditions are improving slowly for general administrative employees within the MPS, most teaching and medical professionals indicated their dissatisfaction with their work environment and this area is yet to be addressed.

131. Despite efforts to provide training to HR staff, a key area of concern remains the inconsistency of HR skill set within the unit. The recruitment of qualified staff to fill key vacancies in LDD is likely to improve training delivery. Despite the government's commitment to improve learning as evidenced by the significant sums injected into training initiatives, there was little assurance that specialist skilled staff were receiving the training and development they needed especially those in the medical profession that are required to keep their professional license and skills updated.

132. It is difficult to quantify the cost effectiveness of the recruitment, retention and management of SSS in the absence of robust data collection by the HRMU.

5.2 Pension and Retiring Benefits April 2013 – March 2015

5.2.1 Background

133. Persons who have worked with the Government of Montserrat (GOM) under permanent employment status, are due a pension – a fixed sum of money – at time of retirement from the service. This money is usually paid either as a lump sum payment, in the case of commuted gratuities, or in equal monthly instalments. The Pensions Act and its Regulations provide the legal framework, authority and guides how monies to be paid are calculated.

5.2.2 Changes to Pension Administration Environment

134. In 2011, the GOM revised and enacted the Pensions Act and Pensions Regulations. The newly incorporated provisions and not only changed the retirement age but allowed different types of benefits (early exit, early retirement and survivor benefit). The new Regulations also allowed for Survivor Options to be included at time of calculating the annual pension.

135. In early 2012, the management of Pension Administration was transferred from the Human Resource Management Unit (HRMU) to the Office of the Deputy Governor (ODG). This was a new function for the ODG. More importantly, staff had limited exposure to pension administration, including the determination of which benefit to apply and calculations of eventual payment. They therefore required some time to learn and understand this new function.

136. An actuary was hired to assist the development of the new Pensions Act and Regulations. A software programme entitled “Pension Calculator” was created by him to facilitate easier processing of the pension benefits.

5.2.3 Risks

137. The above changes posed several risks to pension administration and management. These included new staff not full grasping software or legislation leading to unintentional errors in calculation; new software features relatively unknown and difficult to follow; delays in processing applications when difficulties with the functionality of the software are encountered; continuous costly upgrade to bespoke software; and supplier failure leading to loss of software use.

5.2-4 Objectives of Audit

138. The primary objective of the audit was to determine whether computations were done in accordance with the Pensions Laws and Pension Regulations. Another objective was to verify the mathematical accuracy of computations.

5.2.5 Findings

139. Twenty-five pension benefits were processed and fourteen, representing 56% of total population were examined. Half of the files examined contained errors. The errors affecting the calculations were as follows:

- Incorrect salary amounts and allowances being used;
- Years of service not recorded to indicate complete years;
- Gaps between appointment dates making it difficult to determine higher three years and average pensionable emoluments;
- Failure to apply the requirement of the regulations. Examples includes fraction of months being used in the calculations instead of complete months and the requirement that a 5% reduction be applied for each year that early retirement is less than normal retirement age.

140. Other findings included insufficient supporting evidence where appropriate source documents were missing and severe delays in the processing time for some computations.

5.2.6 Recommendations

141. Several recommendations were made. The more significant of these include:

- HRMU design a documentary checklist itemising the documents and information needed to facilitate pension processing and monitoring.
- ODG staff should ensure that all relevant information is correctly extracted from source documents and that all calculations are correct.
- ODG to prepare and introduce a procedures manual which would act as a reference book/guide for pension processing'
- ODG management to seek clarification on the interpretation of the new law and regulations and provide training to other staff members.
- ODG to seek to purchase the pension calculator/software and maintain it in house as a means of reducing supplier failure – the pension calculator being bespoke software. Should this not be feasible then management should seek to have the source code for the software lodge in an escrow account.

5.2.7 Audit Opinion

142. This audit was given a Qualified Conclusion. Based on the work performed, we found that, except for the instances of non-compliance highlighted under the headed Findings above, the Office of the Deputy Governor is in compliance, in all material respects, with the terms of the Pensions Act 2011 and Pensions Regulations 2011.

5.3 E-Governance Initiatives – Montserrat Online Visa Application

5.3.1 Background

143. The Government of Montserrat (GoM) is seeking to improve the services it offers to its customers. It seeks to do this by making the provision of public services more efficient and thus is placing more focus on the use of technology to aid in making some services more readily accessible to the public. It therefore embarked on reducing the turnaround time for persons seeking visas to enter Montserrat and payment of resident permits by expats, by using available technology to implement an online visa application service – the Montserrat Online Visa Application (MOVA).

144. This pilot study covered the period 2010 - 2014. It sought to assess what Outsourcing, BCP/DRP, IT Security, Application Controls, and IT Operations measures that: **(i)** the Department of Information Technology and e-Services (DITES), has implemented for contracting an outside entity/company to provide services for GoM **(ii)** the contractor and/or DITES have implemented to ensure that MOVA is able to operate at some defined capacity after a natural disaster or man-made disruption **(iii)** DITES and/or contractor have protected MOVA and the computing hardware it runs on, from unauthorised modification, theft, accidental or intentional damage and/or destruction **(iv)** ensure that all users of the MOVA system are properly identified and are authorised to access the software to either carry out their assigned duties or the information being inputted/outputted, is correct **(v)** contractor and/or DITES is effectively delivering the service parameters and performance indicators and requirements laid out in a Service Level Agreement (SLA) or a contract, pertaining to MOVA.

5.3.2 Main Findings

145. We observed the following findings in areas such as:

I. Outsourcing

146. The GoM does not have any outsourcing policy that defines what functions are to be outsourced and what must remain in-house. Nor do they have Service Level Agreements (SLA) and/or contracts.

147. The GoM did not prepare/create either document outlining the services parameters, performance indicators, and requirements, it expected from Lavabits. Only the contractor drafted a combined SLA/contract, in which the entity retained all rights pertaining to and ownership of the MOVA software, source code and background

technology. The drafted document was never signed by the GoM. This unsigned cum SLA/contract, does not include a data rights clause to stipulate ownership, access to, or protection of, the data inputted into MOVA and is currently being stored on Lavabits' overseas servers.

148. This is a very high risk issue as should the contractor fail to maintain the software, goes out of business, or folds, GoM does not retain business knowledge or ownership of the business process(es), or the data.

II. BCP/DRP and IT Policies

149. GoM has no published/approved Business Continuity Policy (BCP) or Disaster Recovery Policy (DRP) in place, with clearly defined training requirements and testing schedules. Nor does it have any IT policy documentation concerning the contingency operation of MOVA. The contractor Lavabits, themselves, does not have any either.

150. In addition, there is no back-up site with the appropriate environmental and physical control mechanisms devised and put into place for MOVA, in the event that the Immigration Department had to evacuate its current office space.

III. Information Security

151. The environmental and physical controls in place at the Social Security building that houses the Immigration Department's office space, are adequate. There have been no reports either of any incidents/security breaches to MOVA from the contractor's side, since its initial debut in 2012.

IV. Application Controls

152. There are adequate input/output validation controls in place, which ensures that the data being input/output is accurate, reliable and complete when accepted by MOVA, in a timely manner.

153. MOVA's information is properly protected and secured against misuse via segregation of duties, different user roles, and access rights, available for each user profile.

V. IT Operations

154. Although the contractual agreement between the two parties is unsigned, the operation of MOVA is in full effect. The SLA/contract that Lavabits drafted was geared mainly towards the development and implementation of MOVA, not post-MOVA functionality.

155. Service reports, maintenance, and user/application response time is adequately maintained by Lavabits.

5.3.3 Our Recommendations

156. There are several recommendations within the report; however, the following are our chief concerns:

- ❖ DITES and/or GoM should develop a clear outsourcing policy that documents the IT functions that can be outsourced and what remains in-house. It/they should identify and define all the roles and responsibilities between GoM and future vendors/contractors. This includes an SLA that defines the services the vendor/contractor will be expected to accomplish, and the technical parameters for those services, i.e., whatever items critical to the GoM must be included in the SLA.
- ❖ An updated/new SLA and/or contract between DITES and Lavabits needs to be drafted and signed, which gives DITES sole ownership of the data collected and stored on MOVA oversea servers.
- ❖ DITES should assess the feasibility of purchasing the software and maintaining it, in-house (within central government agencies). Should this option not be accepted by the supplier, then it should ask for the software to be lodged in an escrow agreement where the source code is stored with an independent third party. If the supplier goes out of business or withdraws its services and/or source code, then DITES would have access to the source code enabling it to continue using this software.
- ❖ GoM and/or DITES, does not have BCP/DRP or IT Security Policy documents in regards to MOVA. It is recommended that management develop and test various working practices, procedures, policies and controls necessary for the security of MOVA's data and the smooth operation of the Immigration department in the event of a natural disaster or other disruption.

5.3.4 Conclusion

157. The Office of the Auditor General found areas that were deficient. From the findings of the investigation, the most pressing concerns were the unsigned cum SLA/contract, the lack of IT Outsourcing Policies and/or Standards, and the non-existence of Business Continuity or Disaster Recovery Policies. We made recommendations to address these issues thereby making the systems and controls more robust.

158. We note that the user of the IT system is the RMPS and IBSU units. Thus, some of the recommendations were addressed to them for their consideration of the best course of action.

**AUDITOR GENERAL'S REPORT
TO
THE HONOURABLE MEMBERS OF THE LEGISLATIVE ASSEMBLY**

We have examined the Statement of Assets and Liabilities of the Government of Montserrat as at 31 March 2014 and 2015 and the Annual Abstract of Revenue and Expenditure together with relevant subsidiary Statements, as required by Section 41(1) of the Public Finance (Management and Accountability) Act 2008 for the years then ended.

MANAGEMENT RESPONSIBILITY

The Accountant General is responsible under Sections 8 of the Public Finance (Management and Accountability) Act 2008 for the preparation and presentation of the Financial Statements and the information contained therein. The Accountant General is also responsible for ensuring that appropriate systems of accounts are established; there are appropriate systems of internal controls and that the accounts conform to internationally recognised standards.

AUDITOR'S RESPONSIBILITY

Our responsibility under Section 103 of the Montserrat Constitution Order and Section 42 of the PFMAA is to express an independent opinion on those statements based on our audit and to report our opinion to you.

Our audit was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit also includes examination, on a test basis, of evidence supporting the amounts and other disclosures in the accounts, and the evaluation of accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Annual Abstract of Assets and Liabilities and the Annual Abstract of Revenues and Expenditures presents fairly, in all material respects, the financial position and operations of the Consolidated Fund of Montserrat for the years ending 31 March 2014 and 31 March 2015.

OTHER MATTERS

My Report dated 7 March 2016, accompanies the Annual Accounts. It contains observations and comments on breaches of controls or non-compliance with the legal authorities that I feel should be brought to the attention of those charged with governance and the Legislative Assembly.



FLORENCE A LEE, CPA, BSc, MSc
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL
MONTSERRAT, WEST INDIES
7 March 2016

APPENDICES

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APPENDIX 1
GOVERNMENT OF MONTSERRAT

Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2014
(with figures for period ended March 31, 2013)

FINANCIAL ASSETS		2014	2013
Cash Local	2	1,960,184	2,612,506
Development Capital Fund Account	4	28,806,410	46,399,266
Crown Agents # 2 Account	5	3,377,586	3,413,717
Fiscal Reserve - A/C # 1 Tranche ECCB	6	5,728,463	5,694,317
GOM Revenue Receipts -BOM	7	300	
Clico Investment Fund	8	1,411,793	550,000
Fixed Deposit - British American	9	0	2,856,716
Investment Montserrat Mills	10	135,671	60,000
Equity - Bank of Montserrat	11	2,108,400	2,108,400
Personal Advances	12	442,586	636,955
Impersonal Advances	13	0	78,621
Outstanding Imprest	13	317,540	437,674
Advances to Other Governments & Administrations	14	79,667	1,276,266
CDB Student loans	15	0	1,003,119
Salary Clearing account	16	-	-
Postmaster Clearance	17	(581,956)	(492,642)
Development Fund Receivable/(Payable)	18	(23,253,495)	(40,957,315)
TOTAL ASSETS		20,769,435	25,762,871

Government of Montserrat Annual Accounts for the year ended March 31, 2014

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND**

**Statements of Assets and Liabilities as at March 31, 2014
(with comparative figures for March 31, 2013)**

		2014	2013
LIABILITIES			
Miscellaneous Deposits	19	4,640,869	6,692,521
Industrial Deposits		0	50,543
Special Funds	20	<u>9,046</u>	<u>569,719</u>
TOTAL LIABILITIES		4,649,915	7,312,782
 THE CONSOLIDATED FUND			
Balance at the start of the Year		18,450,088	20229283
Prior Year Adjustment		(1,899,997)	
Revenue (recurrent) for the Year	115,530,553	98,009,725	
Expenditure (recurrent) for the Year	<u>114,561,273</u>	<u>98,906,144</u>	
Surplus/(Deficit)		969,280	(896,419)
Transfer to Local Costs	25	<u>(1,399,850)</u>	<u>(882,775)</u>
TOTAL CONSOLIDATED FUND		<u>16,119,521</u>	<u>18,450,088</u>
TOTAL		<u><u>20,769,436</u></u>	<u><u>25,762,871</u></u>

Accountant General, Montserrat

CASH FLOW STATEMENT
MARCH 31, 2014

Cash Flows from Operating Activities	2014	2013
Tax Revenues	21 37,910,052	36,878,840
Non Tax Revenues	22 5,697,627	5,559,273
Budget and Grants	23 71,922,874	55,571,612
Recurrent Expenditure	24 (114,561,273)	(98,906,144)
Development Expenditure/Local Projects	25 (1,399,850)	(882,775)
Net Cash flows from Operating Activities	(430,570)	(1,779,194)
Cash Flows from Investing Activities		
Net cash flows from Investing activities	26 -	435,632
Cash Flows from Financing Activities		
(Increase)/Decrease in Advances	(15,021,666)	29,218,935
Increase/(Decrease) in deposits	(2,662,867)	584,252
Net adjustment for prior years	19,254	-
Net Cash flows from financing activities	(17,665,279)	29,803,187
Net Increase/(Decrease) in cash and cash equivalents	(18,095,849)	28,459,625
Cash and cash equivalents at the beginning of the period	58,205,077	29,745,452
Cash and cash equivalents at the end of the period	40,109,228	58,205,077

Accountant General
Montserrat

Statement of Cash Receipts and Payments for the Government of Montserrat
For the Year Ending March 31st, 2014

Receipts	Notes	2014	2013	Third Party Payments	Third Party Payments
Tax Revenue					
Taxes on Income, Profits and Capital Gains	27	16,281,301	15,162,134		
Taxes on Property	28	981,263	871,715		
Taxes on Domestic Goods & Services	29	1,443,241	1,452,938		
Licences	30	2,804,253	2,002,417		
Taxes on Int. Trade & Transactions	31	16,399,994	17,389,827		
Total Tax Revenue		37,910,052	36,879,031		
Non Tax Revenue					
Rents Interest and Dividends	32	1,902,088	1,748,071		
Budgetary Aid	23	71,922,874	55,571,612		
Other Receipts	34	3,464,756	3,548,073		
Capital Receipts	35	17,263	221,531		38,037
Grants - Capital	36	49,092,862	86,638,421		
Receipt from Investment	37	0	435,632		
Misc Other	38	19,287	369,250		111,100
Total Receipts		164,642,702	185,674,749		149,137
Payments					
Personal Emoluments	24	43,260,493	42,242,679		
Pension, Gratuities and Other Benefits		13,488,963	11,467,509		
Goods & Services		15,255,587	13,873,819		111,100
Transfers and Subsidies		32,433,538	22,708,014		
Social Services		3,499,909	4,221,522		
Other Expenditure		4,486,321	3,681,383		
Debt		657,350	717,939		
Locally funded projects		1,399,850	882,775		
Investments	41	1,479,113	0		
Capital Projects Payments	39	66,796,681	57,360,428		38,037
Other (net)	40		59,058		
Total Payments		182,757,804	157,215,126		149,137
Cash flow Increase/(Decrease)		(18,115,102)	28,459,624		
Net Adjustment for prior years		19,254	0		
Net Cash flow Increase/(Decrease)		(18,095,848)	28,459,624		
Cash at the Beginning of the Year		58,205,076	29,745,452		
Actual Cash at March 31st		40,109,228	58,205,076		

CONSOLIDATED FUND - April 2013 to March 2014
Consolidated Statement of Comparison of Budget and Actual Amounts
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

	Notes	Original Budget	Final Budget	Actual 2014	Budget Variance	Actual 2013
Cash Inflows						
Taxation		39,943,800	39,943,800	37,910,052	2,033,748	36,878,840
Non Tax		2,101,900	2,101,900	2,673,590	(571,690)	2,121,397
Other receipts Grants		2,673,200	2,673,200	3,024,037	(350,837)	3,437,876
Budgetary Aid /		55,780,000	55,780,000	71,922,874	(16,142,874)	55,571,612
Development Grants		78,529,000	78,529,000	47,693,012	30,835,988	86,638,421
Total Receipts	1	179,027,900	179,027,900	163,223,565	15,804,335	184,648,146
Cash Outflows						
Personal Emoluments Pension, Gratuities and Other Benefits		43,790,500	45,753,466	43,260,493	2,492,973	42,240,496
		11,245,500	11,463,700	13,488,963	(2,025,263)	11,467,509
Goods & Services		15,433,800	13,857,534	16,734,700	(2,877,166)	13,869,282
Transfers and Subsidies		21,747,100	22,947,800	32,433,538	(9,485,738)	22,708,014
Social Services		2,882,100	4,237,400	3,499,909	737,491	4,221,522
Other Expenditure		4,335,900	3,813,200	4,486,321	(673,121)	3,681,383
Debt		1,064,000	1,065,000	657,350	407,650	717,939
Locally Funded Projects			-	1,399,850	(1,399,850)	882,775
Total Outflows	1	179,027,900	229,191,850	182,592,799	46,599,051	154,390,967

CONSOLIDATED FUND - April 2013 to March 2014

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
1A - Tax Revenue				
110: Taxes on Income, Profits and Capital Gains	17,560,000	17,560,000	16,281,301	(1,278,699)
115: Taxes on Property	1,700,000	1,700,000	981,263	(718,737)
120: Taxes on Domestic Goods & Services	1,355,000	1,355,000	1,443,241	88,241
122: Licences	2,668,000	2,668,000	2,804,253	136,253
125: Taxes on International Trade & Transactions	16,660,800	16,660,800	16,399,994	(260,806)
Total Tax Revenue	39,943,800	39,943,800	37,910,052	(2,033,748)
1B: Non Tax Revenue				
130: Fees, Fines and Permits	1,432,900	1,432,900	1,902,088	469,188
135: Rents, Interest and Dividends	634,000	634,000	313,520	(320,480)
140: ECCB Profits	-	-	33,950	(33,950)
145: Reimbursements	35,000	35,000	424,032	389,032
150: Budget and Grants	55,780,000	55,780,000	71,922,874	16,142,874
160: Other Revenue	2,673,200	2,673,200	3,024,037	350,837
Total Non Tax Revenue	60,555,100	60,555,100	77,620,501	16,997,501
TOTAL RECURRENT REVENUE	100,498,900	100,498,900	115,530,553	14,963,753

Accountant General, Montserrat

Government of Montserrat Annual Accounts for the year ended March 31, 2014

CONSOLIDATED FUND - April 2013 to March 2014

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	SURPLUS (SHORT FALL)
CONSOLIDATED FUND EXPENDITURE:-				
05 Police & Fire	6,130,200	6,041,400	6,001,210	40,190
07 Legal	1,537,400	1,524,900	1,508,229	16,671
08 Magistrates Court	340,300	340,300	314,790	25,510
09 Supreme Court	698,000	678,500	658,018	20,482
10 Legislature	2,662,800	2,185,500	2,037,227	148,273
12 Office of the Deputy Governor	26,301,800	28,291,600	27,304,987	986,613
13 Office of the DPP	616,400	525,900	518,004	7,896
15 Office of the Premier	5,975,800	13,504,700	13,473,642	31,058
17 Cabinet Secretariat	4,533,200	4,117,500	4,041,785	75,715
20 Ministry of Finance	9,202,700	11,268,300	10,899,174	369,126
30 Min. of Agriculture, Lands, Housing etc.	5,397,900	5,207,800	5,135,232	72,568
35 Min. of Communications & Works	13,649,200	17,592,000	17,498,999	93,001
40 Ministry of Education	8,233,400	8,746,400	8,648,924	97,476
45 Min. of Health & Community Services	15,219,800	16,607,900	16,521,052	86,848
TOTAL CONS. FUND EXPENDITURE	100,498,900	116,632,700	114,561,273	2,071,427

Government of Montserrat Annual Accounts for year ended March 31, 2014

CONSOLIDATED REVENUE FUND – 2014
ABSTRACT OF EXPENDITURE BY ECONOMIC CLASSIFICATION

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
2A Personal Emoluments	43,790,500	43,806,300	43,260,493	545,807
2B Pension, Gratuities & Other Benefits	11,245,500	13,507,050	13,488,963	18,087
2C Goods & Services	14,574,300	17,690,500	16,734,700	955,800
2D Transfers & Subsidies	22,606,600	32,788,050	32,454,528	353,522
2E Social Services	2,882,100	3,602,000	3,498,919	103,081
2F Other Expenditure	4,335,900	4,581,200	4,486,321	94,879
2G Debt	1,064,000	657,600	657,350	250
TOTAL	100,498,900	116,632,700	114,581,274	2,071,426

Government of Montserrat Annual Accounts for period ended March 31, 2014

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2014
(WITH COMPARATIVE FIGURES FOR DECEMBER 31, 2013)

ASSETS	2014	2013
BRITISH DEVELOPMENT AID CLAIMS OUTSTANDING (1)	2,727,796	3,275,073
DONOR AGENCIES EXPENDITURE OUTSTDG (2)	2,391,780	2,460,360
LOCAL FUNDS (4)		
CONSOLIDATED FUND PAYABLE (22 221 71001)	23,253,494	7,799,270
TOTAL ASSETS	28,373,070	13,534,703
LIABILITIES		
DEPOSITS WITHIN THE DEVELOPMENT FUND (3)	24,537,068	9,698,700
LOCAL FUNDS (4)	699,952	699,952
CONSOLIDATED CAPITAL FUND (22 221 71002)	20,839,870	(981,243)
ADD REVENUE OVER EXPENDITURE	(17,703,819)	4,117,292
TOTAL LIABILITIES	28,373,070	13,534,703
	0	

NOTES TO BALANCE SHEET

- (1) SUM OF THE BALANCES FOR BDD AND WISTS
- (2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS
- (3) SUM OF THE CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL PROJECTS
- (4) SEE DETAILS RE: PAGE #

DEVELOPMENT EXPENDITURE – 2014
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
12/120 OFFICE OF THE DEPUTY GOVERNOR	4,124,700	5,624,700	2,779,531	2,845,169
15/150 OFFICE OF THE PREMIER	3,076,300	5,698,600	1,585,502	4,113,098
17/170 CABINET SECRETARIAT	6,821,700	15,876,900	9,894,955	5,981,945
20/200 MIN. OF FINANCE & ECONOMIC MGT	27,293,600	57,655,300	22,292,595	35,362,705
30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT	494,500	856,700	283,878	572,822
35/350 COMMS & WORKS	9,738,400	10,966,400	29,773,235	(18,806,835)
35/354 COMMS & WORKS (2)	23,926,800	26,322,100	0	26,322,100
40/400 EDUCATION	3,053,000	3,053,000	186,986	2,866,012
45/450 HEALTH AND COMM.	0	0	0	0
TOTALS	78,529,000	126,053,700	66,796,682	59,257,018

Acting Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the period ended March 31, 2014

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
Financial Year Ending March 31, 2014**

The notes to the Financial Statements form an integral part to understanding the statements and shall be read in conjunction with the Statements. The accounting policies have been applied consistently throughout the period.

Note 1. Accounting Policies

Basis of preparation

The basis of preparation of the financial statements is largely governed by the provisions of the Public Finance (Management and Accountability) Act. These statements are also compliant with the Cash Basis of IPSAS (Part1); the main area of departure is the consolidation of the financial statements of other entities controlled by the Government, in particular, statutory bodies.

The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Treasury Consolidated Fund while taking into consideration the Government's legal and regulatory framework in relation to public finances.

The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2013 to March 2014) as the financial statements.

The original budget was approved by the Legislative Assembly on March 21st 2013. This budget was amended by subsequent supplementary budgets during the fiscal year under in accordance with the relevant Supplementary Acts passed by the Legislative Assembly,

Reporting entity

The Government Reporting Entities covered in these Financial Statements comprise ministries and departments of Government (excluding statutory bodies) controlled by Accounting Officers that are appointed under the provisions of the Public Finance (Management and Accountability) Act.

The Annual Statements of the Public Accounts shows the financial performance of the Government of Montserrat for the financial year ended 31st March 2014 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury

Department, operates a centralised treasury function that collects moneys and administers expenditure payments for all ministries and departments of Government.

A list of all the budget organizations is shown in the table below:

Government Ministries and Departments

05 Police & Fire
07 Legal
08 Magistrates Court
09 Supreme Court
10 Legislature
12 Office of the Deputy Governor
13 Department of Public Prosecution
15 Office of The Premier
17 Cabinet Secretariat
20 Ministry of Finance and Economic Management
30 Ministry of Agriculture, Lands, Housing etc
35 Ministry of Communication & Works
40 Ministry of Education Youth Affairs and Sports
45 Min. of Health & Community Services

Reporting currency

The reporting currency is Eastern Caribbean (EC) Dollars.

Foreign Currency Transactions

Transactions in foreign currency other than the Eastern Caribbean Dollar are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2014, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating income in the year it was realized. Losses on exchange are treated as operating loss in the year it was realized.

Refunds of Previous Year Expenditures

Expenditures refunded to the Consolidated Fund from previous years are recorded as receipts in the current year.

Payments by Third Parties

All payments made by third parties are made by third parties which are not part of this economic entity. The Government benefits from goods and services purchased as a result of cash payments made by third parties during the reporting period. The payments made by the third parties do not constitute cash receipts. They are disclosed in the *Payments by 3rd Parties* column in the Consolidated Statement of Cash Receipts and Payments.

External Assistance

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance will be utilized. The following amounts are presented in the reporting currency of the entity.

MULTILATERAL AGENCIES	
<i>EU</i>	17,260,377
BILATERAL AGENCIES	
<i>CDB</i>	64,683
<i>DFID</i>	101,923,187
<i>OTEP</i>	6,140
<i>DARWIN</i>	252,832
TOTAL	119,507,219

Note 2. Treasury Consolidated Fund

This line item represents the balance of the Consolidated Fund bank account at the Bank of Montserrat and the Royal Bank of Canada. Funds are held for the purpose of meeting recurrent expenditure.

Note 3. Operating Account ECCB

Operating Account ECCB are the funds being held by ECCB on behalf of the Government of Montserrat used primarily for making disbursements to regional institutions.

Note 4. Development Capital Fund

Development Capital Fund represents the balance as at 31 March 2014 for the Development Programs. This account forms part of the Consolidated Fund in accordance with the Public Finance (Management and Accountability) Act 2008.

Note 5. Crown Agents 2 Account

Crown Agents 2 Account is the balance held by Crown Agents on behalf of the Government of Montserrat. Funds held at this institution are readily convertible to cash and are subject to an insignificant risk of changes in value.

Note 6. Fiscal Reserve - A/C 1 Tranche

Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB on behalf of the Government of Montserrat. This account was set up following an agreement with ECCB and Participating Governments in order to encourage fiscal discipline among participating members. This account can also be used to deposit any profit or loss distribution. During the period under review the account was credited with \$33,500; this was however in relation to the profits made by the ECCB for the year ending March 31st 2013. The next reporting period for GOM will reflect a loss distribution of \$187,954.84

Note 7. GOM Receipts

This account was set up to allow for the collection of property tax receipts at the Bank. Funds from this account are transferred to the main GOM account.

Note 8. Clico Investment Fund

Clico Investment was formally stated in the accounts as Barclays Deposit which represented funds invested from insurance company deposits. The funds from this asset were subsequently invested into Colonial Life Insurance Company. These deposits were converted to share in the Clico Investment Fund. The increase in this reflects an adjustment to show the actual share ownership in the Clico Investment Fund. The CIF is a closed end Mutual Fund, the principal asset of which is 40,072,299 shares (24.8%) in Republic Bank Limited, and which began trading on the Trinidad & Tobago Stock Exchange in January 2013.

Note 9. Fixed Deposit – British American

There has been no movement in this account in a few years and no interest has been paid on this investment since 2009. The Governments of the ECCU have put in place the “Annuity Relief Programme” which has so far been launched in two phases. A further phase is expected which will deal with other classes of policy holders however

confirmation is awaited from the Government of the ECCU as to which category of Policy Holder this will apply to, or when the next phase will be launched. Given the uncertainty of the recovery of this investment, the accounts reflect a full impairment of this asset since its fair value cannot be ascertained.

Note 10. Investment Montserrat Mills

This represents a deposit with the Government Savings Bank. Funds will be transferred to TCF on the closure of the GSB with interest as the Government owned Company has been defunct for a number of years.

Note 11. Equity BOM

These represent Government owned shares held at the Bank of Montserrat Ltd. During the Financial year BOM launched an Additional Public Offer (APO) for the re-capitalization of the bank. As a result of this restructuring initiative the number of shares beneficially held by GOM has increased from 67,124 to 2,013,720. GOM has not exercised its right to bonus shares. The dividend in relation to this investment has not yet been claimed.

Note 12. Personal Advances

Personal Advances represent advances granted to government employees who are designated traveling officers for the purchase of motor vehicles and the insurance premium for the said vehicles, salary advances, medical advances and any other approved advances. The schedule in the annex provides details of the outstanding amount in accordance with the PFMAA; the amount indicated in the Statement of Asset and Liabilities denotes the advances that are deemed to be collectible.

Note 13 Impersonal Advances and Outstanding Advances

The impersonal advances were written down in the accounts due to the age of these assets that have been deemed as uncollectable. The list of the outstanding advances is provided in the Statement of Advances accordance with the PFMAA; the amount indicated in the Statement of Asset and Liabilities denotes the sum that is deemed to be collectible.

14. Advances to Other Government Administrations

Advances to Other Government Administrations represent net transactions executed on behalf of Caribbean countries and other regional, British and international organizations. Reimbursement is intended to be monthly. A schedule is attached to these accounts provides details of the advances.

15 CDB Student Loans

CDB Student loans are outstanding balances on loans that were given to students as per a line of credit received from the Caribbean Development Bank. During the fiscal year the entire balance was written off by Cabinet due to the age of these non-performing loans.

Note 16 Salary Clearing Account

This account reconciles the payment of all allotments from the salaries of public officers' salaries.

Note 17 Postmaster Clearance Account

Postmaster Clearance Account is the Postmaster contra account held by GOM.

Note 18. Development Fund Receivable/Payable

This line item in the financial statements represents the amount that is owed by, or due to the Development Fund from the Consolidated Fund.

Note 19. Miscellaneous Deposits

This represents money deposited by third parties with the Government of Montserrat and accordingly is shown as a liability for the reporting entity. A schedule is attached to these accounts with the details of these accounts; however the accounts show the value of the claims that have not been abandoned.

Note 20. Special Funds

These are accounts held on behalf of Government organizations.

Note 21. Tax Revenues

This represents tax revenues from various domestic sources (classified in the same form in the Annual Budget) collected for and behalf of the Government of during the period and paid into the Consolidated Fund. A schedule is provided in the Detailed Statement of Recurrent Revenue.

Note 22. Non Tax Revenue

This represents revenues that cannot be classified as tax revenue. A schedule is provided in the Detailed Statement of Recurrent Revenue.

Note 23. Budget and Grants

This major revenue component of the annual recurrent budget represents amounts received from the DFID in aid to meet recurrent expenditure. The amount excludes \$1,800,000 which was transferred to the Development Fund under the Small Capital Asset Fund (SCAF).

Note 24. Recurrent Expenditure

This represents the total recurrent expenditure for the budget organizations referenced in note 1. A schedule by economic classification is provided in summary form in the statement referenced as Detailed Abstract of Expenditure by Subheads.

Note 25. Development Expenditure

This represents the cost of projects for the financial year funded from local funding as opposed to the Development Fund receipts.

Note 26. Investing Activities

This refers to funds invested on behalf of GOM during the reporting period.

Note 27. Taxes on Income, Profits and Capital Gains

These are taxes administered by the Inland Revenue Department to include Corporate Income Tax, Personal Income Tax and Withholding Tax. The accounts show a modest increase of 6.9% in this revenue source from the previous financial year.

Note 28. Taxes on Property

This represents the collection of taxes levied on the market value of mainly residential and commercial properties. The accounts reflect an increase of 11% over a similar period despite a shortfall on the original estimated amount.

Note 29. Taxes on Goods and services

Taxes on Goods and serves include the following:

Taxes on Domestic Goods & Services	
Hotel Occupancy Tax	31,027
Bank Interest Levy	453,253
Insurance Company levy	165,502
Stamp Duty	437,557
Embarkation Tax	355,402
Student Permit Fees	500
Total	1,443,241

Note 30. Licences

This includes revenue from various licences as indicated in the Statement of Recurrent Revenue.

Note 31. Taxes on International Trade Transactions

Taxes on Internal Trade and Transactions	
Import Duties	5,145,961
International Communication Levy	153,420
Consumption Tax	10,271,325
Customs Processing Fee	829,288
Total	16,399,994

Note 32. Non Tax Revenue

In the Statement of Cash Receipts and Payments “non-tax” revenue excludes reimbursements, interests and ECCB profits. Schedule of receipts is provided in the Detailed Statement of Recurrent Revenue

Note 33. Rents Interest and Dividends

Schedule of receipts is provided in the Detailed Statement of Recurrent Revenue

Note 34. Other Receipts

Schedule of receipts is provided in the Detailed Statement of Recurrent Revenue

Note 35. Capital Receipts

The amount represents receipts from the sale of Government lands.

Note 36. Grants -Capital

This represents funds received from various funding partners as shown in the Development funds on as shown in the Schedule of Actual capital grants received by GOM over the period. Capital accounts operate on an accrual basis unlike the recurrent accounts allowing for the rolling forward of unexpended funds

Note 37. Receipts from Investments

This represents receipts from GOM investments.

Note 38. Other (Receipts)

This amount represents net deposits administered on behalf of third parties.

Note 39. Capital (Payments)

This represents mainly capital expenditure funded by the Development Fund Account. A schedule is provided in the Statement of Expenditure by Projects.

Note 40. Other (Payments)

This represents net payments administered on behalf of third parties in the way of advances to include other government and administrations

Note 41. Investments

The amount shown in the Statement of Cash Receipts and Payments is relation to the Caribbean Development Bank's General Capital Increase. GOM's share ownership in the CDB at the end of the reporting period is as follows:

Date	Number of Shares			Value of Shares		
	Callable	Paid-up	Total	Callable	Paid-up	Total
				EC\$	EC\$	EC\$
31-Mar-14	416	117	533	6,774,850	1,905,427	8,680,277

APPENDIX 2
GOVERNMENT OF MONTSERRAT

Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2015
(with figures for period ended March 31, 2014)

FINANCIAL ASSETS	<i>Notes</i>	2015	2014
Cash Local	2	5,370,430	1,960,484
Operating Account ECCB	3	220,503	236,285
Development Capital Fund Account	4	23,607,796	28,806,410
Crown Agents # 2 Account	5	2,548,250	3,377,586
Fiscal Reserve - A/C # 1 Tranche ECCB	6	5,540,508	5,728,463
Clico Investment Fund	7		1,411,793
Investment Montserrat Mills	8		135,671
Equity - Bank of Montserrat	9	11,860,811	2,108,400
Personal Advances	10	461,526	442,586
Outstanding Imprest	11	216,779	317,541
Advances to Other Governments & Administrations	12	117,197	79,667
Other Advances	26	4,500,000	
Postmaster Clearance	13	(613,492)	(581,956)
Development Fund Receivable/(Payable)	14	<u>(22,953,281)</u>	<u>(23,253,495)</u>
TOTAL ASSETS		<u>30,877,025</u>	<u>20,769,436</u>

Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2015
(with figures for period ended March 31, 2014)

		2015	2014
LIABILITIES			
Miscellaneous Deposits	15	4,557,899	4,640,869
Special Funds	16	9,136	9,046
		4,567,035	4,649,915
THE CONSOLIDATED FUND			
Balance at the start of the Year		16,119,521	18,450,088
Prior Year Adjustment	18	8,966,310	(1,899,997)
Revenue (recurrent) for the Year	121,412,905	115,530,553	
Expenditure (recurrent) for the Year	<u>119,676,912</u>	<u>114,561,273</u>	
Surplus/(Deficit)		1,735,994	969,280
Loss Allocation (ECCB)	19	(187,955)	
Transfer to Local Costs	20	(323,880)	(1,399,850)
TOTAL CONSOLIDATED FUND		26,309,990	16,119,520.82
TOTAL		30,877,025	20,769,436

The notes to the Public Accounts form an integral part of these accounts

CASH FLOW STATEMENT
MARCH 31, 2015

Cash Flows from Operating Activities		2015	2014
	<i>Notes</i>		Restated
Tax Revenues	21	40,210,181	37,910,052
Non Tax Revenues	22	5,852,966	5,697,627
Budget and Grants	23	75,349,758	71,922,874
Recurrent Expenditure	24	(119,676,912)	(114,561,273)
Contribution to Local Projects	20	(323,880)	(1,399,850)
Net Cashflows from Operating Activities		1,412,114	(430,570)
Cash Flows from Investing Activities			
Net cash flows from Investing activities	25	1,359,509	-
Cash Flows from Financing Activities			
(Increase)/Decrease in Advances		(4,724,384)	(15,021,666)
Increase/(Decrease) in deposits		(82,880)	(2,662,867)
Non cash adjustments for previous years		30,446	19,254
Net Cash flows from financing activities		<u>(4,776,818)</u>	<u>(17,665,279)</u>
Net cash flows		(2,005,195)	(18,095,849)
Cash and cash equivalents at the beginning of the period		<u>39,292,681</u>	<u>58,205,077</u>
Actual cash and cash equivalent at 31 March 2015		<u>37,287,486</u>	<u>39,292,681</u>

**Statement of Cash Receipts and Payments for the Government of Montserrat
For the Year Ending March 31st, 2015**

<u>Receipts</u>	<i>Notes</i>		Third Party Payments	Restated
Taxes on Income, Profits and Capital Gains	28	16,814,614		16,281,301
Taxes on Property		708,912		981,263
Taxes on Domestic Goods & Services		1,612,302		1,443,241
Licences		2,863,783		2,804,253
Taxes on International Trade & Transactions		18,210,571		16,399,994
Total Tax Revenue	21	40,210,181		37,910,052
Rents Interest and Dividends	22	1,225,032		313,520
External Assistance - Budgetary Aid	1	75,349,758		71,922,874
External Assistance - Development Grants	1	31,632,009		49,092,862
Fees, Fines and Permits	22	2,109,887		1,902,088
Other Receipts(reimb and other & eccb)	22	2,297,079		3,464,756
Capital Receipts	27	220,967		17,263
Receipt from Investments	28	3,311,003		19,287
Total Receipts		156,355,917		164,642,702
<u>Payments</u>	28			
Personal Emoluments	24	41,332,780		43,260,493
Pension,Gratuities and Other Benefits	24	14,142,815		13,488,963
Goods & Services	24	25,035,987	16,374	15,255,587
Transfers and Subsidies	24	25,506,844		32,433,538
Social Services	24	3,374,498		3,499,909
Other Expenditure	24	9,625,254		4,486,321
Debt	24	658,735		657,350
Locally funded projects	20	323,880		1,399,850
ECCB loss (<i>cash payment</i>)	19	187,954		-
Investments		-		1,479,113
Capital Expenditure Development	33	19,974,011		40,078,008
Revenue Expenditure	34	13,721,751		26,718,672
Advances and deposits	35	4,476,845	16,374	
Total Payments		158,361,352		182,757,804
Net Cas flow Increase/(Decrease)		2,005,435		(18,115,102)
Net Adjustment for prior years				19,254
				(18,095,848)
Cash at the Beginning of the Year	26	39,292,681		58,205,076
Cash at the End of the Year		37,287,486	16,374	39,292,681

CONSOLIDATED FUND - April to March 2015
Consolidated Statement of Comparison of Budget and Actual Amounts
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

	Notes	Original Budget	Final Budget	Actual 2015	Budget Variance	Actual 2014
Cash Inflows:						
Taxation		39,565,800	39,565,800	40,210,181	644,381	37,910,052
Non Tax		2,212,400	2,212,400	3,334,920	1,122,520	2,673,590
Other Receipts		2,674,800	2,674,800	2,518,046	(156,754)	3,024,037
Grants:						
Budgetary Aid		64,088,900	64,088,900	75,349,758	11,260,858	71,922,874
Development Grants		52,216,400	66,633,300	33,395,548	(33,237,752)	47,693,012
Total Receipts	1	160,758,300	175,175,200	154,808,454	(20,366,746)	163,223,565
Cash Outflows:						
Personal emoluments		45,172,100	41,942,000	41,332,780	(609,220)	43,260,493
Pension, Gratuities and Other Benefits		12,758,300	14,212,300	14,142,815	(69,485)	13,488,963
Goods and Services		21,897,800	26,902,900	25,035,987	(1,866,913)	16,734,700
Transfers and Subsidies		20,178,500	25,512,100	25,506,844	(5,256)	32,433,538
Social Services		2,709,100	3,380,500	3,374,498	(6,002)	3,499,909
Other Expenditure		5,132,100	9,960,400	9,625,254	(335,146)	4,486,321
Debt		694,000	661,400	658,735	(2,665)	657,350
Capital Expenditure		51,716,400	66,133,300	33,371,882	(32,761,418)	66,796,681
Locally Funded Projects		500,000	500,000	323,880	(176,120)	1,399,850
Total Outflows	1	160,758,300	189,204,900	153,372,673	(35,832,227)	182,757,804

CONSOLIDATED FUND - April 2014 to March 2015

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
1A - Tax Revenue				
110: Taxes on Income, Profits and Capital Gains	15,010,000	15,010,000	15,744,101	734,101
115: Taxes on Property	910,000	910,000	708,912	(201,088)
120: Taxes on Domestic Goods & Services	2,005,000	2,005,000	1,612,302	(392,698)
122: Licences	1,975,800	1,975,800	2,863,783	887,983
125: Taxes on International Trade & Transactions	16,665,000	16,665,000	18,210,571	1,545,571
129: Arrears of Taxes	3,000,000	3,000,000	1,070,514	(1,929,486)
Total Tax Revenue	39,565,800	39,565,800	40,210,181	644,381
1B: Non Tax Revenue				
130: Fees, Fines and Permits	1,591,400	1,591,400	2,109,887	518,487
135: Rents, Interest and Dividends	621,000	621,000	1,225,032	604,032
140: ECCB Profits	-	-	-	-
145: Reimbursements	110,000	110,000	150,613	40,613
150: Budget and Grants	64,088,900	64,088,900	75,349,758	11,260,858
160: Other Revenue	2,564,800	2,564,800	2,367,433	(197,367)
Total Non-Tax Revenue	68,976,100	68,976,100	81,202,724	12,226,624
TOTAL RECURRENT REVENUE	108,541,900	108,541,900	121,412,905	12,871,005

CONSOLIDATED FUND - April 2014 to March 2015

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
<i>CONSOLIDATED FUND EXPENDITURE:-</i>				
Police & Fire	6,088,300	5,707,900	5,517,164	190,736
Legal	1,592,700	1,697,500	1,655,117	42,383
Magistrates Court	309,300	363,900	308,219	55,681
Supreme Court	687,700	668,700	656,477	12,223
Legislature	2,764,000	2,557,000	2,431,560	125,440
Office of the Deputy Governor	28,218,800	28,317,700	28,223,129	94,571
Department of Public Prosecution	722,100	549,500	529,179	20,321
Office of The Premier	6,077,800	11,077,800	11,045,516	32,284
Cabinet Secretariat	4,282,200	3,945,400	3,826,675	118,725
Min. of Finance and Economic Management	11,137,800	18,581,000	16,908,098	1,672,902
Min. of Agriculture, Lands, Housing etc.	5,414,300	4,866,800	4,848,775	18,025
Min. of Communications & Works	18,133,600	19,655,100	19,367,040	288,060
Min. of Education Youth Affairs and Sports	8,058,900	8,559,600	8,390,682	168,918
Min. of Health & Community Services	15,054,400	16,023,700	15,969,283	54,417
TOTAL CONS. FUND EXPENDITURE	108,541,900	122,571,600	119,676,912	2,894,688

CONSOLIDATED REVENUE FUND – 2015
ABSTRACT OF EXPENDITURE BY ECONOMIC CLASSIFICATION

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
2A Personal Emoluments	45,172,100	41,942,000	41,332,780	609,220
2B Pension, Gratuities & Other Benefits	12,758,300	14,212,300	14,142,815	69,485
2C Goods & Services	21,897,800	26,902,900	25,035,987	1,866,913
2D Transfers & Subsidies	20,178,500	25,512,100	25,506,844	5,256
2E Social Services	2,709,100	3,380,500	3,374,498	6,002
2F Other Expenditure	5,132,100	9,960,400	9,625,254	335,146
2G Debt	694,000	661,400	658,735	2,665
TOTAL	108,541,900	122,571,600	119,676,913	2,894,687

Government of Montserrat Annual Accounts for period ended March 31, 2015

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2015
(WITH COMPARATIVE FIGURES FOR MARCH 31, 2014)

ASSETS	2014	2015
BRITISH DEVELOPMENT AID CLAIMS OUTSTANDING (1)	2,727,796	7,504,644
DONOR AGENCIES EXPENDITURE OUTSTDG (2) LOCAL FUNDS (4)	2,391,780	2,381,969
CONSOLIDATED FUND PAYABLE (22 221 71001)	<u>23,253,494</u>	<u>22,953,281</u>
TOTAL ASSETS	<u>28,373,070</u>	<u>32,839,893</u>
DEPOSITS WITHIN THE DEVELOPMENT FUND (3)	24,537,068	28,710,951
LOCAL FUNDS (4)	699,952	992,890
CONSOLIDATED CAPITAL FUND (22 221 71002)	20,839,870	3,436,263
ADD REVENUE OVER EXPENDITURE	(17,703,819)	(300,214)
TOTAL LIABILITIES	<u>28,373,070</u>	<u>32,839,893</u>

NOTES TO BALANCE SHEET

- (1) SUM OF THE BALANCES FOR BDD AND WISTS
- (2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS
- (3) SUM OF THE CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL PROJECTS
- (4) SEE DETAILS RE: PAGE #

DEVELOPMENT EXPENDITURE – 2015
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
12/120 OFFICE OF THE DEPUTY GOVERNOR	827,200	973,900	564,209	389,691
15/150 OFFICE OF THE PREMIER	100,000	1009,600	1,470,600	(461,000)
17/170 CABINET SECRETARIAT	5,370,000	12,202,200	5,768,518	6,933,682
20/200 MIN. OF FINANCE & ECONOMIC MGT	43,091,200	46,248,600	21,481,764	24,766,836
30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT	1,600,000	1,951,200	1,608,715	342,485
35/350 COMMS & WORKS	1,228,000	3,747,800	2,781,958	965,842
TOTALS	52,216,400	66,633,300	33,695,764	32,937,536

Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the period ended March 31, 2015

GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
Financial Year Ending March 31, 2015

The notes to the Financial Statements form an integral part to understanding the Statements and should be read in conjunction with the Statements. The accounting policies have been applied consistently throughout the period.

Note 1. Accounting Policies

Basis of preparation

The basis of preparation of the Financial Statements is largely governed by the provisions of the PFMAA. These statements are also compliant with the Cash Basis of IPSAS (Part1); the main area of departure is the non-consolidation of the Financial Statements of other entities controlled by the GoM, in particular Statutory Bodies.

The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Consolidated Fund while taking into consideration the Government's legal and regulatory framework in relation to public finances.

The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2014 to March 2015) as the Financial Statements.

The original budget was approved by the Legislative Assembly on March 24th 2014. This budget was amended by subsequent supplementary budgets during the fiscal year in accordance with the relevant Supplementary Acts passed by the Legislative Assembly. A total of three (3) supplementary budgets were passed during the financial year increasing the total original approved budget from \$160,758,300 to \$189,766,700. This resulted in an 18% increase in the overall budget.

Reporting entity

The Government Reporting Entities covered in these Financial Statements comprise ministries and departments of Government controlled by Accounting Officers that are appointed under the provisions of the PFMAA.

The Annual Statements of the Public Accounts shows the financial performance of the Government of Montserrat for the financial year ended 31st March 2015 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury

Department, operates a centralised treasury function that collects moneys and administers expenditure payments for all Ministries and Departments of Government.

A list of all the budget organizations is shown in the table below:

Government Ministries and Departments

05 Police & Fire
07 Legal
08 Magistrates Court
09 Supreme Court
10 Legislature
12 Office of the Deputy Governor
13 Department of Public Prosecution
15 Office of The Premier
17 Cabinet Secretariat
20 Ministry of Finance and Economic Management
30 Ministry of Agriculture, Lands, Housing etc.
35 Ministry of Communication & Works
40 Ministry of Education Youth Affairs and Sports
45 Min. of Health & Community Services

GoM Statutory Bodies and State Owned Entities (SOEs)

The Government of Montserrat through the Ministry of Finance maintains oversight over the following Statutory Bodies and State Owned Entities:

Financial Services Commission
Montserrat Social Security
Montserrat Land Development Authority
Montserrat Port Authority
Montserrat Philatelic Bureau
Montserrat Community College
Montserrat Tourist Board (<i>Repealed 25/07/2014 by S.R .O 40</i>)
Montserrat Utilities Limited
Montserrat Volcano Observatory
Bank of Montserrat Ltd.
Montserrat National Trust
Montserrat Info-Communication Authority

The accounts for these Statutory Bodies are prepared separately and tabled before the Legislative Assembly, save for the Montserrat Utilities Ltd which is a limited liability company.

Reporting currency

The reporting currency is Eastern Caribbean (EC) Dollar. Rounding is to the nearest dollar value.

Foreign Currency Transactions

Transactions in foreign currency other than the Eastern Caribbean Dollar are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2015, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating income in the year realized. Losses on exchange are treated as operating loss in the year realized.

Refunds of Previous Year Expenditures

Expenditures refunded to the Consolidated Fund from previous years are recorded as receipts in the current year.

Chart of Accounts

The Chart of Accounts was revised for the commencement of the 2014/15 financial year to bring it more in parallel with the Government Financial Statistics 2001 standard. Accordingly, a number of accounting lines have been discontinued, merged, or reclassified which may slightly affect previous year comparison. Several below-the-line (BTL) accounts were also closed that had remained inactive for a number of years. This includes a number of travel advances that were written-off with the endorsement of Cabinet and the Legislative Assembly in accordance with PFMAA Section 54.

Payments by Third Parties

All payments made by Third Parties are made by third parties which are not part of this economic entity. The GoM benefits from goods and services purchased as a result of cash payments made by Third Parties during the reporting period. The payments made by the Third Parties do not constitute cash receipts. They are disclosed in the Third Party Payments column in the Consolidated Statement of Cash Receipts and Payments.

External Assistance

External assistance was received in the form of grants from multilateral and bilateral donor agencies under agreements specifying the purposes for which the assistance will be utilized. The following amounts are presented in the local currency.

MULITLATERAL AGENCIES	
European Union (EU)	14,029,549
BILATERAL AGENCIES	
Caribbean Development Bank (CDB)	
Department for International Development (DFID)	92,350,587
Overseas Territories Environment Programme (OTEP)	
DARWIN Initiative	227,618
United Nations Economic Commission for Latin America and the Caribbean (CEPAL)	40,323
United Nations Children Fund UNICEF	9,812
Total	106,657,889

Note 2. The Consolidated Fund

This line item represents the balance of the Consolidated Fund (TCF) bank accounts held at the Bank of Montserrat and the Royal Bank of Canada. Funds are held in these accounts for the purpose of collecting revenue and making payments on behalf of all GoM Ministries and Departments. Subsidiary accounts were set up at the Royal Bank of Canada and the Bank of Montserrat to facilitate online visa payments and the payment of taxes. Account balances are reconciled monthly and form part of the TCF.

Note 3. Operating Account - ECCB

Operating Account ECCB represent the balance on an account held at the Eastern Caribbean Central Bank (ECCB) on behalf of the GoM; used primarily for making disbursements to regional institutions. Reimbursement of this account is made with the use of funds from the TCF.

Note 4. Development Capital Fund

Development Capital Fund represents the balance on account held at the Bank of Montserrat for the Development Programs. This account forms part of the Consolidated Fund in accordance with the PFMAA.

Note 5. Crown Agents #2 Account

The Government of Montserrat holds several accounts at Crown Agents in the UK in Pound Sterling and US dollar. The previous year's closing cash balance in the cashflow statement was restated due to the overstating of the ledger balance on this cash account.

Note 6. Fiscal Reserve - A/C 1 Tranche

Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB on behalf of the Government of Montserrat. This account was set up following an agreement with ECCB and Participating Governments in order to encourage fiscal discipline among participating members. This account is also be used to disburse or settle any profit or loss distribution. The ECCB suffered an adverse financial outturn for the first time in the financial year ending 31st March 2014. As a direct consequence the sum of \$187,955 was utilized from the Fiscal Tranche account in June 2014, to partially cover the Bank's 2013/14 deficit position (see Note 19).

Note 7. CLICO Investment Fund

During the financial period GOM liquidated this investment in its entirety by trading the units on the Trinidad and Tobago Stock Exchange (TTSE). A total of 730,720 units were traded including 570,800 owned by the Government Savings Bank (GSB). The sum of \$1,411,793 was paid into the Consolidated Fund representing GoM's portion of the proceeds from the trade.

Note 8. Montserrat Mills Investment

The Montserrat Mills Investment was originally Company that set up prior to the volcanic crisis. Due to the discontinuation of the company's activities, the fund held by the Company was paid into the GSB as a deposit. This deposit was transferred to the Consolidated Fund during the fiscal year following the closure of the Government Savings Bank in July 2014.

Note 9. Equity BOM

This line item represents Government owned shares held at the Bank of Montserrat Ltd. During the 2013/14 financial year BOM launched an Additional Public Offer (APO) for the re-capitalization of the bank. As a result of this restructuring initiative the number of shares beneficially held by GOM has increased from 67,124 to 2,013,720 through a Stock Split (each original par value share converted to 10 \$5 book value shares) and a Bonus Share issue (each new \$5 share was given an additional 2 Bonus Shares). The book value per share in accordance with the Bank's 2014 accounts is \$5.89 as at 30th September. A revaluation of the shares has been done to align the investment with the book value of these shares.

Note 10. Personal Advances

Personal Advances represent advances granted to GoM employees who are designated traveling officers for the purchase of motor vehicles and the insurance premium for the said vehicles, salary advances, medical advances and any other approved advances. The schedule in the annex provides details of the outstanding amount in accordance with the PFMAA.

Note 11 Impersonal Advances and Outstanding Advances

The Impersonal Advances were written down in the accounts due to the age of these assets that have been deemed as uncollectable. The list of the Outstanding Advances is provided in the Statement of Advances accordance with the PFMAA; the amount indicated in the Statement of Asset and Liabilities denotes the sum that is deemed to be collectible.

Note 12. Advances to Other Government Administrations

Advances to Other Government Administrations represent net transactions executed on behalf of Caribbean countries and other regional, British and international organizations. Reimbursement is intended to be monthly. A schedule attached to these accounts provides details of the advances.

Note 13. Postmaster Clearance Account

Postmaster Clearance Account is the Postmaster contra account held by GoM. This ledger account has been used to settle and reconcile receipts and payment that are due to the General Post Office.

Note 14. Development Fund Receivable/Payable

This line item in the Statement of Assets and Liabilities represents the Consolidated Fund's holding as it relates to the Development Fund which is accounted for separately in the Public Accounts in accordance with the PFMAA. The net position at the end of the fiscal year shows that deposits in the Development Fund exceeds project expenditure; hence the amount is notionally due to the Development Fund.

Note 15. Miscellaneous Deposits

This represents money deposited by third parties with the Government of Montserrat and accordingly is shown as a liability for the reporting entity. A schedule is attached to these accounts with the details of these accounts.

Note 16. Special Funds

These are accounts held and administered on behalf of Government organizations for the purpose of receiving and paying out funds.

Note 17. Tax Revenues

This represents tax revenues from various domestic sources (classified in the same form in the Annual Budget) collected for and behalf of the GoM during the period and paid

into the Consolidated Fund. A schedule is provided in the Detailed Statement of Recurrent Revenue.

Note 18. Prior Year Adjustments

This line item in the Consolidated Fund shows net adjustment to the opening balance of the Fund due to adjustments made to account balances that were previously overstated or understated; these adjustments are made in order to give a true and fair view of the accounts.

Note 19. Loss Allocation (ECCB)

See Note 6. This is an extraordinary item in the accounts. The distribution of ECCB losses in the accounts is absorbed by the recurrent surplus.

Note 20. Transfers/Contribution to Local Costs

This is the amount expended on locally funded projects; such projects are usually funded against the current or the previous year's surplus.

Note 21. Tax Revenue

Schedule of Tax Revenue

Taxes on Income, Profits and Capital Gains	15,744,101
Taxes on Property	708,912
Taxes on Domestic Goods & Services	1,612,302
Licences	2,863,783
Taxes on International Trade & Transactions	18,210,571
Arrears of Taxes	1,070,514
Total	40,210,181
12901 Company Tax arrears	144,626
12902 Income Tax Arrears	611,819
12903 Property Tax Arrears	314,069
Total	1,070,514

Taxes on Income Profits and Capital Gains

This is a broad category which generally describes the tax that is levied on wages, salaries, labour services and the profits on corporations or businesses. Currently capital gains are not taxable in this jurisdiction. A more detailed schedule is provided Annual Abstract of Receipts and Payments.

Taxes on property

Taxes on property relates to the collection of property taxes. The amount shown excludes arrears which is monitored separately as shown below. This revenue stream refers to taxes levied on an annual basis on the ownership of immovable property, which includes land, building or other structures. This tax is usually a percentage of the assessed property value. Property Tax is administered by the Inland Revenue section of the Montserrat Customs and Revenue Services (MCRS).

Taxes on Domestic Goods and Services

This includes taxes levied on the production, sale, transfer, leasing or delivery of goods or rendering of services. This category of revenue also covers taxes on the use of goods and on permission to use goods or perform services. Taxes includes Insurance Company Levy, Bank Interest Levy etc. (See Statement of Detailed Recurrent Revenue)

Licences

This is essentially an extension of the above category of taxes. One of the regulatory functions of GoM is to forbid ownership or use of certain goods or the pursuit of certain activities unless certain permission is granted by the issuing of a licence at which point a payment is made for the granting or application of such a licence. This revenue stream includes licences such as: Firearms Licences, Liquor and Still Licence, Trade Licence etc. (See Statement of Detailed Recurrent Revenue)

Taxes on International Trade

This covers revenue from all levies collected on goods that are imported as well as goods that are exported. The levy is usually determined on a specific or ad valorem basis. This tax is administered by the Customs Division of the MCRS.

22. Non Tax Revenue

In the Cashflow Statement “non tax revenue” broadly refers to all other revenue streams that are locally generated but not deemed to be tax revenue as detailed in Note 21. (See Statement of Detailed Recurrent Revenue)

A sub-category of non-tax revenue is” fees and permits” which represents sales of services provided in the exercising of some regulatory function by a Ministry or Department; this may include some form of checking or verification for a mandatory licence etc. (Statement of Cash Receipts and Payments)

Rents, Interests and Dividends

Revenue received from renting GoM properties or assets are accounted for under this line item. Dividends are also accounted for under this heading as a non-tax revenue. During the financial year the GoM received dividends from the CLICO Investment Fund (see Note 7) and also dividends from the shares held in the Bank of Montserrat Ltd (see Note 9 and the Statement of Cash Receipts and Payments).

Other Receipts

Other receipts refer to various form of reimbursement of Government funds (from a previous year) and other revenue from sales/services and miscellaneous revenue. (Statement of Cash Receipts and Payments excludes capital receipts)

Note 23 . Budget and Grants

This major revenue component of the annual recurrent budget represents amounts received from the DFID in aid to meet recurrent expenditure and forms part of the total for external assistance detailed on the face of the Statement of Cash Receipts and Payments as required by IPSAS.

Note 24. Recurrent Expenditure

Personal emoluments – refers to the total remuneration of public servants in return for work during the accounting period. This includes salaries, wages and other taxable and non-taxable allowances.

Pensions, Gratuities and Other Benefits

Pensions include monthly payments made to pensioners; both local and overseas. Gratuities are made up of one off lump-sum payments comprising: Commuted Gratuity Payments to new retirees; Early Exit Benefits to officers who resign with ten or more years of service; and Contract Gratuity. Legislators' Gratuities were paid following the Dissolution of Parliament and the consequent constitutional obligation to vacate their seats. Social Security Contributions which forms a part of this category represent Employer Contributions paid to the Social Security Fund in respect of all employees and Contract Officers for the Fiscal Year. Benefits also encapsulate Death Benefits where an officer dies while in service.

Goods and Services

Generally refers to the goods and services consumed for the purpose of carrying out the mandate of the GoM. Goods and services were purchased to meet operational requirements. This includes the maintenance of public sector buildings, maintenance of the road network, materials for schools and medicines, as well as administrative costs, such as rent and utilities.

Transfers and Subsidies

Refers to transfers to non-governmental organizations or enterprises in return for the provision of a service mainly to compensate for any loss that would be incurred for charging a reduced fee for providing that service. This also includes the payment of grants to local institutions as shown in the table below:

Grants to Local Institutions	839,156
Contributions to Regional and Int'l Institut.	7,632,828
Statutory Bodies	8,213,921
Other Subventions	8,820,940
Total	25,506,844

Debt

Debt refers to all liabilities that require payment or payments of interest and/or principal by the GoM. Government borrowing and debt servicing comprises the Plymouth 2nd Port Development Loan and the Consolidated Line of Credit (a loan used to provide student loans, business loans and agricultural developments. (See Statement of Public Debt)

Social Services

This expenditure refers to the provision of benefits or programs intended to mitigate the risks associated with unemployment, ill health or other circumstances which adversely affect the welfare of an individual or household. A schedule of the type of benefits and the amount paid is as follows:

Sickness and Disability Benefit	40,294
Old Age Benefit	2,049,750
Family and Children Benefit	10,125
Unemployment Benefit	100,664
Housing Benefit	279,212
Social Protection Other	733,038
Child Health Programme	750
Nutrition & Health Education	128,875
Psychiatric Care	494
Health Promotion	22,296
Sexual Health	9,000
TOTAL	3,374,498

Other Expenditure

Other miscellaneous recurrent expenses or liabilities incurred that do not satisfy the aforementioned recurrent expenditure categories.

Total Recurrent Expenditure

2A:Personal Emoluments	41,332,780
2B:Pension,Gratuities and Other Benefits	14,142,815
2C:Goods & Services	25,035,987
2D:Transfers and Subsidies	25,506,844
2E:Social Services	3,374,498
2F:Other Expenditure	9,625,254
2G:Debt	654,300
Total Recurrent Expenditure	119,672,477

Note 25. Investing Activities

This refers to funds received from investments held (or previously held) by GoM. The net cashflow includes receipts from the CLICO Investment Fund (see Note 7) and the Montserrat Mills Investment (see Note 8). The amount utilized from the ECCB Fiscal Tranche to cover the Bank's deficit (see Note 6) was netted against these receipts. (Accounting guidelines only specify consistency in determining the category of such cashflows).

Note 26. Financing Activities

The net cashflow includes advances to include donor funds for projects and other classification of advances detailed further in Notes 10-12. The amount also includes the balance of \$4,500,000 from an advance/loan granted in the sum of \$8,500,000 to the GSB to alleviate the liquidity demands during the period leading up to its closure. Funds are repayable in full on the liquidation of the GSB's assets; in particular the shares held in Bank of Montserrat.

Note 27. Capital Receipts

Capital receipts are classified as non-tax revenue under the recurrent income schedule. This line item in the Statement of Cash Receipts and Payment fleshes out that sum to show the amount GoM received from the sales of assets to include stores, vehicles, land, etc.

Note 28. Receipts from Other Investments

Details of receipts from investments are as follows:

Montserrat Mills Investment	135,671
CLICI Investment Fund	1,411,793
Deposit - Radio Antilles	1,763,539

The funds received from the Deposit was paid into the Development for towards the Media Exchange Project.

Note 29. Investments CDB

The amount shown in the Statement of Cash Receipts and Payments is relation to the Caribbean Development Bank's General Capital Increase.

Note 30. Capital and Revenue Expenditure

Capital and Revenue Expenditure refers to funds spent from the Development Fund. A separation in the development expense account was made at the commencement of the fiscal period to differentiate between the two types of expenditure from the various project heads.

Capital expenditure includes costs incurred on the acquisition of a fixed asset and any subsequent expenditure that increases the value of an existing fixed asset. Capital expenditures are expenditures that produce benefits across multiple time periods, such as the costs incurred for acquiring new accommodation for GoM, building of bridges and other long-term structures. In contrast, revenue expenditures are expenditures that produce benefits across one single time period such as funds expended for training from a project vote or the funding of technical assistance etc.

Note 31 Deposits and Advances

The amount represents the net sum for these BTL accounts (See Notes 10-15).

APPENDIX 3
(extract from)

2010 NO.2474

THE MONTSERRAT CONSTITUTION ORDER 2010

PART VIII
FINANCE

Financial control and accounts

100. (1) The Minister of Finance shall provide the Legislative Assembly with such reports, information and accounts as may be necessary to ensure that the Assembly is kept fully informed at all times of the state of the economy of Montserrat and the finances of the Government.

(2) The Legislature shall make provision by law for the regular publication of accounts of the Consolidated Fund and any other public funds and for the laying of such accounts and any reports on them before the Legislative Assembly.

Auditor-General

101. (1) There shall be an Auditor General for Montserrat.

(2) Power to make appointments to the office of Auditor General is vested in the Governor, acting after consultation with the Public Accounts Committee of the Legislative Assembly.

(1) Power to remove the Auditor General from office is vested in the Governor, acting in accordance with subsections (4) to (6).

(2) The Governor shall remove the Auditor General from office if:

(a) The Auditor General violates any law concerning the ethics of public leaders;
or

(b) The Auditor General becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with creditors, or otherwise makes an assignment of remuneration for the benefit of creditors.

(3) If the Legislative Assembly in a resolution addressed to the Governor resolves that the Auditor General is unable to perform the functions of his or her office due to misconduct, incapacity or incompetence-

(a) The Governor shall appoint a special tribunal which shall consist of a Chairman and not less than two other members; but the Chairman and at

least half of the other members shall be persons who hold or have held office as a judge of a court having unlimited jurisdiction in civil and criminal matters in any part of the Commonwealth or Ireland or a court having jurisdiction in appeals from such a court;

(b) The special tribunal shall inquire into the matter and report on the facts thereof to the Governor and recommend whether or not the Auditor General should be removed from office.

(4) If the special tribunal appointed in accordance with subsection (5) recommends to the Governor that the Auditor General should be removed from office then the Governor shall remove him or her from office.

(5) If the question of removing the Auditor General from office has been referred to a special tribunal under subsection (5), the Governor, acting in his or her discretion, may suspend the Auditor General from the exercise of the functions of that office and such suspension shall cease to have effect if the special tribunal recommends to the Governor that the Auditor General should not be removed.

(6) The Auditor General may resign his or her office by writing under his or her hand addressed to the Governor.

Position and remuneration of Auditor General

102. (1) The Auditor General shall by virtue of his or her office be an officer of the Legislative Assembly.

(2) The terms and conditions of employment including the remuneration and allowances of the Auditor General shall be set from time to time by a resolution of the Legislative Assembly proposed by the Chairman of the Public Accounts Committee of the Assembly, but any remuneration and allowances shall not be less than the average rate paid to the Financial Secretary'

(3) The remuneration and allowances of the Auditor General shall be charged on and paid out of the Consolidated Fund.

Functions of Auditor General

103. (1) 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 or organisations established by an Act of the Legislature, and may conduct financial and value for money audits in respect of any project involving public funds.

(2) The Auditor General shall submit to the Legislative Assembly annually a report of the accounts audited by him or her under subsection (1) for the immediately preceding financial year.

(3) For purpose of subsection (2) the Auditor General and any person authorized by him or her shall have a right of access at all reasonable times to all such documents as appear to him or her to be necessary for the purposes of the audit, and shall be entitled to require from any person holding or accountable for any such documents such information and explanation as he or she thinks necessary for those purposes.

(4) In the exercise of his or her functions, the Auditor General shall not be subject to the direction or control of any other person or authority.

National Audit Office

104 (1) The Legislature shall by law make provision for the establishment of an independent National Audit Office headed by the Auditor General.

(2) The budget for the National Audit Office shall be charged on and paid out of the Consolidated Fund, and must at all times be adequate to enable the full performance of the functions conferred on the Auditor General by the Constitution or any other law.

(3) The accounts of the National Audit Office shall be audited and reported on by an auditor appointed by the Legislative Assembly.

Judith Simpson
Clerk of the Privy Council

**APPENDIX 4
OFFICE OF THE AUDITOR GENERAL
ORGANISATION CHART**

