



---

**REPORT OF THE AUDITOR GENERAL**

**ON THE**

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

**FOR THE**

**FISCAL YEAR ENDED 31 MARCH 2016**



# OFFICE OF THE AUDITOR GENERAL

Government Headquarters • P.O. Box 23 • Brades • Montserrat

*Tel. 664-491-3460/4569 Fax: 664-491-2460*

*Email: [audit@gov.ms](mailto:audit@gov.ms)*

6 March 2017

AUD 7/24

Honourable Minister of Finance  
Ministry of Finance  
Government Headquarters  
Brades  
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 2016.

Yours respectfully

Florence A lee, CPA, BSc, MSc  
Auditor General

## TABLE OF CONTENTS

ABBREVIATIONS USED .....	iv
VISION, MISSION AND GOAL.....	v
AUDITOR GENERAL’S OVERVIEW OF AUDIT OFFICE.....	vi
EXECUTIVE SUMMARY .....	xiii
CHAPTER 1.....	1
1.0 FINANCIAL STATEMENTS FOR APRIL2015 - MARCH 2016 .....	1
CHAPTER 2.....	15
2.0 OTHER FINANCIAL AUDITS .....	15
CHAPTER 3.....	18
3.0 PERFORMANCE/SPECIAL AUDITS.....	18
AUDITOR GENERAL’S REPORT.....	25
APPENDICES .....	26

## 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
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
HRMU	Human Resource Management Unit
ICAC	Institute of Chartered Accountants of the Caribbean
IFAC	International Federation of Accountants
IDI	INTOSAI Development Initiative
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSASB	International Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
MOFEM	Ministry of Finance and Economic Management
MCC	Montserrat Community College
MCSA	Montserrat Civil Service Association
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
MVO	Montserrat Volcano Observatory
MUL	Montserrat Utilities Limited
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PFMAA	Public Finance Management and Accountability Act
PFMAR	Public Finance Management and Accountability Regulations

## **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. Our work is guided by the vagaries of the strategic environment in which we operates thus it is important that we identify the challenges so that we find solutions to mitigate them. I present below a broad picture of the environment in which our work was conducted.

#### **1.1 Governance**

2. Our office remains committed to complying with all governance and accountability rules which governs the operations of the public service. We seek to conduct our affairs in such a manner that would show us leading our clientele by example and exhibiting the high standards of performance that we expect from them. In keeping with that aim, we seek to abide by all laws and regulations; perform our work efficiently and use our resources in an economical manner.

#### **1.2 Legal Environment**

3. In my last report covering the fiscal years 2014 and 2015, I highlighted the fact that “efforts to have a revised Audit Act had proven to be futile”. At the time of drafting this Report, the Attorney General’s Chambers was making a further effort to conclude the drafting of the Revised Audit Act with a view towards having this Act tabled in the Legislative Assembly by the end of this fiscal year, that is, the 2016/17 fiscal year.

4. It is critical for SAs to obtain operational and functional independence to enable it to provide better value to citizens. This still remain an outstanding issue which we hope would be addressed in the Revised Audit Act.

#### **1.3 Economic Environment**

5. Montserrat continues its rebuilding efforts having survived some 21 years of volcanic activity. It continues to rely on budgetary aid from the British Government and grants from other funding agents such as the European Union and the CDB. The situation lends itself to tight fiscal management where some critical projects have to be postponed due to lack of funding.

#### **1.4 Social Environment**

6. There is increased social awareness of the need for embedding good governance principles where citizens want governments to be more open and transparent with its operations. Montserrat is no exception. This is being expressed through various media to include radio call in programmes, electronic and/or print media, and open debates at places where people congregate.

7. It is our view that where practicable, and without loss of our independence, we should harness those views and incorporate them in the choice of topics/areas we investigate. This is to enable us to provide better value to citizens by making objective assessments of things that matter to them most and providing relevant and actionable recommendations.

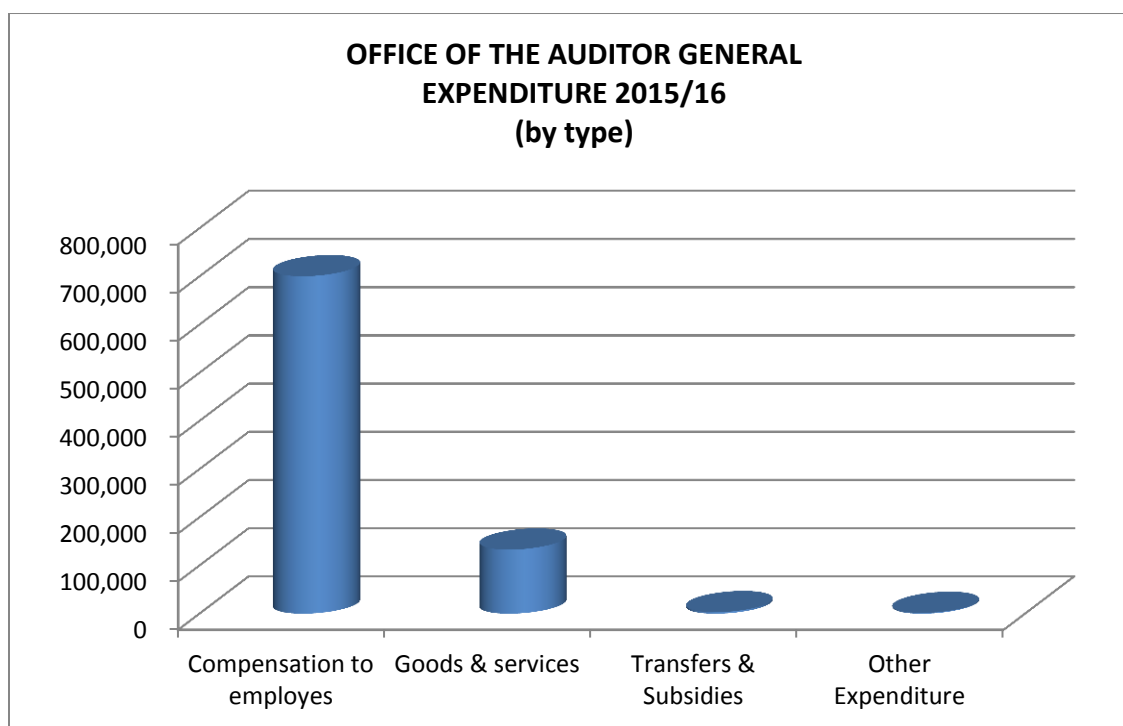
## 1.5 Technological Environment

8. GOM advocates the move to a paperless environment. In light of this many of our clients use various types of technology to underpin their financial systems, processes and to generate their accounts. This move presents a challenge to our operations as we do not have the right mix of technologies to make our operations efficient. At the time of writing we were still in discussion with the Ministry of Finance to procure an accounting software, used by many of our clients, that it easier for us to complete in a more efficient and timely manner.

## 2.0 Financial Management

9. For fiscal year 2015/16 our approved expenditure budget was EC\$1,277,300. During the year \$304,900 was withdrawn from the department leaving a Revised Estimate of \$972,900. Of this amount actual expenditure totaled \$838,312.

10. Material expenditures continue to be compensation of employees and acquisition of goods and services utilizing 81% and 15% of the budget, respectively. The chart below provides a graphical depiction of expenditures incurred.



11. When actual expenditure is compared with that allocated by Legislative Assembly we note a large underspend of \$438,988. This arose primarily because of the large number of vacancies that existed which affected projected payment to employees, training activities and costs and usage of utilities. Additionally, the expected assistance from private sector auditors to assist with our work programme did not materialize. Thus, our professional and consultancy services allocation was underutilized.

### **3.0 Recruitment and Retention**

12. In my last Report, I informed that the recruitment and retention of staff was done centrally through the GOM'S Human Resource Management Unit and that we were awaiting the completion of a number of recruitments for Audit Managers and Senior Auditors. This situation continued well into the 2016/17 financial year and the absence of core staff had a significant negative impact on the department's output.

### **4.0 Work Performance**

13. Our work was affected by severe staffing shortages and other support challenges. Despite this we were to complete the audits of two sets of public accounts (forty-two departments and fourteen statements per set of accounts), one Performance Audit, one special audit taking the form of a Lessons Learnt Report. Financial audits for two quasi government organisations were also completed along with several compliance audits.

### **5.0 Follow-Up on the Implementation of Prior Year Audit Recommendations**

14. As part of the auditing process we provide recommendations to Ministries and Departments to help improve systems and practices and the Government's governance and accountability mechanisms. We reviewed major recommendations that had been made up to June 2016 to determine what action, if any, was taken. Our findings revealed that at 30<sup>th</sup> September 2016, 22% were fully implemented, 42% were in progress while 36% were not implemented. See Appendix 4 for recommendations.

15. I am concerned with the rate of implementation of these recommendations since, in most cases, the recommendations were agreed with the relevant Accounting Officer or the person responsible for the activity, at the audit exit interview.

### **6.0 Capacity Development**

16. It is our goal to deliver better value to citizens by making improvements to the services we offer and providing reports that enable them to hold government accountable for the cost and quality of services offered to the public. This however can only be achieved if we have a highly proficient and capable audit team. With improved service delivery as our overarching theme, we continue to engage in a strategy of continuous capacity development where we utilize a mix of in-house, web-based,



overseas attachments/training and/or participate in forums where changes to audit methodologies, adoption of new audit standards are discussed. The paragraphs below highlight our capacity development initiatives for the reporting period.

## 6.1 In-house Training

17. 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.

## 6.2 Participation in regional/international audit specific programmes

18. **Information Technology training.** During the period 7 – 21 September 2015 three members of staff attended an Audit Review for IDI Global Programme on Specialised Audits.



This was the final phase of the IT audit training programme where each country gave a summary presentation on the audit they conducted; met with an assigned mentor to discuss the feedback on the audit; and to finally review and revise their draft reports. This was to ensure that work conducted and report produced was done in accordance with INTOSAI auditing standards.

19. The output from that training “GOM E-Governance Initiatives: Montserrat Online Visa Application (MOVA)” was tabled in the Legislative Assembly and can be found on our website at <http://oag.gov.ms> under Publications/Performance Audits.

20. **Environmental Audit Training.** The Deputy Auditor General attended the 129<sup>th</sup>



International Training Programme on Environmental Auditing held in New Delhi, India over the period 15 February – 11 March 2016. During this training the officer acquired skills that would enable our Offices to conduct various types of evaluation intended to identify environmental compliance and whether there are any implementation gaps relating to environment issues, preventative mechanisms and corrective opportunities.

21. The training highlighted that environmental auditing can be classified in five different ways. These include (as a first step we will concentrate of the first two types):

- Audits of government monitoring of compliance with environmental obligations;
- Audits of the performance of government environmental programmes;
- Audits of environmental impact of other government programmes;
- Audit of environmental management systems; and
- Evaluations of proposed environmental policies and programmes.

22. The course was delivered through a classroom delivery comprising of a mixture interactive lectures, group discussions, field visits and audit case studies. At the end of the training participants were encouraged to conduct environmental audits to trigger new awareness; new priorities in policies and practices thus contributing to the achievement of country's sustainable development goals.

### **6.3 General in-service training**

23. We continue to participate in general in-service training programmes facilitated by The Training Division within the Human Resource Management Unit (HRMU). During the reporting period staff participated in three programmes namely performance management capacity building and work place etiquette.

## **6.4 Professional Development**

24. Enhancing the professionalism of staff is paramount to us delivering better value to citizens. With that basic premise we continue to pursue the recruitment of professionally qualified staff or pursue professional development of current staff.

## **6.5 Personal Development**

25. Three members of staff are currently enhancing their personal development by pursuing distance learning undergraduate studies with the University of the West Indies. We applaud their efforts as this mode of study while undertaking a full time job can present a number of challenges.

26. One member of staff proceeded on overseas study leave to pursue graduate studies in Accounting and Finance. We look forward to the application of these newly acquired knowledge and skills to improve our financial audit work.

## **7.0 Acknowledgement and Appreciation**

27. Thanks is extended 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 rendered to my staff during the course of the various audit assignments.

28. Our capacity development initiatives would not be possible with the financial and technical cooperation of several agencies. We wish to thank the GOM, its Learning and Development Unit, DFID, IDI, CAROSAI, and its member organizations, the Indian Government, ICAC, IFAC, and the World Bank for their contributions to our capacity building efforts.

29. I depend on my staff to conduct the field work for all audits. This year was particularly challenging as many vacancies remained unfilled for much of the reporting period leading staff to undertake more work, often working beyond normal working hours on a daily basis or on weekends to get the work completed and allowing me to complete this report. I appreciate and thank you for your hard work, commitment and invaluable contribution despite our many challenges.



Florence A Lee, MSc, BSc, CPA  
Auditor General  
Brades, Montserrat  
6 March 2017

**INTENTIONALLY LEFT BLANK**

**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 2016**

**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 2016 fiscal year. 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 (PFMAA) 2008, and the Public Finance Management and Accountability Regulations (PFMAR) were the main criterion used to conduct this audit. INTOSAI auditing standards were the main guidelines used to conduct the audits.

**Observations of Financial Statements**

4. The purpose of these observations is to comment on matters that we would like to bring to the attention of the Legislative Assembly, namely

a) Accounting Standards to be used

5. To lend credibility to the accounts it is important that users are aware of the accounting standards against which the accounts are to be assessed. Currently the Public Finance Management and Accountability Act (Sec 41(4)) only requires the accounts to be prepared in accordance with generally accepted accounting practice. There is no directive on the specific standards to be used.

6. Montserrat currently prepares accounts on the cash basis of accounting. The PFMAA requires the preparation of its main accountability statement as an Abstract of Assets and Liabilities. This is inconsistent with the statements required using internationally recognized cash basis accounting standards. It is felt that internationally

recognized standards and national requirements could be harmonized through the inclusion the specific standards to be used.

7. The International Federation of Accountants (IFAC), through its International Public Sector Accounting Standards Board (IPSASB), has provided standards which can be adapted for use in the Montserrat context. In light of the foregoing we are recommending the following:

- The inclusion of the specific standards (International Accounting Standards – IPSAS) to be used in the Revised Public Finance Management and Accountability Act (we are aware that such a revision is currently ongoing);
- Attention be paid to revising the documents to be submitted to enable compliance with international accounting standards.

b) Adoption of Accrual Basis IPSAS.

8. Use of the cash basis IPSAS is but the first step toward preparing accounts that could be compared internationally based on the acceptable public sector accounting standards. However, the cash basis IPSAS provides limited information as it focuses on cash receipt, cash payments and cash balances only. It does not recognize transactions already entered into but monies were not received or paid, or the existence of non-cash assets and liabilities. Adopting the accrual basis of accounting public sector accounting standards would allow government to improve the quantum and quality of financial information that can be produced on the face of the financial statements.

9. Government made a commitment to strengthen Financial Management and Accountability systems. **We suggest that government make the adoption of Accrual Basis of IPSAS a policy priority; set a target date for adoption and include as Ministry of Finance’s action plan to improve public financial management**

c) Adoption of GFS 2015

10. GOM currently produces its budgetary information in line with Government Financial Statistics (GFS) guidelines. The guidelines are produced by the International Monetary Fund (IMF) and are intended to assist governments to produce **internally comparable statistical data that would allow detecting sources of vulnerabilities early and taking timely corrective measures<sup>1</sup>**.

11. In 2014 the GFS Manual was updated to engender improvements in public sector reporting and transparency. The Ministry of Finance seemingly adopted the new categories when it included them in the Estimates for the 2015/16 financial year (see page 44 of said Estimates. We note however that the budget was produced using the old GFS 2001 classifications. Given that much work was conducted **we are**

---

<sup>1</sup> Foreword, Government Finance Statistics Manual 2014, International Monetary Fund



**recommending the full adoption of the GFS 2014 classifications and that the Estimates for each Ministry/Department be prepared accordingly.**

d) Inappropriate use of warrants

12. Section 20 of the PFMAA mandates that where a need has arisen for expenditure for a purpose for which no amount has been appropriated by an Appropriation Act, a supplementary estimate shall be prepared and submitted to the Legislative Assembly, using a Supplementary Appropriation Bill, for approval.

13. We note that General Warrants 5 & 6 signed by the Minister and valuing \$5,659,000, were used to reduce the overall allocation authorised by Legislative Assembly. However, this change was never included in any Supplementary Estimate and submitted to Legislative Assembly for approval. Additionally, Development Fund Warrant #??? authorized expenditure for \$1,552,000 that was not included in any Supplementary Estimate.

14. The implication of this is that these changes to the Estimates are being implemented without the knowledge of Legislative Assembly. This reduces transparency and limits the oversight entrusted to Legislative Assembly as per the Constitution.

**15. We recommend that any amendment to the Estimates which affect the overall total per Ministry/Department be submitted to Parliament for its approval.**

e) Follow-up on grants/contributions issued

16. GOM issues grants and contributions to various entities to assist with the acquisition of assets; to facilitate an entity's smooth operation (e.g. assistance with salaries/wages) ; or facilitate the completion of some small project. There appears to be no seeming follow up to ensure that the terms of the grant are being adhered to.

17. GOM need to put in place policy guidelines to ensure that there is follow up checks on the use of moneys granted to entities for specific purposes and that the terms of the agreement is adhered to within a specific timeframe. If an entity fails to implement the agreed programme or activity there should be some mechanism to trigger the recall of the funds provided for it.

### **Financial Performance**

18. For fiscal year 2015/16 the budgeted Recurrent Revenue was \$128,238,300. Actual revenue collected amounted to \$122,279,784 a shortfall of \$6,048,516. This shortfall was due to under collection of projected local revenues and budgetary aid.

19. Despite the shortfall in projected revenue collections for the current year, we have noted a 0.06% increase in actual local recurrent revenue when compared with collections for the prior year. We have also noted annual increases in local revenue

collections moving from a low of \$41.76M in 2011/12 to a high of \$46.35M in 2015/16 financial year.

20. Expenditure, as authorized by the Appropriations Act, Ordinance #5 of 2013 authorized expenditure of \$128,238,300. Two Supplementary Appropriation warrants giving a net figure of \$271,100 were passed increasing the authorized balance to \$128,599,400. General Warrants 5 and 6 for a combined total of \$5,659,000 reduced the authorized expenditure to \$122,850,400.

21. Actual expenditure was \$115,810,025. This results in an underspend of \$12.4M or a 9.60% decrease in expenditures when compared to the original budget

### **Cash Position of Government**

22. The cash balances at the end of the 2015/16 and 2014/15 fiscal years are provided below.

<b>Description</b>	<b>Balances (EC\$) 31 March 2016</b>	<b>Balances (EC\$) 31 March 2015</b>
Consolidated Fund	16,379,396	13,679,691
Development Capital Fund	28,582,647	23,607,796
<b>TOTAL</b>	<b>44,962,043</b>	<b>37,287,487</b>

### **Arrears of Revenue**

23. At close of the fiscal year Arrears of Revenue stood at \$14,350,222.

### **Other Financial audits**

24. At time of writing there was some improvement in the completed and up-to-date audits of some Statutory Agencies/Government owned companies. However, there was some work to get others up-to-date.

### **Performance and Special Audits**

Two performance and/or special audits were completed. A synopsis of the findings and recommendations can be found in Chapter 4 of this Report.



## **CHAPTER 1**

### **1.0 FINANCIAL STATEMENTS FOR APRIL 2015 - MARCH 2016**

#### **1.1 Audit Mandate and Objective**

1. We audited the Public Accounts for Montserrat for the period April 2015 – March 2016 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 Auditing Standards used**

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

#### **1.4 Observations on Financial Statements**

5. The purpose of these observations is to comment on matters that we would like to bring to the attention of the Legislative Assembly, namely

##### *a) Audit Opinion*

6. We have issued an unqualified audit opinion for the accounts mandated to be presented under the Public Finance Management and Accountability Act 2008.

##### *b) Accounting Standards to be used*

7. To lend credibility to the accounts and to enable comparisons to be drawn with other entities, it is important that users are aware of the accounting standards against which the accounts are to be assessed. Currently, the Public Finance Management and Accountability Act (Sec 41(4)) only requires the accounts to be prepared in accordance

with **generally accepted accounting practice**. There is no directive on the specific standards to be used.

8. A Schedule entitled “Provisions for Submission of Accounts” forms part of the requirements for preparation of accounts as determined by the Public Finance Management and Accountability Act. The first requirement is for the preparation of a balance sheet showing the consolidated assets and liabilities of all public and other entities wholly funded through the Consolidated Fund. The IPSASB encourages the use of IPSAS as the financial reporting base under which the accounts are to be prepared. Therefore IS need for the harmonization between internationally recognized and national accounting standards.

9. The preparation of asset and liabilities is inconsistent with accounts prepared under the cash-basis of accounting. Financial Accounts prepared under the cash basis of accounting require the mandatory preparation of a Statement of Cash Receipt and Payment; accounting policies and explanatory notes; and a comparison of the government's publicly available budget and actual amounts (budget execution statement), and explanations of differences between budget and actual, .

10. Part 2 of the Cash Basis IPSAS identifies additional accounting policies and disclosures that an entity is encouraged to adopt to enhance the usefulness of its financial statements for accountability and decision-making purposes. Critical additional disclosures would include the unfunded pension liabilities; related party transactions; any undrawn external assistance and non-cash assets and liabilities.

11. With regard to the disclosure of noncash assets, we note that under current reporting practices they are included they are included in the accounts as part of recurrent expenditures. To enable greater accountability and transparency, these should be included by type f the asset, as part of the notes to the accounts.

12. In light of the foregoing we recommend the following:

- **The inclusion of the specific standards (International Accounting Standards – IPSAS) to be used in the Revised Public Finance Management and Accountability Act (we are aware that such a revision is currently ongoing);**
- **Attention be paid to revising the documents to be submitted to enable compliance with international accounting standards.**

*c) Adoption of Accrual Basis IPSAS*

13. Use of the cash basis IPSAS is but the first step toward preparing accounts that could be compared internationally based on the acceptable public sector accounting standards. However, the cash basis IPSAS provides limited information as it focuses on cash receipt, cash payments and cash balances only. It does not recognize transactions already entered into but monies were not received or paid, or the existence of non-cash assets and liabilities. Adopting the accrual basis of accounting public sector accounting

standards would allow government to improve the quantum and quality of financial information that can be produced on the face of the financial statements.

14. In a Budget Statement entitled “Rebuild, Restore, Revive – Time to fulfill our destiny” which accompanies 2015/16, the government committed to strengthening its systems of Financial Management and Accountability. **We suggest that government make the adoption of Accrual Basis of IPSAS a policy priority; set a target date for adoption and include as Ministry of Finance’s action plan to improve public financial management.**

*d) Classification of Budget in line with GFS 2014*

15. GOM currently produces its budgetary information in line with Government Financial Statistics (GFS) guidelines. The guidelines are produced by the International Monetary Fund (IMF) and are intended to assist governments to produce **internally comparable statistical data that would allow detecting sources of vulnerabilities early and taking timely corrective measures**<sup>2</sup>. Such guideline allows, among other things, the classification of expenditure by functional and economic categories.

16. In 2014 the GFS Manual was updated to engender improvements in public sector reporting and transparency. The classifications were amended to allow for further delineation of information about government expenditures. The Ministry of Finance seemingly adopted the new categories when it included them in the Estimates for the 2015/16 financial year (see page 44 of said Estimates).

17. We note however that the budget was produced using the old GFS 2001 classifications. It therefore made it more difficult and time consuming to compare expenditures according to that set out on page 44 of the Estimates. Given that much work was conducted **we are recommending the full adoption of the GFS 2014 classifications and that the Estimates for each Ministry/Department be prepared accordingly.**

*e) Follow-up on grants/contributions issued*

18. GOM issues grants and contributions to various entities to assist with the acquisition of assets; to facilitate an entity’s smooth operation (e.g. assistance with salaries/wages) ; or facilitate the completion of some small project. During the course of our audits we have uncovered two activities which remained incomplete after five years had elapsed and there appears to be no seeming follow up to ensure that the terms of the grant were being adhered to.

19. **GOM need to put in place policy guidelines to ensure that there is follow up checks on the use of moneys granted to entities for specific purposes and that the s of the agreement is adhered to within a specific timeframe. The guidelines should**

---

<sup>2</sup> Foreword, Government Finance Statistics Manual 2014, International Monetary Fund

include a request for a written progress report on the status of the activity/programme. Additionally, if an entity fails to implement the agreed programme or activity there should be some mechanism to trigger the recall of the funds provided for it.

f) *Inappropriate use of warrants.*

20. Section 20 of the PFMAA mandates that where a need has arisen for expenditure for a purpose for which no amount has been appropriated by an Appropriation Act, a supplementary estimate shall be prepared and submitted to the Legislative Assembly, using a Supplementary Appropriation Bill, for approval.

21. We note that General Warrants 5 & 6 signed by the Minister and valuing \$5,659,000, were used to reduce the overall allocation authorised by Parliament. However, this change was never included in any Supplementary Estimate and submitted to Legislative Assembly for approval.

22. The implication of this is that the change to the Estimates is being implemented without the knowledge of Parliament. This reduces transparency and limits the oversight entrusted to Parliament as per the Constitution.

23. **We recommend that any amendment to the Estimates which affect the overall total per Ministry/Department be submitted to Parliament for its approval.**

## 1.5 Statement of Assets and Liabilities of the Consolidated Fund

24. Table 1 below highlights movements in cash assets and liabilities over the period 1 April wo13 – 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**

	2015	2016	Increase/ (Decrease)
<b>Assets</b>			
Cash	13,679,691	16,380,336	2,700,645
Development Capital Fund	23,607,796	28,582,647	4,974,851
Fixed Deposits	-0	0	0
Investments	11,860,811	11,860,811	0
Advances	-18,271,272	-20,570,480	-2,299,208]
<b>Total</b>	<b>30,877,026</b>	<b>36,253,314</b>	<b>5,376,288</b>
<b>Taxpayer's Equity</b>			
Deposits	4,567,035	3,744,845	-822,190
Consolidated Fund	26,309,990	32,508,468	6,198,478
<b>Total</b>	<b>30,877,025</b>	<b>36,253,313</b>	<b>5,376,288</b>

25. **Advances and deposits.** The Treasury Department continues its efforts to purge the accounts of balances that are deemed uncollectible.

## 1.6 Movements on the Consolidated Fund

26. 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	43,556,700	41,779,332
Benefits	12,519,80,0	12,072,642
Services	<u>66,773,900</u>	<u>61,958,050</u>
Sub-Total	122,850,400	115,810,024
Less: <b>Revenue</b>	<u>128,238,300</u>	<u>122,279,784</u>
Surplus/(Deficit*)	<u>5,387,900</u>	<u>6,469,760</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2015		26.309,990
Fund Adjustment		401,023
Surplus for the year		6,469,760
Funding of Local Projects		<u>(673,245)</u>
Balance c/f 31 March 201		<u>32,507,728,</u>

\* Value of Supplementary Appropriations raised during fiscal year.

### 1.6.1 Recurrent Revenue

27. For fiscal year 2015/16 the budgeted Recurrent Revenue was \$128,238,300. Actual revenue collected amounted to \$122,279,784 a shortfall of \$6,048,516. This shortfall was due to under collection of projected local revenues and budgetary aid..

### 1.6.2 Revenue Surpluses and Shortfalls

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

**TABLE 2**  
**REVENUE SURPLUSES AND SHORTFALLS**

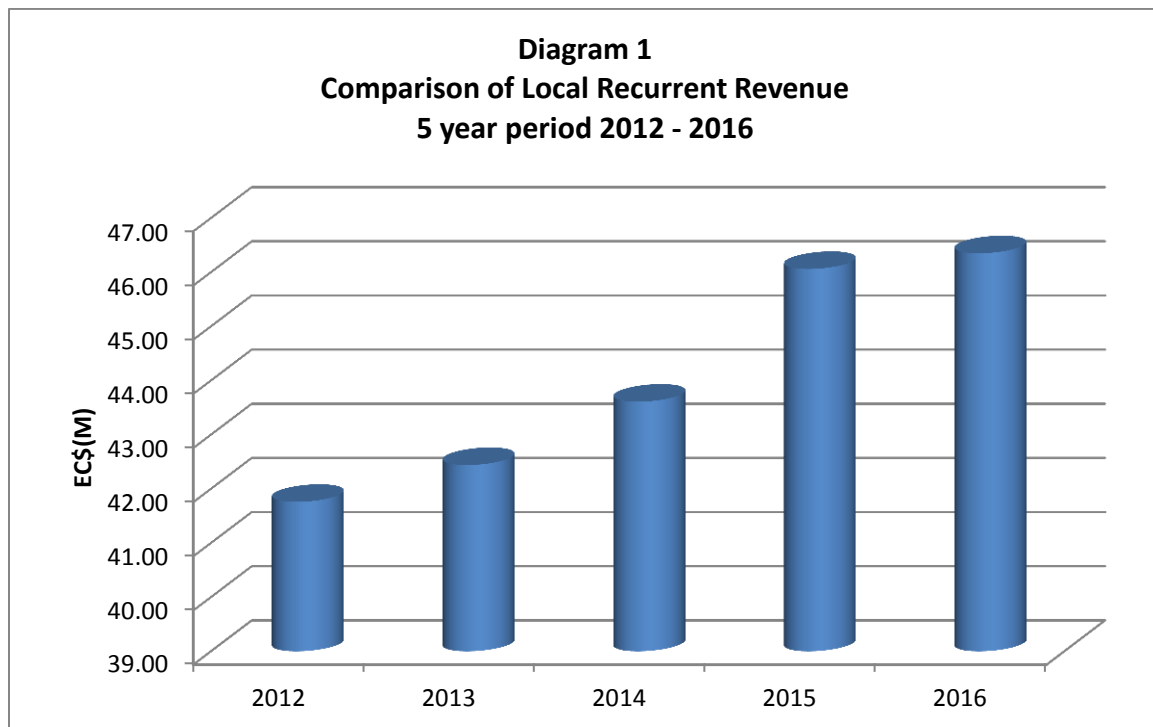
SOURCE OF REVENUE	BUDGETED	ACTUAL	SURPLUS	SHORTFALL
Taxes on Income, Profit & Capital Gains	16,076,000	16,056,633	0	19,367
Taxes on Property	910,000	691,588	0	218,412
Taxes on Domestic Goods & Services	2,004,600	1,569,455	0	435,145
Licences	4,075,600	2,632,371	0	1,445,229
Taxes on International Trade & Transaction	18,436,300	18,522,949	86,649	0
Arrears of Taxes	970,000	634,064	0	335,936

Fees, Fines and Permits	1,838,400	1,912,285	73,885	0
Rents, Interest and Dividends	689,500	902,107	212,607	0
ECCB Profits	0	3,899	3,899	0
Reimbursements	985,000	1,324,914	339,914	0
Other Revenue	2,572,900	2,100,260	0	472,640
Budgets and Grants	79,680,000	75,929,259	0	3,750,741
<b>TOTAL</b>	<b>128,238,300</b>	<b>122,279,784</b>	<b>716,954</b>	<b>6,677,470</b>
<b>Net Shortfall</b>				<b>5,960,516</b>

### 1.6.3 Total Recurrent Local Revenue

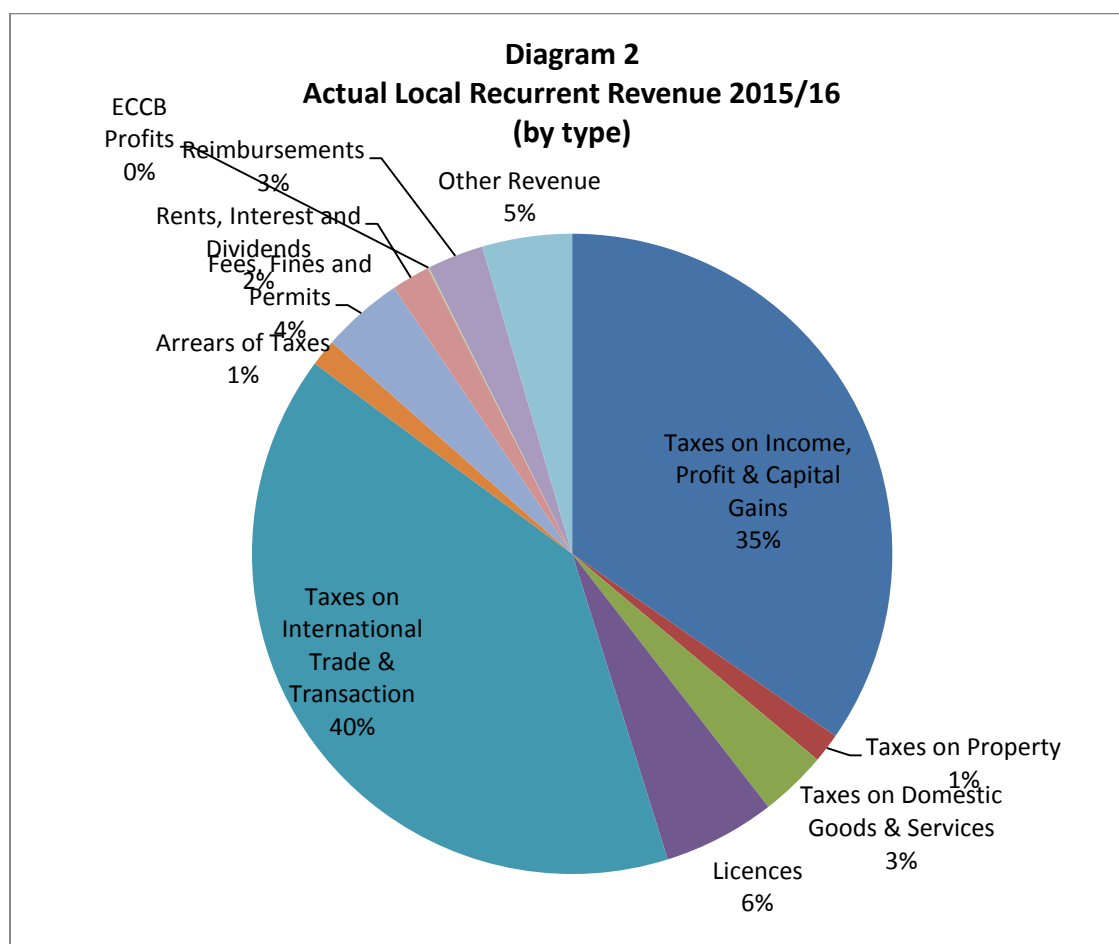
29. The Authorised Estimate for Recurrent Local Revenue was \$48,558,380. Actual revenue collected amounted to \$46,359,525, resulting in a shortfall of \$2,207,775 when compared with the budget.

30. We have noted a steady increase in the collection of Local Recurrent Revenue over the last five years, moving from a low of \$41.76 in 2012 to a high of 46.35M in fiscal year 2015/16. These movements are reflected in Diagram 1 below.



31. Revenue are broken down into two major categories namely Tax Revenue and Non-tax Revenue. Actual Tax Revenue collected for fiscal year 2015/16 was \$40.12M whilst Non-Tax Revenue amounted to \$6.24M.

32. Diagram 2 shows revenue collections by percentage and major revenue collection departments for the 2015/16 fiscal year.



#### 1.6.4 Special Budgetary Assistance

33. The Legislative Assembly, approved special budgetary assistance of \$79,680,000. Actual receipts were \$75,929,259, leaving a seeming shortfall of \$3,750,741. The shortfall was offset by increasing local revenues and lower than expected expenditures

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

**TABLE 3**  
**BUDGETARY AID 2015/16**

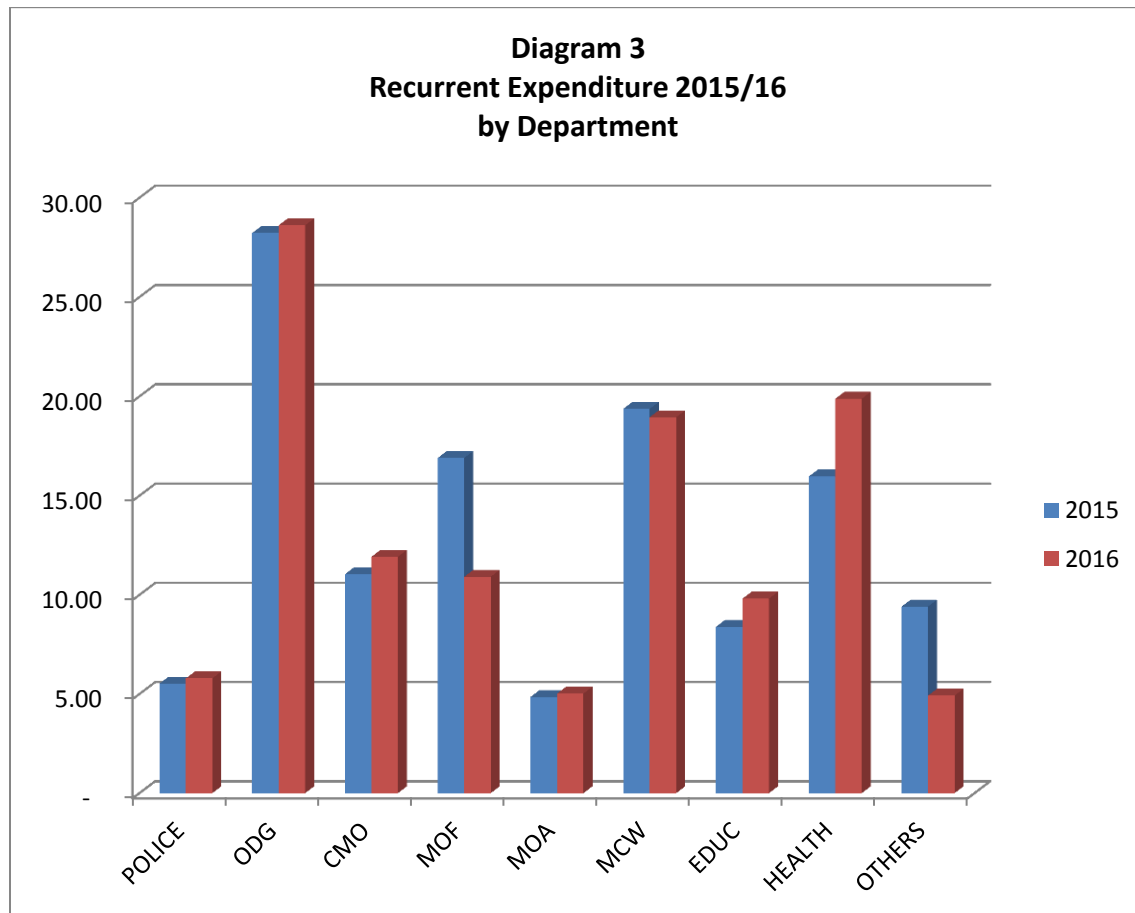
Date	Particulars	Receipt #	£	EC\$
6/4/2015	Budgetary Support Grant	167983	7,436,580	30,266,889.60
10/9/2015	Budgetary Assistance	000179	3,183,591	12,836,875.63
12/11/2015	Budgetary Aid	003329	8,262,760	32,825,502.41
	Total Budgetary Aid		18,882,931	75,929,267.64

### 1.6.5 Recurrent Expenditure

35. Expenditure, as authorized by the Appropriations Act, Ordinance #5 of 2013 authorized expenditure of \$128,238,300. Two Supplementary Appropriation warrants giving a net figure of \$271,100 were passed increasing the authorized balance to \$128,599,400. General Warrants 5 and 6 for a combined total of \$5,659,000 reduced the authorized expenditure to \$122,850,400.

36. Actual expenditure was \$115,810,025. This results in an underspend of \$12.4M or a 9.60% decrease in expenditures when compared to the original budget,

37. Diagram 3 below provides a pictorial view of actual Recurrent Expenditure by those Ministries and Departments. Departments that do not form a part of any Ministry, except for Police, are grouped under Others<sup>3</sup>. They are primarily non-ministerial departments.

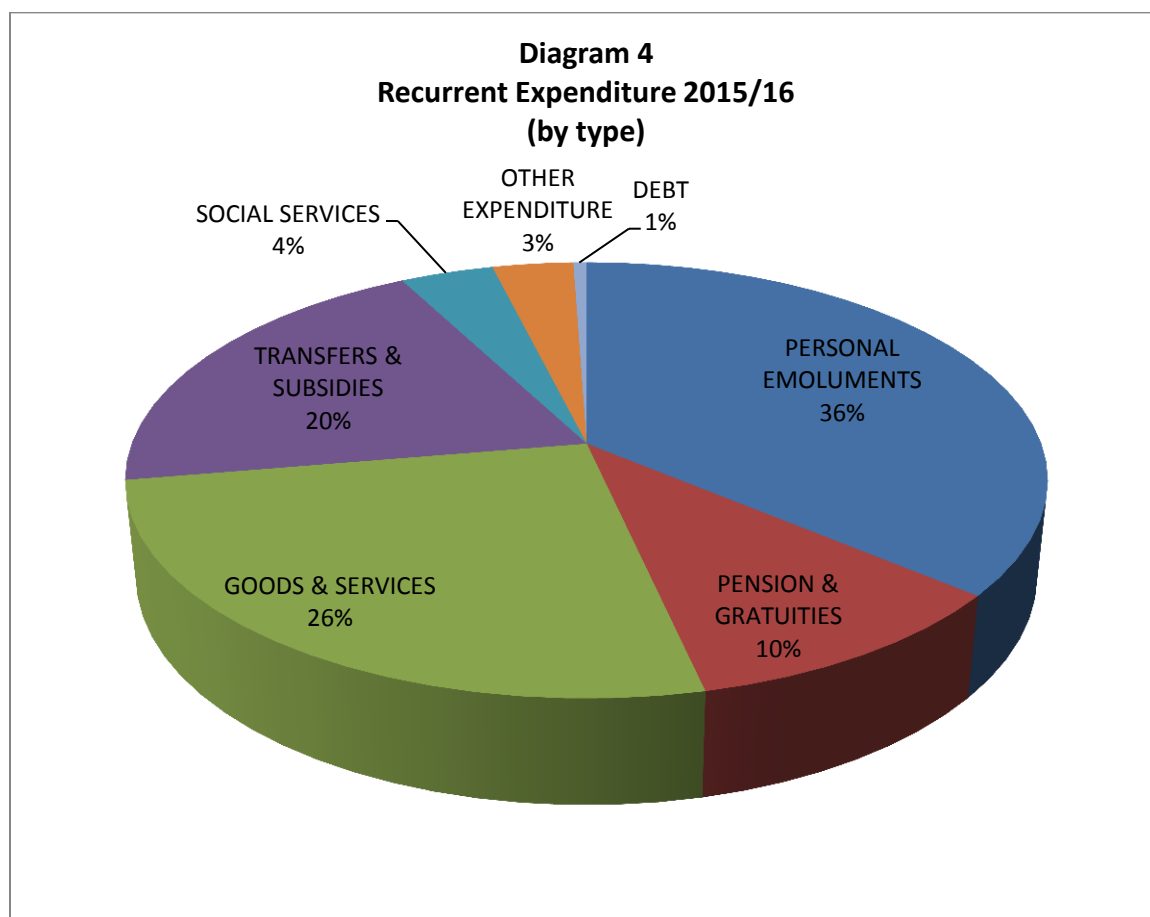


<sup>3</sup> These departments include the Legal Department, Magistrate Court, Supreme Court, Legislature, Public Prosecution and Cabinet Secretariat



37. 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.

38. Diagram 4 below shows expenditure by classified by type and gives relative percentages used per classification.

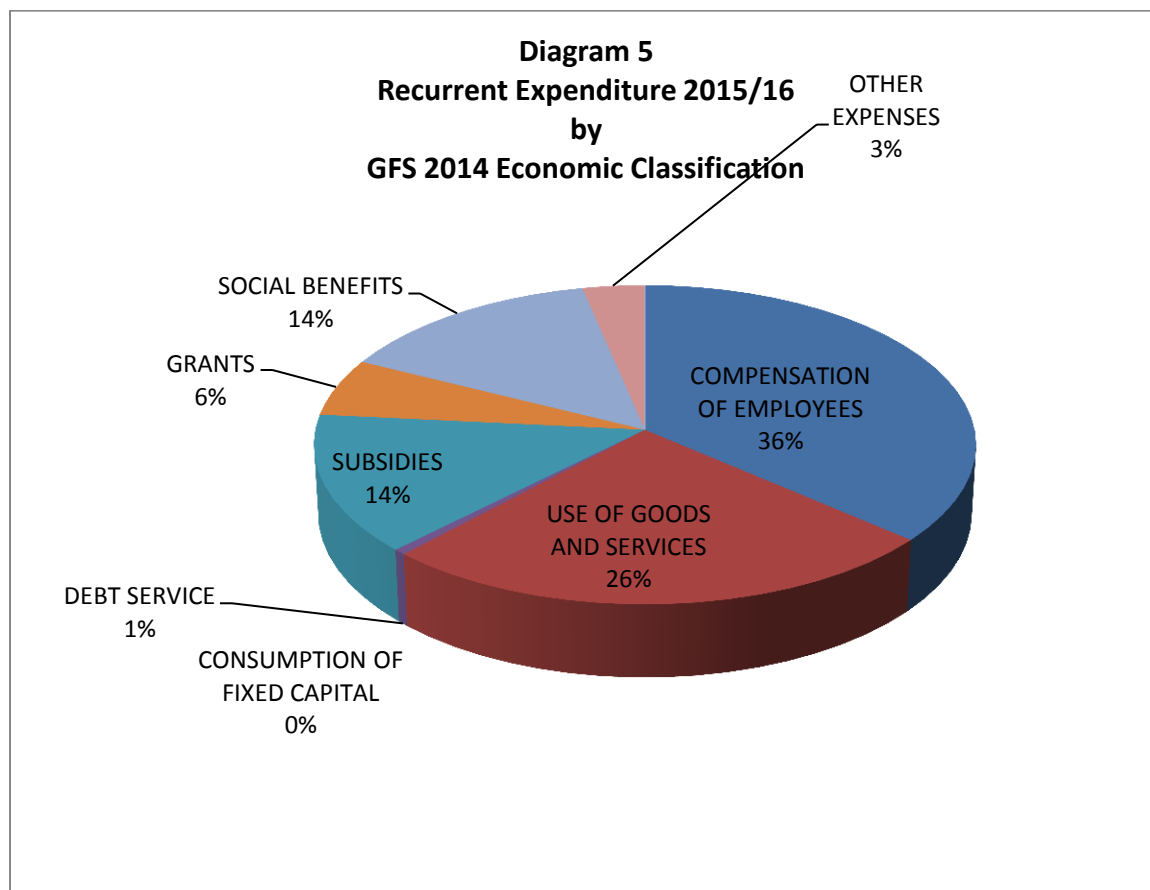


#### 1.6.6 Expenditure by GFS 2014 Classification

39. The Government of Montserrat presents its budget in line with the Global Financial Statistics (GFS) presented by the International Monetary Fund (IMF). These classifications are periodically updated to provide more relevant and accurate picture of the expenditure incurred and to assist management with more improved decision making.

40. In 2014, the GFS classifications were again updated. The major changes include health insurance and social security contributions reported as part of compensation to employees, grants and subsidies being recognized as separate economic items, pension payments being recognized as social benefits. Recognizing these changes, the Ministry

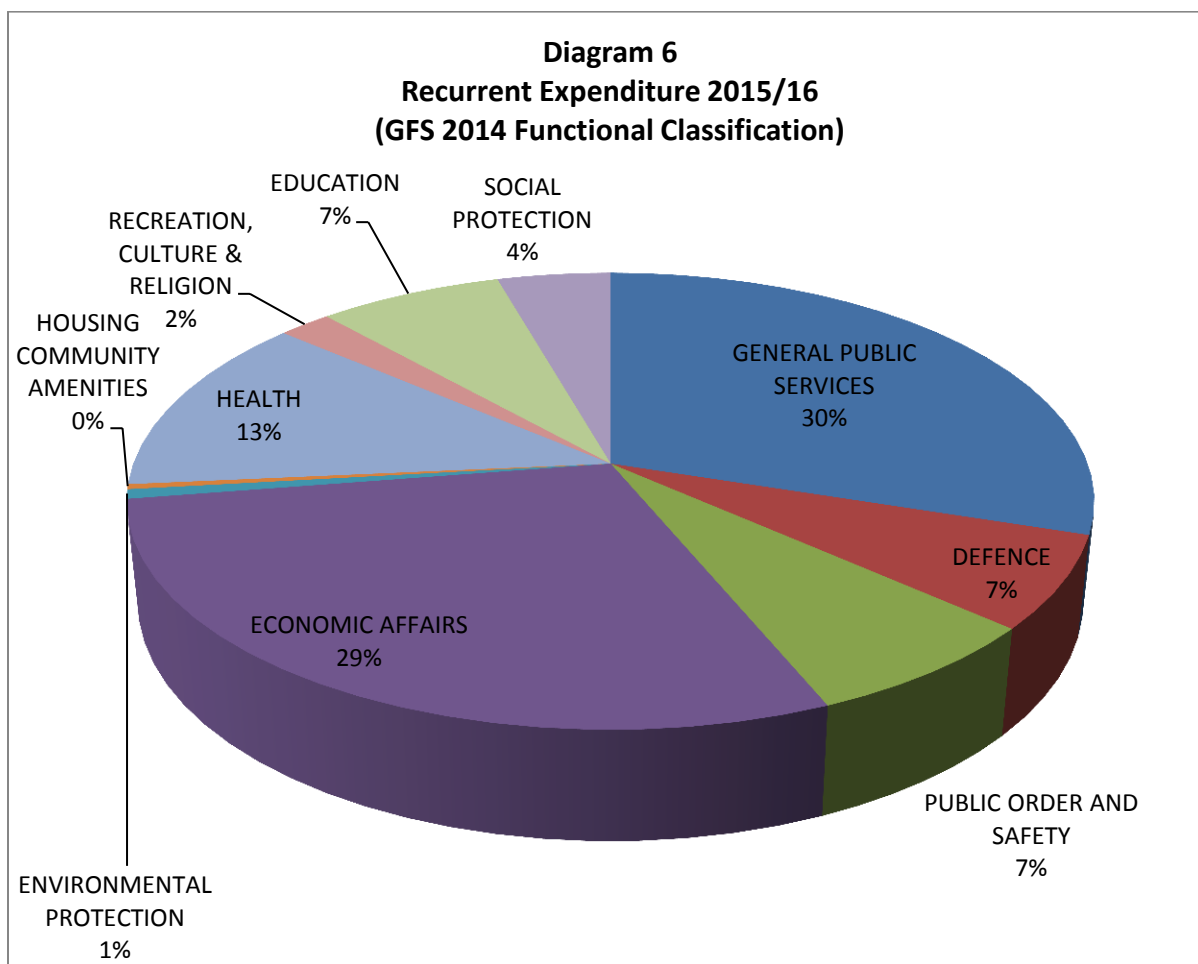
of Finance included expenditure according to the new classification on page 44 of the Estimates of Revenue and Expenditure for the 2015/16 fiscal year. We have used this information highlight the changes in Diagram 5 below.



41 Expenditure was also classified according to the purpose for which it is incurred. These purposes are more widely looked at as the functions which are performed by the government. As per the GFS classification the functions of government are broken down into

- General Public Services
- Defense
- Public Order and Safety
- Economic Affairs
- Environmental Protection
- Housing and community amenities
- Health
- Recreation, culture and religion
- Education and
- Social protection

42 Diagram 6 below provides a breakdown of 2015/16 expenditures according to the functional classification.



43. The economic and functional expenditures were cross classified to provide a clearer picture of how the monies were spent. This can be found at Appendix 5

## 1.7 Arrears of Revenue

44. Arrears of Revenue at end of the fiscal year was \$14,350.222 and are itemized as follows: -

**TABLE 4**  
**ARREARS OF REVENUE**

Executing Agency	Arrears at 31 March 2016	Arrears at 31 March 2015
Ministry of Communications and Works:	0	0
PWD Laboratory	7,180	9,320
Resaleable Stock	18,606	14,002

Revenue Plant & Workshop	135,343	60,812
Mechanical Spares	36,423	7,601
Aircraft Landing Fees	4,227	2,925
Navigational Charges	4,726	2,866
Concessional Rental - Airport	13,218	7,005
Scenic flights	138,758	138,758
Telecom Licence	8,650	9,177
Inland Revenue:-	0	0
Income Tax	5,166,407	3,442,494
Company Tax	5,058,474	2,280,344
Property Tax	3,450,096	3,292,585
Broadcasting Services (Radio M/rat)	0	0
Advertising Receipts	9,714	0
Customs	0	0
Customs Officer Fees	4,380	5,710
Treasury:	0	0
Trade Licences	8,600	8,925
Ministry of Health and Community Service	0	0
Hospital Receipts	257,520	223,183
Ministry of Agriculture	0	0
Royalties - Sandmining	0	18,075
Lease of Government Lands	27,900	9,428
Sale of Government Lands	0	39,714
<b>Total</b>	<b>14,350,222</b>	<b>9,572,924</b>

45. Due to staff shortages some items on the list were not audited at time of writing this report but are included as provided by the Treasury Department...

## 1.7 Development Fund

### 1.7.1 Statement of Assets and Liabilities

ASSETS		2016		2015
British Development Aid Claims Outstdg (1)				7,504,642
Donor Agencies Expenditure Outstdg (2)		2,393,149		2,381,966
Local Funds (4)				
Consolidated Fund Receivable		25,121,240		22,953,281
<b>TOTAL ASSETS</b>		<b>27,514,389</b>		<b>32,839,889</b>
<b>LIABILITIES</b>				
Deposits Within The Development Fund (3)		20,843,885		28,710,948
Local Funds (4)		699,952		992,890
British Dev't Claim Deposits		2,834,499		
Consolidated Capital Fund	968,091		3,436,262	
Add Revenue Over Expenditure	2,167,959	3,136,049	(300,213)	3,136,049
		<b>27,514,389</b>		<b>32,839,88</b>

46. In my previous reports I have highlighted the need for 'dead' accounts' to be removed from the accounts. In discussions with the Treasury Department I have been advised that work to investigate the accounts have begun and that the relevant write off request would be presented to Parliament as per the PFMAA.

### 1.7.2 Capital Expenditure

47. 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 2015/16**

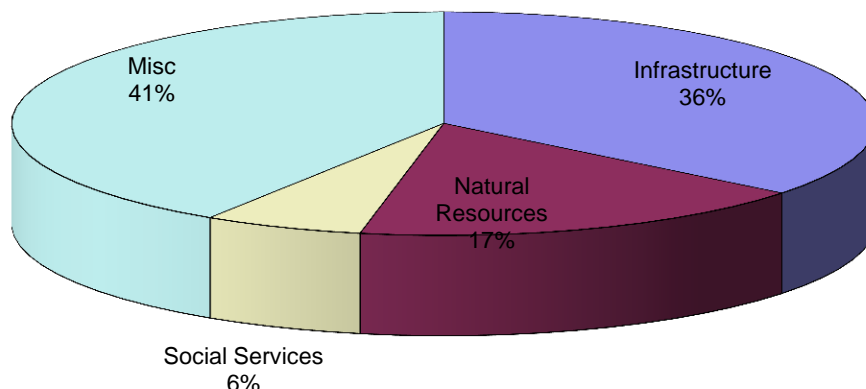
<b>Development Fund Expenditure</b>	<b>Authorized</b>	<b>Actual</b>	<b>Variance</b>
DFID	33,702,700	15,043,351	18,659,349
LOCAL	1,837,200	1,730,078	107,122
DARWIN	362,000	163,878	198,122
CIDA	0	0	0
UNICEF	42,000	38,046	3,954
PSF	0	0	0
ECLAC	0	0	0
EU	23,081,800	7,696,964	15,384,836
OTEP	345,600	0	345,600
CDB	117,100	90,021	27,079
JNCC	0	0	0
<b>TOTAL</b>	<b>59,488,400</b>	<b>24,762,338</b>	<b>34,726,062</b>

48. The Legislative Assembly, via the Appropriations Act, authorized \$43,421,900 to allow expenditures on capital projects. An additional \$14,514,400 was approved via two Supplementary Appropriations bringing the Revised Appropriations to \$57,936,400. Development Fund Warrant #3 included three projects that totaled \$1,552,200 brought total authorized expenditures to \$59,488,400. However, these projects did not form part of any Supplementary Estimate that was approved by the Legislative Assembly.

49. Actual spending for the year amounted to \$24,762,337 being 42% of authorized expenditure for the year.

50. A pictorial view of capital expenditures, by sector, is given in Diagram 7 below. The expenditures have been classified by sectors. As the focus moves away from large infrastructure development projects, we see an uptick in miscellaneous development projects.

**Diagram 7**  
**Actual Capital Expenditure 2015/16**  
**(by Sector)**



## **1.8 Other Statements**

### **1.8.1 Statement of Public Debt**

51. During this fiscal year, Montserrat Utilities Limited (MUL) began draw down on government guaranteed debt with the Caribbean Development Bank. This draw down valued \$3,294,066.

52. At close of the fiscal year Total Public Debt<sup>4</sup>, exclusive of unpaid contributions to local and regional institutions, and revenue refunds, but inclusive of the MUL debt amounted to \$8,929,971.

53. Principal repayment on external debt was recorded as \$501,666 being 1.08% of local recurrent revenue. This is well within the ECCB'S debt sustainability threshold of 60% of government revenues.

54. Interest payments for the year on external debt amounted to \$127,967.82 being 28% of actual local recurrent revenue for the year.

55. Overdue charges of \$2,236.64 were paid on the public debt. These payments are avoidable. Furthermore, the funds could be better used to employ a junior officer for a month. Attention should therefore be made to making these payments by their due dates.

<sup>4</sup> Total Public Debt = Total External Debt

## **CHAPTER 2**

### **2.0 OTHER FINANCIAL AUDITS**

#### **2.1 Montserrat Land Development Authority (MLDA)**

56. At time of writing the 2015 Montserrat Land Development Authority Financial Statement for the Corporate Division was being audited.

57. The Financial Statements for Property Management for period ending 31 March 2012 was audited and submitted to the Minister of Agriculture, on 7 November 2016, for onward submission to the Legislative Assembly.

58. At time of completing this Report the 2013 and 2014 Financial Statements were being audited.

#### **2.2 Montserrat Social Security Fund (MSSF)**

59. The 2015 Financial Statements were tabled in the Legislative Assembly on 27 September 2016. At time of writing this Report, MSSF was in the process of sourcing auditors for the 2016 accounts.

#### **2.3 Montserrat Port Authority (MPA)**

60. The 2014 and 2015 Financial Statements were tabled in the Legislative Assembly on 24 May 2016 and 27 September 2016, respectively.

#### **2.4 Annual Government Accounts**

61. The Auditor General's Report on the Audit of the Public Accounts of Montserrat for the years ending 31 March 2015 was tabled in the Legislative Assembly on 25 October 2016.

#### **2.5 Montserrat Civil Service Association (MCSA)**

62. The 2011 - 2015 Accounts were submitted to our offices and are currently being audited.

#### **2.6 Golden Years Foundation for Care of Elderly (GYFCE)**

63. The 2015 Financial Statements were tabled in the Legislative Assembly on the 30 June 2016.

#### **2.7 Montserrat Financial Services Commission (MFSC)**

64. The 2015 Financial Statements were submitted to the Ministry of Finance for onward submission to the Legislative Assembly.

## **2.8 Montserrat Utilities Limited (MUL)**

65. The 2013 Accounts were finalized and submitted to the Ministry of Finance for onward submission to the Legislative Assembly.

66. The Financial Controller has advised that the 2014 and 2015 Financial Statements were reviewed by the Finance Committee and are awaiting presentation to the full Board. Approval by the Board was expected to be obtained by the end of January 2017.

## **2.9 Government Savings Bank (GSB)**

67. In my last report I had indicated that GOM had closed the Government Savings Bank effective 31 March 2014<sup>5</sup> with final disbursement of funds by 31 July 2014. The Financial Statements for that 7-month period January – July 2014 was audited and tabled in the Legislative Assembly on 27 September 2016.

## **2.10 Montserrat Info-Communication Authority (MICA)**

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

## **2.11 Basic Needs Trust Fund (BNTF)**

69. The 2015 and 2016 BNTF accounts were audited and returned to the entity for adjustments. At time of writing this report, were still awaiting the completion of the adjustments before sign-off and submission for tabling.

## **2.12 Montserrat Volcano Observatory (MVO)**

70. The 2009 Financial Statements were accepted by the MVO and were being finalized for submission to the Legislative Assembly. The 2010 Accounts were being audited.

## **2.13 Bank of Montserrat (BOM)**

71. According to its website Bank of Montserrat (BOM) became Montserrat's first indigenous commercial bank on the 3rd May 1988, following its incorporation as a limited liability company. Today, BOM is the leading financial institution on the island with a market share of 80% of the commercial banking market<sup>6</sup>. GOM owns a significant number of shares in this Bank making it the leading shareholder.

---

<sup>5</sup> Savings Bank Order, SRO #26 OF 2014 and Savings Bank (Amendment Rules) 2014, SRO 69/2014

<sup>6</sup> <http://www.bankofmontserrat.ms/About> Us



72. With respect to the status of its accounts, the Accountant has informed that the 2016 Financial Statements have been audited and approved by the Board of Directors. These are being incorporated in the Annual Report to which final adjustments are being made before dissemination to the public.

#### **2.14 Montserrat Arts Council (MAC)**

73. The Montserrat Arts Council (MAC) formerly Culture Division was established by Cap 16.05 of the Laws of Montserrat. Although the legal mandate was given in 1999, the entity became fully functional in fiscal year 2013. Its aim is to foster development of the arts, uplift the condition of arts and artists and ensure implementation of the government's Cultural Policy.

74. The Permanent Secretary with responsibilities for the Montserrat Arts Council operations invited to conduct an audit of MAC's accounts and preliminary work on this audit was undertaken. However, the actual audit of the Financial Statements had to be postponed as the Financial Statements were not completed at the time of OAG'S visit.

## **CHAPTER 3**

### **3.0 PERFORMANCE/SPECIAL AUDITS**

#### **3.1 Selected Outsourcing Activities in the Montserrat Public Service**

75. The Government of Montserrat (GoM) is keen to rebuild a vibrant private sector so that the sector can make a more meaningful contribution to the development of the economy. To assist the development of the private sector, GoM chose to outsource some activities that were normally performed by the public sector. These included the outsourcing of Government Cleaning Services, School Lunch Programme, School Bus Service and the Drivers Licence Testing Service.

76. This performance audit was planned to determine whether the outsourced activities were adequately planned and implemented; the benefits realised; and whether there were adequate arrangements for monitoring service providers.

77. This audit reviewed the Government's management framework for outsourced activities to determine if it is good enough to achieve results and ensure good value-for-money. To assess the framework, we reviewed the Government's policies, processes and practices for procuring services from the private sector and used four "activities", the School Transportation Service, School Lunch Programme, Cleaning Services and the Driving Examinations as examples to determine how the entire process was and is working.

78. In March 2013, according to former Premier Reuben T. Meade, "A key policy outcome is that of encouraging private investment to the island, and to support local entrepreneurs in business development. This is being done by creating the necessary framework within which they can operate. We will, among other things, continue to critically analyse the public sector and identify services which can be more efficiently provided by the private sector."<sup>7</sup> 1 Cabinet (2013) approved the outsourcing of Government's Cleaning Services, School Lunch Programme, and the School Bus Service. The Driver's Licence Testing Services that is, written examination and road test were privatised effective December 1, 2013.

##### **3.1.1 Audit Findings**

79. The audit found that GoM does not have an approved outsourcing plan or an outsourcing policy and procedures manual. Two of the outsourced activities are providing cost savings to Government of Montserrat (GoM) showing reduced cost over the three years of operation, however the costs of cleaning government buildings is increasing annually. The Workers' Cooperative is currently operating as a unit of the Office of the Deputy Governor (ODG). There was direct contravention of the procurement regulations with the treatment of the outsourcing of Government's cleaning services.

---

<sup>7</sup> Budget Statement 2013/14 – Counting our Blessings Amidst the Challenges

80. We found that not all of the outsourced activities were included in their respective Ministry's strategic plans and limited documentation was available for review. Only 2 outsourced activities went through Government's Tendering Process. However, we were unable to determine whether the key stages of the process were adhered to due to non-submission of documents. Also, contracts are being signed long after services have commenced. Such occurrences have been highlighted as the new norm and are deemed unacceptable as this can exposed the GoM to potential liabilities.

81. We therefore concluded that the re-emergence of outsourcing of government activities was a good decision notwithstanding the non-submission of some documents. More important, however, we concluded that senior government officials is responsible for ensuring that appropriate documentation, policies, procedures and controls are followed or put in place. We have made a number of recommendations to our findings around the management of outsourcing activities. The acceptance and implementation of these and other recommendations will bring about significant improvement.

### **3.1.2 Recommendations**

82. **The introduction of an up-to-date outsourcing plan is advised** in order to put forward proposals on which Government services could be further outsourced to the private sector, in the form of a three-year programme, together with supporting information. The **introduction of an Outsourcing Policy and Procedures Manual** will set out the current policy, provide information on precedents and lessons to be learned; and to suggest procedures for the implementation of outsourcing.

83. The **cleaning services must be reviewed** and a decision be made on the way forward on whether Workers' Cleaning Cooperative (MCC) will continue to be a unit of ODG or operate as it was intended – an outsourced activity.

84. There is the **need to retract the appointment of a government employee as General Manager of the MCC** as this is in contravention of the Cabinet Decision 59/2014 dated 30 January 2014.

85. There should be a **culture of measuring performance of the service provider** to ensure that performance in key result areas are monitored against targets, reported to appropriate management levels, and significant variances addressed.

86. **The Procurement Division should ensure all contracts and contract amendments are signed between the GoM and service providers** in a timely manner in order to fully protect the interests of the Government.

87. The **consideration and implementation of a contract lodgement system** will help management to keep abreast of contract expirations and thereby ensuring adequate performance monitoring and assessment.

### 3.2 Review of Montserrat Ferry Service: Lessons Learned Report

88. Montserrat has been utilizing ferry services to transport people and small cargo between Montserrat and Antigua from 1997 to 2016. During this period several carriers were utilized to provide the service. We are however focusing on the period 2011 to 2016.

89. In March 2016, the ferry service was abruptly terminated causing chaos to the traveling public. The move affected the travel of residents of Montserrat, visitors and day trippers. Subsequently, the GoM arranged for charters to facilitate air transportation of passengers that were affected by the ferry termination.

90. The Office of the Auditor General (OAG) became aware of concerns raised by a number of stakeholders about the renewal of ferry service contract carried out by the Ministry of Communications and Works. The main concern raised surrounded the legality of the ferry service contract. This concern and some preliminary work conducted showed that there was a clear public interest in the OAG reviewing certain aspects of the ferry operations.

91. The objective of this review was to identify any gaps in the previous ferry operations/system, highlight lessons learnt and make suggestions for improvement where necessary. To conduct our work we interviewed key individuals involved in the ferry operations and reviewed relevant documents.

#### 3.2.1 Findings

92. Tendering. The first ever tender for ferry services commenced in 2012 with the decision to engaged a company to source a ferry operator which was agreed by DFID and GoM. We noted that an expression of interest was engaged, evaluation completed and recommendations were made for the Government to acquire its own purpose-built ferry whilst procuring an interim ferry service with Caribe Transport Ltd. We note that this company was operating for a few weeks prior to its first one year contract which commenced 1<sup>st</sup> April 2014.

93. Caribe Transport Ltd operated for two years with the renewal of the contract for the financial year 2015/16 with minor amendments that both parties agreed. In late 2015, there were correspondences to remind officials that the current ferry contract would soon expire and necessary action was required. An amended contract for 2016/17 was drafted but never signed.

94. Recently, it was stated that one of the reasons why Montserrat is presently without a ferry is based on investigations that were being conducted by the Office of the Premier that uncovered that the last ferry's contract and terms of engagement whilst they operated to and from Montserrat were illegal.

95. We are of the opinion that the 2014-15 and 2015-16 contracts were legal agreements. This is based on the fact that the Attorney General's Chambers, GOM's legal representative, was involved in drafting and amending the contract as necessary.

96. By way of comparison, it is important to note that the solid waste collection and transfer service was the first major Government service to be outsourced. The service continues to be provided on an outsourced basis. In the period since 1994, the contracts have been renewed on a number of occasions. **The contracts were not re-tendered until 2014. It is understood that Government was and is broadly satisfied with the service provided by the private sector** (Draft outsourcing Policy & Procedures 2008). The renewals of these contracts were never deemed as being illegal.

97. We have also concluded that it is impractical for major contracts to be re-tendered annually given their nature, complexity, duration of tender process and the potential for escalating costs. Where the service is expected to be continuous, it is usually more cost effective to enter into longer term contracts as rates tend to be cheaper.

98. Contract Weaknesses. The issues surrounding the ferry contract and other contracts we came across in previous reviews have **highlighted poor contract management in the Public Service**. Contracts are being signed long after services have commenced. Such occurrences have been highlighted as the new norm and are deemed unacceptable as this can exposed the GoM to potential liabilities.

99. The ferry contract only addresses termination. There were **no renewal clause or any clause in the previous ferry contracts which gives the service provider the directive to submit a letter of their desire to continue** to provide the required service three months prior to expiration date for example. There is no trigger for discussions on contract renewal or a decision to tender and, more often than not, the action(s) required are dealt with in an ad-hoc manner. This thereby delays service continuity and late contract signing.

100. Inadequate Communication. Discussions with key officials highlighted **a lack of adequate communication as a big issue** especially when multiple departments are required to communicate to ensure a smooth and efficient service. This we found impacted on staff morale in performing their duties and sometimes affected the ferry schedule.

101. Additionally, **no official correspondence was sent by the Office of the Premier to the Permanent Secretary/Accounting Officer, MCW** who had the responsibility of managing sea and air access to inform her of the transfer of ferry access decision. The only correspondence that was made available was a notification from HE the Governor to Minister, MCW which showed the various areas and the changes for which the

Minister would be responsible. This notification was received weeks after the public announcement, transfer of staff and ferry documents.

102. There was also a breakdown of communication between Caribe Transport Ltd and the GoM in securing a new contract for the continuation of the ferry service.

103. Transition Weaknesses. The decision was made by the Honourable Premier to transfer some aspects of Access to his portfolio. It must be noted that **no request for an audit was made prior to the transition of access** to ensure that adequate systems were in place to be utilized for continuity purposes and to verify that figures in the accounts give a true a fair view.

104. We noted that the Office of the Premier had no previous experience of managing the ferry operation, including the preparation of its accounts, and a hand over process was never initiated. This we note may impact on the continuity of management of the accounts should it not be addressed prior to the commencement of the next ferry operation.

105. Inadequate Knowledge of Procedures. We found that **some officials were not very familiar with Government Regulations and Procedures.** This can affect important decision making when regulations or procedures are not known. For example the transition weaknesses highlighted above.

106. It is important to highlight that the functions of the Public Procurement Board include the responsibility for determining the forms of documents for procurement including, but not limited to procurement manuals, guidelines and procedures. These are not currently in place.

107. Inadequate Policy. One issue uncovered surrounded the issuance of complimentary tickets including who, when, and/or which groups should be allowed free access to the ferry services. Our review revealed that there was **no policy in place that guides the issuance of all complimentary tickets and tickets offered at a reduced rate.** This was dealt with on an ad-hoc basis.

108. Inadequate Facilities. A number of stakeholders highlighted the **inadequacy of the ferry terminal especially when dealing with 20 or more passengers here in Montserrat.** Issues surrounding the size of the rooms and facilities to perform private checks on luggage were noted. It was brought to our attention that there have been discussions to submit the necessary proposals for a project to adjust the ferry terminal building infrastructure.

109. Limited Resources. There have been marked increases in operations bestowed on the Customs Division in recent years. Most specifically, we found that Customs and Immigration were managing their duties of the **ferry operations with minimum staff numbers which put a strain on that department to meet their objectives of collecting**

**revenue** and providing the service of ensuring that officers were available at varying times. Several requests were made for additional officers.

### **3.2.2 Recommendations**

110. Going forward, we are of the view that the decision to renew such major contracts should not be made without input from the Government's Procurement Advisors i.e. the Public Procurement Board.

111. Officials must be trained to know the regulations and procedures that govern the Montserrat Public Service to ensure their efficiency and effectiveness in making important decisions.

112. Section 16 (1) of the PF (M&A) (Procurement) Regulations states that the "Public Procurement Board shall be responsible for (c) making rules governing procurement to carry out the provisions of these regulations". It is our recommendation that the MoF seek to ensure that the necessary documents are drafted and approved for future guidance.

113. There is need for senior government officials to receive training in contract management and negotiation skills.

114. Consideration should be given for the approval of building infrastructure works at the ferry terminal to be done whilst no ferry is operating and prior to the upcoming major festival events.

115. All transitions of government departments, units or significant operations require an audit to be performed.

116. Most government contracts speak to termination but no renewal clause is included. Consideration should be given to a renewal clause where the service provider submits a letter of their desire to continue no less than 3 months prior to expiration. This can then trigger discussions on the way forward.

117. GoM to consider implementing a contract lodgment system for tracking all procurement contracts. This is expected to notify key stakeholders of the impending expiration to effect the renewal or tender process.

118. Communication needs to be improved to ensure an effective and efficient service thereby achieving desired results. There is the need to improve communication going into the next ferry operation. This would eliminate misunderstandings and ensure that the necessary resources are in place.

119. There is need for the formulation of a policy that would govern/guide the issuance of all complimentary and tickets offered at reduced rates. Such a policy should include the use of the ferry by teams representing Montserrat abroad.

120. We recommend that the Customs Division be adequately staffed in order to maximize and safeguard government revenue, ensure that legitimate trade is protected and to maintain effective control of prohibitions and restrictions. This would also improve the issues surrounding customs after hours processing of clearances especially during high volume travel seasons.



**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 2016 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 2016.

**OTHER MATTERS**

My Report dated 6 March 2017, 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.

A handwritten signature in blue ink, appearing to read 'F. Lee', is written over a light blue rectangular background.

FLORENCE A LEE, CPA, BSc, MSc  
AUDITOR GENERAL  
OFFICE OF THE AUDITOR GENERAL  
MONTSERRAT, WEST INDIES  
6 March 2017

## APPENDICES

Appendix 1	Consolidated Fund Financial Statements 2015/16	27
Appendix 2	Audit provisions – Montserrat Constitution Order 2010	49
Appendix 3	Status of Audit Recommendations	52
Appendix 4	Cross sectoral classification of budget 2015/16	64
Appendix 5	Organisation Chart	65

**APPENDIX 1**  
**GOVERNMENT OF MONTSERRAT**

**Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2016**  
**(with figures for period ended March 31, 2015)**

<b>FINANCIAL ASSETS</b>		<b>2016</b>	<b>2015</b>
Cash Local	2	8,093,837	5,370,430
Operating Account ECCB	3	238,614	220,503
Development Capital Fund Account	4	28,582,647	23,607,796
Crown Agents # 2 Account	5	2,502,538	2,548,250
Fiscal Reserve - A/C # 1 Tranche ECCB	6	5,544,407	5,540,508
Equity –Bank of Montserrat	7	11,860,811	11,860,811
Personal Advances	8	428,068	461,526
Outstanding Imprest	9	34,852	216,779
Advances to Other Governments & Administration	10	124,280	117,197
Other Advances	11	4,500,000	4,500,000
Postmaster Clearance	12	(536,439)	(613,492)
Development Fund Receivable/(Payable)	13	<u>(25,121,240)</u>	<u>(22,953,281)</u>
<b>TOTAL ASSETS</b>		<b><u>36,252,374</u></b>	<b><u>30,877,025</u></b>

Government of Montserrat Annual Accounts for the year ended March 31, 2016

**GOVERNMENT OF MONTSERRAT**  
**CONSOLIDATED REVENUE FUND**  
**Statements of Assets and Liabilities as at March 31, 2016**  
**(with comparative figures for March 31, 2015)**

		2016	2015
<b>LIABILITIES</b>			
Miscellaneous Deposits	14	3,734,500	4,557,899
Special Funds	15	<u>10,346</u>	<u>9,136</u>
<b>TOTAL LIABILITIES</b>		3,744,845	4,567,035
<b>THE CONSOLIDATED FUND</b>			
Balance at the start of the Year		26,309,990	16,119,521
Prior Year Adjustment	16	401,023	8,966,310
Revenue (recurrent) for the Year	122,279,783	121,412,905	
Expenditure (recurrent) for the Year	<u>115,810,023</u>	<u>119,676,912</u>	
Surplus/(Deficit)		6,469,760	1,735,994
Loss Allocation (ECCB)	17	-	(187,955 )
Transfer to Local Costs	18	<u>(673,245)</u>	<u>(323,880)</u>
<b>TOTAL CONSOLIDATED FUND</b>		<u>32,507,528</u>	<u>26,309,990</u>
<b>TOTAL</b>		<u><u>36,252,374</u></u>	<u><u>30,877,025</u></u>

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

Accountant General, Montserrat

**CASH FLOW STATEMENT**  
**MARCH 31, 2016**

<b>Cash Flows from Operating Activities</b>		<b>2016</b>	<b>2015</b>
Tax Revenues	19	40,107,060	40,210,181
Non Tax Revenues	20	6,239,566	5,852,966
Budget and Grants	21	75,929,259	75,349,758
Recurrent Expenditure	22	(115,810,023)	(119,676,912)
Development Expenditure/Local Projects	18	(673,245)	(323,880)
<b>Net Cash flows from Operating Activities</b>		<b>5,792,616</b>	<b>1,412,114</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net cash flows from Investing activities</b>	24	<b>3,899 -</b>	<b>1,359,509</b>
<b>Cash Flows from Financing Activities</b>			
(Increase)/Decrease in Advances		2,299,208	(4,724,384)
Increase/(Decrease) in deposits		(822,190)	(52,434)
Adjustments for:	18		
Advances and deposits		302,055	
Effect of exchange rate changes on cash and cash equivalents		33,926	
Other (Net)		65,041	
<b>Net Cash flows from financing activities</b>		<b>1,878,041</b>	<b>(4,776,818)</b>
<b>Net cash flows</b>		<b>7,674,556</b>	<b>(2,005,195)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>37,287,486</b>	<b>39,292,681</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>44,962,042</b>	<b>37,287,486</b>

Accountant General  
Montserrat

**Statement of Cash Receipts and Payments for the Government of Montserrat**  
**For the Year Ending March 31st, 2016**

	Notes		Third Party Payments	Third Party Payments
<b>Receipts</b>				
<b>Tax Revenue</b>				
Taxes on Income, Profits and Capital Gains		16,690,696	16,814,614	
Taxes on Property		691,588	708,912	
Taxes on Domestic Goods & Services		1,569,455	1,612,302	
Licences		2,632,371	2,863,783	
Taxes on Int. Trade & Transactions		18,522,949	18,210,571	
<b>Total Tax Revenue</b>	19	<b>40,107,060</b>	<b>40,210,181</b>	
<b>Non Tax Revenue</b>				
Rents Interest and Dividends	20	902,107	1,225,032	
External Assistance - Budgetary Aid	21	79,929,259	75,349,758	
External Assistance – Development Grants	29	26,930,297	31,632,009	
Fees, Fines and Permits	20	1,912,285	2,109,887	
Other Receipts	20	3,318,874	2,297,079	
Capital Receipts		106,300	220,967	
Receipt from Investment	20	3,899	3,311,003	
<b>Total Receipts</b>		<b>149,210,080</b>	<b>156,355,917</b>	
<b>Payments</b>				
Personal Emoluments	22	41,779,332	41,332,780	
Pension, Gratuities and Other Benefits	22	12,072,642	14,142,815	
Goods & Services	22	29,928,885	25,035,987	16,374
Transfers and Subsidies	22	23,052,071	25,506,844	
Social Services	22	4,480,059	3,374,498	
Other Expenditure	22	3,860,230	9,625,254	
Debt	22	636,803	658,735	
Locally funded projects	18	673,245	323,880	
ECCB loss		-	187,954	
Capital Expenditure (Development Fund)	29	6,723,002	19,974,077	
Capital Expenditure (Development Fund)	29	18,039,336	13,721,751	
Advance and Deposits (net))	24	190,951	4,507,291	
<b>Total Payments</b>		<b>141,436,556</b>	<b>158,397,798</b>	
Cash flow Increase/(Decrease)		7,773,524	(2,035,881)	
Exchange rate adjustments	16	(33,926)		
Other		(65,041)		
		<b>7,674,556</b>		
<b>Cash at the Beginning of the Year</b>		<b>37,287,486</b>	<b>39,292,681</b>	
<b>Actual Cash at March 31st</b>		<b>44,962,042</b>	<b>37,287,486</b>	16,374

**CONSOLIDATED FUND - April 2015 to March 2016**

**Consolidated Statement of Comparison of Budget and Actual Amounts**

**(Budget Approved on a Cash Basis)**

**(Economic Classification of Payments)**

		<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual 2016</b>	<b>Budget Variance<sup>8</sup></b>	<b>Actual 2015</b>
	<b>Notes</b>					
<b>Cash Inflows</b>						
Taxation	19	42,472,500	42,472,500	40,107,060	(2,365,440)	40,210,181
Non Tax	20	2,527,900	2,527,900	4,143,204	1,615,304	3,334,920
Other receipts	20	3,557,900	3,557,900	2,100,260	(1,457,640)	2,518,046
Grants						
Budgetary Aid /	21	79,680,000	79,680,000	75,929,250	(3,750,741)	75,349,758
Development Grants	29	43,421,800	54,395,071	26,930,297	(16,491,503)	33,395,548
<b>Total Receipts</b>	<b>1</b>	<b>171,660,100</b>	<b>182,633,371</b>	<b>149,210,080</b>	<b>33,423,291</b>	<b>163,223,565</b>
<b>Cash Outflows</b>						
Personal Emoluments	22	45,751,400	43,556,700	41,779,332	2,480,904	41,332,780
Pension, Gratuities and Other Benefits		13,074,700	12,519,800	12,072,642	3,501	14,142,815
Goods & Services	22	33,750,100	33,469,100	29,928,885	1,066,418	25,035,987
Transfers and Subsidies	22	24,723,100	23,874,700	23,052,071	268,386	25,035,987
Social Services	22	4,015,300	4,555,100	4,480,059	15,878	3,374,498
Other Expenditure	22	6,280,200	4,237,300	3,860,230	352,817	9,625,254
Debt	22	643,500	637,700	636,803	347,061	658,735
Capital Expenditures	29	43,421,800	54,395,071	23,09,092	19,332,708	33,371,882
Locally Funded Projects	18	792,800	1,837,200	673,245	119,655	323,880
<b>Total Outflows</b>	<b>1</b>	<b>172,453,000</b>	<b>179,082,671</b>	<b>140,572,360</b>	<b>(23,987,418)</b>	<b>153,372,673</b>

<sup>8</sup> Original minus Actual

# **CONSOLIDATED FUND - April 2015 to March 2016**

## **Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL REVENUE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>1A - Tax Revenue</b>				
110: Taxes on Income, Profits and Capital Gains	16,076,000	16,076,000	16,056,533	(19,367)
115: Taxes on Property	910,000	910,000	691,588	(218,412)
120: Taxes on Domestic Goods & Services	2,004,000	2,004,000	1,569,455	(435,145)
122: Licences	4,075,000	4,075,000	2,632,371	(1,443,229)
125: Taxes on Int'l Trade & Transactions	18,436,300	18,436,300	18,522,949	86,649
129: Arrears of Taxes	970,000	970,000	634,064	(335,936)
<b>Total Tax Revenue</b>	<b>42,473,500</b>	<b>42,472,500</b>	<b>40,107,060</b>	<b>(2,365,440)</b>
<b>1B: Non Tax Revenue</b>				
130: Fees, Fines and Permits	1,838,400	1,836,400	1,912,285	75,885
135: Rents, Interest and Dividends	680,900	689,500	902,107	212,607
140: ECCB Profits	-	-	3,899	3,899
145: Reimbursements	985,000	985,000	1,324,914	339,914
150: Budget and Grants	79,680,000	79,680,000	75,929,259	(3,750,741)
160: Other Revenue	2,572,900	2,572,900	2,100,260	(472,640)
<b>Total Non Tax Revenue</b>	<b>85,765,800</b>	<b>85,765,800</b>	<b>82,172,723</b>	<b>(3,593,077)</b>
<b>TOTAL RECURRENT REVENUE</b>	<b>128,238,300</b>	<b>128,238,300</b>	<b>122,279,783</b>	<b>(5,956,517)</b>

*Accountant General, Montserrat*

Government of Montserrat Annual Accounts for the year ended March 31, 2016



**CONSOLIDATED FUND - April 2015 to March 2016****Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>CONSOLIDATED FUND EXPENDITURE:-</b>				
05 Police & Fire	6,051,200	5,931,300	5,790,443	140,857
07 Legal	1,682,700	1,652,600	1,420,741	231,859
08 Magistrates Court	330,900	310,000	282,130	27,870
09 Supreme Court	690,300	624,200	579,364	44,836
10 Legislature	2,773,200	2,407,000	2,145,460	261,540
12 Office of the Deputy Governor	31,739,100	30,885,600	28,606,844	2,278,756
13 Office of the DPP	629,700	515,400	496,514	18,886
15 Office of the Premier	12,465,000	12,240,100	11,917,097	323,005
20 Ministry of Finance	14,218,300	11,670,000	10,911,898	759,102
30 Min. of Agriculture, Lands, Housing etc.	6,003,800	5,689,000	5,022,209	666,781
35 Min. of Communications & Works	20,710,900	19,718,000	18,946,460	771,540
40 Ministry of Education	9,977,000	9,945,500	9,806,009	139,491
45 Min. of Health & Community Services	20,966,200	21,261,700	19,884,854	1,376,846
<b>TOTAL CONS. FUND EXPENDITURE</b>	<b>128,238,300</b>	<b>122,850,400</b>	<b>115,810,023</b>	<b>7,040,377</b>

Government of Montserrat Annual Accounts for year ended March 31, 2016

**CONSOLIDATED REVENUE FUND – 2016**  
**ABSTRACT OF EXPENDITURE BY ECONOMIC CLASSIFICATION**

<b>CONSOLIDATED FUND EXPENDITURE:-</b>	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>(EXCESS) SAVINGS</b>
2A Personal Emoluments	43,751,400	43,558,700	41,779,332	1,777,368
2B Pension, Gratuities & Other Benefits	13,074,700	12,519,800	12,072,642	447,158
2C Goods & Services	33,750,100	33,469,100	29,928,885	3,540,215
2D Transfers & Subsidies	24,723,100	23,874,700	23,052,071	822,629
2E Social Services	4,015,300	4,555,100	4,480,059	75,041
2F Other Expenditure	6,280,200	4,237,300	3,860,230	377,070
2G Debt	643,500	637,700	636,803	897
<b>TOTAL</b>	<b>128,238,300</b>	<b>122,850,400</b>	<b>116,820,023</b>	<b>7,040,377</b>

Government of Montserrat Annual Accounts for period ended March 31, 2019

**STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2016**  
**(WITH COMPARATIVE FIGURES FOR DECEMBER 31, 2015)**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
BRITISH DEVELOPMENT AID CLAIMS OUTSTANDING (1)		7,504,642
DONOR AGENCIES EXPENDITURE OUTSTDG (2)	2,393,149	2,381,966
LOCAL FUNDS (4)		
CONSOLIDATED FUND PAYABLE (22 221 71001)	25,121,240	22,953,281
<b>TOTAL ASSETS</b>	<b>27,513,389</b>	<b>32,839,889</b>
<b>LIABILITIES</b>		
DEPOSITS WITHIN THE DEVELOPMENT FUND (3)	20,843,885	28,710,948
LOCAL FUNDS (4)	600,952	992,890
British development Claim Deposits	2,834,499	
Consolidated Capital Fund (22 221 71002)	968,091	3,436,262
<b>ADD REVENUE OVER EXPENDITURE</b>	2,167,959	(300,213)
<b>TOTAL LIABILITIES</b>	<b>27,514,389</b>	<b>32,839,889</b>

**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 – 2016**  
**Annual Abstract of Receipts and Payments (Cont'd)**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>EXCESS (SAVINGS)</b>
12/120 OFFICE OF THE DEPUTY GOVERNOR	-	468,800	696,663	(227,863)
15/150 OFFICE OF THE PREMIER	7,930,000	8,544,300	5,160,253	3,384,047
20/200 MIN. OF FINANCE & ECONOMIC MGT	25,509,200	29,212,000	9,314,562	19,897,438
30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT	2,707,600	4,959,200	1,867,176	3,092,024
35/350 COMMS & WORKS	7,275,000	10,201,600	6,831,717	3,369,883
40/400 EDUCATION	-	223,971	106,871	117,100
45/450 HEALTH AND COMM.	-	765,200	785.091	109
<b>TOTALS</b>	<b>43,421,800</b>	<b>54,395,071</b>	<b>24,762,332</b>	<b>29,632,738</b>

*Acting Accountant General*  
**MONTSEERRAT**

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, 2016**

*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. It should however be noted that the IPSAS regulatory body has published an Exposure Draft which advises that the consolidation of accounts with SOEs will no longer be a requirement IPSAS. This is yet to take effect.*

*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 2015 to March 2016) as the Financial Statements.*

*The original budget was approved by the Legislative Assembly on March 29th 2015. The original Approved Budget for the fiscal year 2015-16 was \$171,660,100 (Recurrent \$128,238,300; Capital \$43,421,800). 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 Contingency Warrant in the amount \$271,100 was raised to meet additional expenditure within the Ministry of Health. The Warrant was ratified by Supplementary Appropriation No 2/2015. An additional \$14,280,400 was approved for various Development Fund Votes. This resulted in an 8% 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 2016 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**

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

### **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 Fund
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

Montserrat Arts Council

*The accounts for these Statutory Bodies or SOEs are prepared separately and tabled before the Legislative Assembly, save for the Bank of Montserrat 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 2016, 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. These are offset against the surplus.*

### **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 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 pursuant to IPSAS 1.3.24. (See annex for purpose of settlement)*

### **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.*

MULTILATERAL AGENCIES	
BRITISH DEVELOPMENT AID/DFID	25,382,492
UNDP	51,005
UNICEF	25,374
DARWIN	34,285
TOTAL	25,493,157

**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 to finance Development Programs. This account forms part of the Consolidated Fund as prescribed by 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 amount in the accounts represents the value in the local currency after the deduction of losses on the rate of foreign exchange.*

**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 second consecutive year. Interest was however posted to the account for during the financial year for 2015 and accrued interest for 2014.*



## **Note 7. 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).*

## **Note 8. 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 9 Impersonal Advances and Outstanding Advances**

*The amount denotes outstanding travel and department imprests which should have been retired on or before the end of the financial year. The Impersonal Advances were written down in the accounts at the end of the financial year. 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 10. 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 11. Other Advances**

*The amount represents a loan that was granted to the Government Savings Bank to fund the repayment of depositors for the closure of the bank. Repayment is secured GSB's shareholding at the Bank of Montserrat.*

## **Note 12. 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 13. 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 due to the Development Fund.*

**Note 14. 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. (See attached schedule)*

**Note 15. Special Funds**

*These are accounts held and administered on behalf of Government organizations for the purpose of receiving and paying out funds. Currently funds are held only for the Police Reward Fund under this line item.*

**Note 16. Fund 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 17. Loss Allocation (ECCB)**

*This is an extraordinary item in the accounts. The distribution of ECCB losses in the previous financial year was absorbed by the recurrent surplus. The ECCB's reported loss at end of the 2015 financial year however did not affect GOM's Fiscal Reserve cash balance for the period.*

**Note 18. 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 19. Tax Revenues**

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

## ***Schedule of Tax Revenue***

Tax Revenue	
Taxes on Income, Profits and Capital Gains	16,056,633
Taxes on Property	691,588
Taxes on Domestic Goods & Services	1,569,455
Licences	2,632,371
Taxes on International Trade & Transactions	18,522,949
Arears of Taxes	634,064
Total Tax Revenue	40,107,060
Arrears of Taxes	
Company Tax arrears	42,877
Income Tax Arrears	391,258
Property Tax Arrears	199,929
Arrears of Taxes	634,064

### ***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 the 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.*

## **20. 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 19. (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. In the 2015 the financial year the GoM received dividends from the CLICO Investment Fund and also dividends from the shares held in the Bank of Montserrat Ltd.*

### **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 21 . Budget and Grants**

*This major revenue component of the annual recurrent budget represents amounts received from the DFID in financial 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 22. 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. 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:*

<b>Transfers and Subsidies</b>	
Contributions to Regional and Int'l Institutions	5,515,565
Grants to Local Institutions	1,250,061
Subvention to Montserrat/Antigua	2,678,334
Subvention to Statutory Bodies	7,484,398
Other Subventions	6,123,714
Total	23,052,071

## **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 and the Second Power Project that was disbursed during the 2016 FY. (See Statement of Public Debt).*

*Other liabilities as at the end of the reporting period include Montserrat Social Security Fund (MSSF) – Davy Hill Houses \$1,577,771 at 3.5% approved by Cabinet Decision No 470/2014 and the Montserrat Utility Ltd (Generating Set)\$115,693 – Executive Council Decision 529/06. (See statement of Outstanding Liabilities)*

## **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:*

<b>Social Services</b>	
Old Age Benefit	2,474,998
Family and Children Benefit	35,951
Unemployment Benefit	94,522
Housing Benefit	309,037
Social Protection Other	1,323,234
Legal Aid	25,000
Child Health Programme	2,937
Nutrition & Health Education	151,714
Psychiatric Care	3,100
Health Promotion	57,566
Sexual Health	2,000
<b>Total</b>	<b>4,480,059</b>

## **Other Expenditure**

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

**Total Recurrent Expenditure**

Recurrent Expenditure	
Personal Emoluments	41,779,332
Pension,Gratuities and Other Benefits	12,072,642
Goods & Services	29,928,885
Transfers and Subsidies	23,052,071
Social Services	4,480,059
Other Expenditure	3,860,230
Debt	636,803
<b>TOTAL</b>	<b>115,810,023</b>

**Note 23. Investing Activities**

*This refers to funds received from investments held by GoM. This includes interest receipts from the ECCB Fiscal Reserve account.*

**Note 24. Financing Activities**

*The net cashflow includes all advances issued to include donor funds for projects and other classification of advances detailed further in Notes 9-13.*

**Note 25. 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 26. Receipts from Other Investments**

*Receipts from investments in the previous FY include the following:*

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

*For 2015/16 ECCB paid accrued interest for two financial years.*

**Note 29. 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 30 Deposits and Advances**

*The amount represents the net sum for these BTL accounts (See Notes 8-15).*



**APPENDIX 2  
(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 3**  
**Status Of Audit Recommendations As Of September 30, 2016**

Entity	Finding	Recommendation	Current Status	Actions Undertaken	Target Date & Response
Performance Audit on Attracting, Retaining and Managing Specialist Skilled Staff in the Montserrat Public Service  April 2015	There are still a number of outdated manuals and necessary policies/strategies that require immediate attention. Main ones being the HRM Procedures Manual, An Orientation/Induction Program, Succession Planning Policy and a Develop a Comprehensive Training Strategy.  The Director of Learning and Development Division and a Senior Assistant Secretary post are vacant.  On average it typically takes 8- 12 weeks to recruit a specialist skills staff. The activities that consumes the most time are slow responses from line ministries or departments and and delayed	Expedite the revision of a HRM Procedures Manual.	Not Implemented	This is to be delivered as part of PSR 3	Responses from <b>Chief Human Resources Officer</b> , Human Resources Management Unit (21/9/2016)  PSR 3 is expected to commence
		Implement a formal induction program for employees appointed to new positions.	Not Implemented	Post of Director of Learning and Development remains vacant pending Government's functional review of HR.	
		Develop a Comprehensive Training Strategy that sets the framework for the governance, design, development and delivery of all learning and development activities.	} } } } }Not Implemented	} } } } }Draft documents available but they are pending review of consultant retained under PSR 3	
		Implement an effective Succession Planning Policy to ensure continuity in the event of retirement or expiration of a contract	} } } } }	} } } } }	
		Immediate recruitment of a Director of Learning and Development Division and a SAS.	} } } }Not Implemented	} } } }This is to be delivered as part of PSR 3	
		Consider the implementation of a recruitment and retention policy	} } }		
		Improve Resource Utilization	} }	Creation of working teams assigned to cover HR functions such as employee relations, recruitment etc and activities form	
		Reduce the lengthy recruitment time by assessing and removing any	}In Progress		

	<p>responses by HRMU at key stages of the process.</p> <p>In 2011 the GoM implemented a new information management system known as the Smartstream HRIS to maintain personal records of all MPS. This is an automated HR information tool that encompasses recruitment &amp; selection, training etc. This is not being fully utilized.</p> <p>HRMU does not conduct employee opinion surveys and there is little evidence that they systematically test the quality or effectiveness of their recruitment processes or services provided to the public service of the general public.</p>	<p>unnecessary steps</p> <p>Offer longer term contracts for teaching and other critical profession.</p> <p>Continuation of the training and implementation of the HRIS to enable full utilization thereby achieving value for money.</p> <p>Conduct 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 strategic direction of HRMU plans.</p> <p>Consider having the Internal Audit Department conduct periodic performance assessments</p>	<p>}</p> <p>In Progress</p> <p>In Progress</p> <p>In Progress</p>	<p>part of their individual performance plans.</p> <p>In some instances we have increase contract duration from 2 to 3 years.</p> <p>A dedicated officer was recently assigned to this activity on a full-time basis.</p> <p>We are ensuring that we capture exit surveys. We have initiated customer satisfaction feedback which is done after the recruitment process.</p> <p>Currently Internal Audit Department is reviewing some of our files.</p>	
Report on GoM E-Governance initiatives – Montserrat Online Visa Application (MOVA)	There is no back-up site with the appropriate environmental and physical control mechanisms devised and put in place for MOVA	The Integrated Border and Security Unit needs to conduct a Business Impact Assessment and put in place back up plans to facilitate smooth transition in the event that Lavabits folds or decided to withdraw its	Not Implemented	No contract is in place with the service provider and this then prevents the Unit from undertaking the necessary actions and plans.	Response from <b>Director General</b> , Montserrat Customs & Revenue Services (27/9/2016)

Oct 2015	<p>The review revealed weaknesses in the MOVA control environment as policy documents to guide outsourcing is non-existent. GoM has no approved business continuity or disaster recovery policy in place.</p> <p>No tests/drills or mock-ups have been conducted.</p> <p>The management of MOVA services is being provided without a signed contractual arrangement which is contrary to existing procurement regulations and there is no documented service management agreement. The ramifications of an unsigned contract could present litigation risks.</p>	<p>services for whatever reason.</p> <p>GoM/DITES should develop clear outsourcing policy that document the IT function that are to be outsourced and what remains in-house.</p> <p>DITES need to formulate, establish and test their business continuity plans.</p> <p>An updated /new service level agreement or contract must be drafted and sign which give DITES sole ownership of the data collected and stored on MOVA overseas servers.</p>			
Compliance Audit of Ministry of Communications & Works	Cashier was issuing receipt books to herself. This signifies a break down in the control environment.	A supervisor must issue all receipt books.	Implemented	Vehicle Tester issues all receipt books to the cashier since the audit.	Responses from <b>Permanent Secretary</b> , Ministry of Communications, Works and Labour (20/9/2016)
September 2015	Drivers were not recording servicing/maintenance details	The log books should be updated as discussed with the drivers in a brief	Implemented	The log books are currently up to date. A monthly check is	



	Revenue stood at \$22,260,557. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts.	listing.			
Item 50-51 – Over Expenditure  Also captioned in Audit of Public Accounts 2013 – Treasury Department - Item 80 – Reconciliation of Bank Accounts	Accounting Officers are expected to incur expenditure within the limits set by the Legislative Assembly as set out in the Appropriation and Supplementary Acts. Further, Section 10 of the Finance Regulation states that “an Accounting Officer shall maintain control over expenditure of his department to ensure that the amounts provided in the Estimates are not exceeded. Our audit revealed breaches of this regulation as outlined in the table on page 13.	2012 - We again reiterate that it is incumbent on Accounting Officers to regularly monitor their expenditure and recommend that timely reconciliations be undertaken to prevent these over-expenditures.  2013 – We are therefore recommending that the Accountant General insist that bank reconciliations be performed on a monthly basis and that copies of said reconciliations be supplied to the Treasury Department by the 15 <sup>th</sup> of the following month.	Implemented	<b>Accountant General</b> - Bank reconciliations have been submitted to the Treasury by Accounting Officers	
Item 53-54 – Procurement Practices	An audit of procurement practices across government highlighted that there was no evidence of Standard Operating Procedures (SOP) or any form of simplified guidance to support understanding of the	The introduction of SOP would be an essential improvement to limit understanding of abuse.			



Item 55-56 – Procurement Practices cont'd	<p>Regulations or in the clarification of roles and expectations that would encourage compliance. It was further noted that the complexity of the Regulations and limited guidance provided to users have resulted in the consistent failure to comply at all stages of the procurement and tendering process.</p> <p>The regulations mandate that certain procurement documents be submitted to the Auditor General. However, in some instances, this was not complied with.</p>				
Item 57-59 – Procurement Practices cont'd	<p>56 – The review revealed gaps in the minutes of the Central Tenders Board minutes and there was no evidence that some evaluation minutes were forwarded to the Board.</p> <p>Conflicts of interest are referred to but there is no noted method to ensure declarations are made. It would be good practice to require disclosure at the outset and closure of the meeting and for this to be recorded in the minutes.</p>	<p>We therefore recommend that the CTB monitors procurements including standard agenda items to follow up on the outcome of previous bid openings and evaluations.</p> <p>We acknowledge the work the Ministry of Finance is undertaking to amend and/or modernize the Finance Regulations. We do however recommend that the matter be taken into consideration when finalizing the new regulations.</p>			

<b>Audit of Public Accounts 2013</b>					
Item 21 - Adoption of International Public Sector Reporting Standards (IPSAS)	We applaud the use of the IPSAS reporting framework to strengthen accountability and enable comparability of public sector financial statements worldwide. We however find that preparing the two sets of accounts is time consuming and onerous. The same information is being presented in two different formats and we see no benefit in doing this.	As it is important for the country to adopt and comply with the international accounting standards, we are recommending that management consider updating the requirements of the Public Finance Management and Accountability Act and its regulations to bring them in line with the IPSAS, that is, Current best practice.	In Progress	<b>Accountant General</b> – The Treasury will make the necessary efforts to seek an update of the regulations based on current best practices	
Item 25 – BAICO Investment	We had not been given sight of any definitive plan for dealing with the remaining annuity and investment contract business into which this investment falls nor communication outlining any specific amount to be repaid to the Government of Montserrat or time by which the investment is to be repaid. As a result, we cannot determine the fair value of this investment.	We recommend that this be removed from the Public Accounts.	Implemented	<b>Accountant General</b> – This was finally removed from the Accounts in the 2014/2015 financial year.	
Item 27-28 - Advances	This line item contains a number of sub accounts with balances that are deemed uncollectible. Some	This account is giving a misleading picture of realistic collection amounts.	Implemented	<b>Accountant General</b> – Management agreed with the recommendation. Some balances were written off in 2013-	

Item 29 – 30 Miscellaneous Deposits	<p>individuals have died, have left the colony or the entity has been out of existence for a long time.</p> <p>The review revealed a number of accounts had debit balances apparently representing assets. A prima facie examination of these accounts could not establish the existence of the assets. The foregoing suggests that expenditures were inappropriately classified. Further the fact that existence of the assets cannot be established means that the accounts, which represent 26% of total assets, are not fairly presented with respect to this account.</p>	<p>To enable the accounts to give a fair presentation a number of these accounts need to be written off.</p> <p>Some expenditure were inappropriately classified. Further, the fact that existence of the assets cannot be established means that the accounts, which represent 26% of totals assets, are not fairly presented.</p> <p>Moreover, we recommend that the non-existent asset balances be removed from the accounts and, where possibly, other account balances that are no longer needed be transferred to the Consolidated Fund.</p>	In Progress	<p>2014 and there was further write offs in 2014/2015.</p> <p><b>Accountant General –</b> Management agreed with the recommendation. Some balances were written off and continuous efforts are being made to remove others that were deemed uncollectible.</p>	Ongoing
Item 55- Statement of Contingent Liabilities and captured in Report to those Charged with Governance on the Public Accounts 2012/13	<p>Contingent Liability statements had significant omissions. For the year being reviewed, this Statement highlighted possible liabilities to depositors of the Government Savings Bank of \$25,722,704. Other possible liabilities relating to legal claims of \$6,127,654 bringing potential claims to \$31,850,358.</p>	<p>The omissions rendered the statements misleading. We suggest that effort be made to quantify and incorporate possible legal claims in the statement.</p>	In Progress	<p><b>Accountant General –</b> The Treasury issues requests for information on outstanding commitments and other liabilities annually, the returns have come back generally with nil balances.</p>	
Item 57 – Statement	Of the 10 funds listed, only 2	As such, we recommend that the	Implemented	<b>Accountant General –</b>	

of Special Funds	are operational. A review revealed that the other 8 has been unused for some time and the majority of entities are no longer in operation.	funds be closed with balances being transferred to the Consolidated Fund.		Management agreed with the recommendation. This was removed from the Accounts in the 2014/2015 financial year.	
Item 59 – Public Debt	Our review revealed that the Statement of Public Debt presented focus primarily on government guaranteed debts. Some future payments, for example, pension liabilities, and payments for some goods and services already contracted but not paid for were not included in the Statement of Public Debt. As such the size of the public debt is misreported	We are of the view that outstanding commitments should be accurately reported and hence recommend that the make-up of the public debt be reviewed.			
Item 68 – Reporting of Economic and Fiscal Information	Section 4 of the PFMAA 2008 requires the Minister of Finance to prepare and lay before the Legislative Council (renamed Legislative Assembly) an economic and fiscal management plan on or before the 31 January. The Ministry of Finance has no complied with this provision and no plan of macro-economic and fiscal policy has been prepared for submission to the Legislative Assembly.	Due to the non-submission of the macro-economic and fiscal policy plan, I was unable to comply with the requirement of Section 4 of the PFMAA 2008.	Not implemented	MOF indicated that it is impractical to meet the deadline given competing priorities thus it will seek to have the section removed from the PFMAA.	

	Management Response “The provision in its current form cannot be realistically implemented. The ministry of Finance and Economic Management is currently considering the amendment to the Act to give effect to the relevant sections”.				
Report to Those Charged with Governance on the Public Accounts 2013/14 and 2014/15	a) Some Virement Warrants contain elements where transfers are approved for line items that were not included in the original budget.	We recommend that care be taken when preparing warrants or making changes to accounts descriptions. All warrants, including Re-Allocation Warrants, must be included in the Supplementary Estimates.	In Progress	MOF(DFS) – With regards to the general comment regarding responsibility for budget data. While Accounting Officers do not have security to enter budget data it is their responsibility to bring any error in upload to the attention of the Financial Secretary. That being the case we will strive to ensure that the rate of errors in these instances are reduced by undertaking a second check, and to also encourage Accounting Officers to review and respond before final release.	
Credibility of Budget	b) The data on some warrants is inconsistent with that found in SMARTSTREAM.	When drawn to the attention of Accounting Officers they adamantly refuse responsibility since they have no control over input of budget information into SMARTSTREAM.			
	c) There are times when the brought forward balance on supplementary estimates is not in agreement with the closing balance on a prior warrant.				
	d) We found that Development Fund Reallocation Warrant #1 of 2014/15 was not presented.	This oversight is producing non-compliance with PFMAA where Legislative Assembly should approve all warrants.	In Progress	MOF(DFS) c-d) – The Ministry takes on board the recommendation for due care and attention to be paid in the preparation and processing of all warrants.	
	e) Some Revenue lines are given the name of the entity	It makes it unnecessarily difficult to extract and/or audit such information	In Progress	MOF (DFS) e) – The Ministry in collaboration with the Accountant	

Continued Weaknesses in Bank Reconciliations	<p>which generates the revenue rather than the account description assigned to a particular number</p> <p>There has been significant improvement in conducting bank reconciliations. We however, find that the adjustments needed to complete the reconciliation process are often not completed in a timely manner.</p>	Items not brought to accounts could lead to material misstatement. We recommend that Treasury management take greater oversight on the reconciliation process.	In Progress	<p>General will ensure that nomenclature of the revenue lines meet with standards outlined in GFS</p> <p><b>Accountant General</b> - We agree with the recommendation and are taking the necessary steps which includes continuous training and stakeholder sensitization regarding the need to improve processes to produce accurate bank reconciliations</p>	
Ineffective Controls over Wages	<p>We encountered a number of weaknesses in the wages control systems of several departments for 2013/14. These include non-presentation of supporting records, improper maintenance of time cards, illegible information on time cards impairing verification and legitimacy of time worked and workers being paid for some weeks but names not found on time records.</p>	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.	In Progress	<p><b>Accountant General</b> - We take on board this recommendation and had reinforced through the Accounting Manual issued by the Accountant General to all Ministries or Departments whose Accounting and Accountable offices are personally responsible to institute the necessary internal safeguards to mitigate against any potential loss of public funds. The Treasury Performs spot checks throughout the year but does not have the staffing resources to reach all Ministries and Departments. Most employees are now on the payroll or special agreement.</p>	

**Appendix 4**  
**Cross sectoral classification of Expenditure 2015/16**

	Compensation of Employees	Use of Goods and Services	Consump tion of Fixed Capital	Debt Servicing (Interest & Capital)	Subsidies	Grants	Social Benefits	Other Expenses	Total
<b>General Public Services</b>	6,385,134.76	8,928,365.88	0	0	2,123,375.15	5,306,800.28	11,700,081.05	212,933.07	34,656,690.19
<b>Defence</b>	616,784.33	875,988.48	0	0	6,048,798.12	54,210.18	0	30,757.58	6,133,765.88
<b>Public order and safety</b>	6,641,094.93	1,424,173.47	0	0	0	179,998.25	0	78,824.92	8,324,091.57
<b>Economic Affairs</b>	13,485,456.42	8,818,163.80	0	636,802.92	6,179,910.00	1,030,258.41	182,800.09	3,053,151.49	33,386,543.13
<b>Environmental Protection</b>	563,892.00	40,581.34	0	0	0	0	0	160,999.09	765,472.43
<b>Housing and Community Amenities</b>	250,888.24	85,675.18	0	0	0-	0	-0	76,451.67	
<b>Health</b>	7,137,204.39	6,873,584.62	0	0	0-	0-	712,573.35	23,896.71	
<b>Recreation, culture, and religion</b>	1,054,993.78	835,214.76	0	0	299,372.85	129,952.08	-0	70,490.07	
<b>Education</b>	5,443,691.11	1,601,816.20	0	0	974,990.00	53,406.00	167,564.34	121,328.37	
<b>Social Protection</b>	507,808.96	137,705.98	0	0	660,000.00	11,000.00	3,789,682.35	31,397.26	
<b>Total</b>	<b>42,086,948.92</b>	<b>29,621,269.71</b>	<b>0</b>	<b>636,802.92</b>	<b>16,286,446.12</b>	<b>6,765,625.20</b>	<b>16,552,701.18</b>	<b>3,860,230.23</b>	

**NB: The figures provided are for central government (Ministries and Departments) only**

**APPENDIX 5  
OFFICE OF THE AUDITOR GENERAL  
ORGANISATION CHART**

