



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 DECEMBER 2008



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 “to be a proactive Supreme Audit Institution (SAI) that helps the nation make good use of its resources”.

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 Council”.

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”.

TABLE OF CONTENTS

ABBREVIATIONS USED	iv
EXECUTIVE SUMMARY	v
1.0 INTRODUCTION	1
2.0 FINANCIAL STATEMENTS FOR FISCAL YEAR 2008	4
2.1 Audit Mandate and Objective	4
2.2 Methodology	4
2.3 Statement of Assets and Liabilities of the Consolidated Fund	4
2.4. Movements on the Consolidated Fund	5
2.5 Arrears of Revenue	10
2.6 Development Fund	11
2.7 Other Statements	12
3.0 MINISTRIES AND DEPARTMENTS	14
3.1 MINISTRY OF AGRICULTURE	14
3.2 RADIO MONTSERRAT	16
3.3 COMMUNICATIONS AND WORKS	16
4.0 OTHER FINANCIAL AUDITS	18
5.0 PERFORMANCE AUDITS	21
5.1 IT investments within Central Government Agencies for period January 2004 – December 2006	21
6.0 THE OFFICE OF THE AUDITOR GENERAL	23
ACKNOWLEDGEMENT AND APPRECIATION	27
AUDIT CERTIFICATE	28
APPENDICES	29

ABBREVIATIONS USED

BOM	Bank of Montserrat
DFID	Department for International Development
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CARTAC	Caribbean Regional Technical Assistance Center
CIDA	Canadian International Development Agency
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
GDP	Gross Domestic Product
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MIND	Management Institute for National Development
MASL	Montserrat Aviation Services Limited
MCC	Montserrat Community College
MDC	Montserrat Development Corporation
MONLEC	Montserrat Electricity Services
MFSC	Montserrat Financial Services Commission
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPB	Montserrat Philatelic Bureau
MSSF	Montserrat Social Security Fund
MTB	Montserrat Tourist Board
MWA	Montserrat Water Authority
MUL	Montserrat Utilities Limited
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PFM	Public Finance Management
SDP	Sustainable Development Plan
UKNAO	United Kingdom National Audit Office
UWI	University of the West Indies
XCD	Eastern Caribbean Dollars

**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE FISCAL YEARS ENDING 31 DECEMBER 2008**

EXECUTIVE SUMMARY

Scope of the Audit Report to the Legislative Council

Section 19 of the Finance (Administration) Act 2001 requires this Audit Report to be submitted to the Minister responsible for Finance for presentation to the Legislative Council of Montserrat. However, in practice, the Report is tabled by the Financial Secretary. The Report summarizes the major matters arising from the examination and audit of the Public Accounts, Ministries/Departments and Statutory Agencies for the year ended 31 December 2008.

Financial Administration and Management

2. Good governance requires that accounts be made available for public scrutiny shortly after the requisite financial year. In keeping with this premise, Section 17(1) of the Finance (Administration) Act 2001 requires the Public Accounts to be submitted for audit at latest 6 months after the year end. I have to report once again that this requirement was not met. Consequently, we could not meet our statutory obligation of tabling the report within 9 months after the end of the fiscal years being reviewed.

3. I am required to certify the Statement of Assets and Liabilities and the abstract accounts of Revenue and Expenditure. These Statements are included in this Report as Appendix 1. The Audit Certificate is also attached.

4. Section 17(1) of the Public Finance (Management and Accountability) Act 2008 mandates that no money be withdrawn from the Consolidated Fund except on the authority of a warrant. For the year under review, there was a breakdown in the system of controls as several adjustments to the authorized total budget were seen in the accounts without the relevant warrant(s) being produced. This is a breach of the controls that would have affected decisions to incur or cut back on expenditures. Further, it prevented me from verifying the total allocation and to determine whether or not all expenditures were incurred in compliance with the law.

5. Total changes to the authorized expenditure amounted to \$4.3M. Half of this change could not be verified. However, as it represents less than three percent (3%) of the authorized expenditure, it was not considered sufficiently material (in number when viewed against the overall budget) to affect the opinion on the accounts.

Financial Performance

6. A comparison of recurrent revenue with recurrent expenditure revealed revenue surplus of \$400,000. This shows a significant reduction in excess revenue when compared to previous years.
7. Actual Local Recurrent Revenue amounted to \$37,025,244 being ninety-six percent (96%) of projected receipts for the year.
8. For this fiscal year actual Budgetary Aid amounted to \$56,675,410 being \$2,075,410 more than budgeted. The additional sum was to meet outstanding payments for emergency expenditure. It was however received on the last day of the financial year hence the payments could not be effected. It was thus transferred to a below-the-line account 22 221 53545 – Misc Receipt and Payments - to facilitate the payments in the next financial year.
9. Recurrent Expenditure amounted to \$94,666,115. A breakdown of this amount revealed that forty-two percent (42%) was spent on Personal Emoluments, eleven percent (11%) on Pensions and Gratuities, twenty-one percent (21%) on Goods and Services, thirteen percent (13%) on Transfers and Subsidies with the balance spent on Social Services, Other Expenditure and Debt. Savings on Recurrent Expenditure could not be determined due to a failure in management controls as regards the inputting of authorized budget allocations.
10. Actual expenditure on Capital Projects amounted to EC\$35,498,909 being 64.5% of authorized expenditure for the year.

Cash Position of Government

11. The cash position of GOM is on the decline. At the end of the financial year the government bank accounts reflected a positive balance of EC\$9,666,915, broken down as follows:

Description	Balances (EC\$)
Consolidated Fund	14,733,977
Development Capital Fund	-5,067,062
TOTAL	9,666,915

Public Debt

12. At close fiscal year 2008 Total Public Debt stood at EC\$28,154,891. This figure includes an outstanding payment to Social Security. Public Debt per capita stood at \$5775.36 per person. The level of debt equates to approximately 18% of GDP (at current prices) and is well within the ECCB's recommended maximum level of debt.

13. External Public Debt amounted to EC\$10,751,749 at the end of the year being reviewed. \$501,664 was used for principal repayments being 1.24% of actual local recurrent revenue for the year. When compared against GDP (in current prices for the year) it represents 0.32%.

14. EC\$1M was used to pay off domestic debt in the form of domestic bonds.

15. \$206,188.55 as used as interest on External Debt being 0.51% of total local recurrent revenue generated for the year.

Key findings relating to Ministries/Departments/Statutory Agencies

16. Compliance with the time lines set for the submission of Arrears of Revenue statements continues to be a problem.

17. At the end of 2008 Arrears of Revenue stood at \$25,126,546 and are itemized as follows:-

Executing Agency	Arrears as at 31 December
Ministry of Agriculture, Lands, Housing & the Environment	1,022,391
Ministry of Communications and Works	79,388
Inland Revenue:-	0
Income Tax	18,096,772
Company Tax	3,593,448
Property Tax	1,522,336
Broadcasting Services (Radio Montserrat)	29,947
Customs	31,390
Treasury	626,009
Ministry of Health and Community Services	61,033
Development Unit	63,831
TOTAL	25,126,546

18. There was a slight reduction in the amount of reported arrears at the end of the fiscal. We however maintain the view that greater effort should be undertaken to purge the listing of arrears considered to be uncollectible.

19. Our review of activities at the Ministry of Agriculture revealed that there were weaknesses in the monitoring mechanisms over agricultural exhibitions activities. There was also no system in place to independently ensure that all revenue due to government from sand mining operations were being collected and paid over to the Ministry. Minimal access, poor ventilation, inadequate storage and working space led to a conclusion that the conditions posed health and safety concerns. Inaction to improve the conditions could lead to unnecessary financial payments for workmen's compensation, sick leave and temporary replacement workers.

20. At Radio Montserrat our review revealed that controls over the revenue collection function were inadequate. There were breaches to the principle of separation of duties with one person being responsible and performing duties for the entire accounting system relating to revenue collection. Proper safeguards were not in place for the safekeeping of cash collected. Supervisory controls were also inadequate.

21. A number of the Statutory Agencies have not completed the audits of their financial statements. This is in breach of their statutory obligations as detailed in their governing legislations.

Collaboration with Internal Audit

22. An internal auditor is employed by the Ministry of Finance (MOF). In 2008 MOF took steps to develop and expand this activity into a full blown internal audit unit. A head of internal audit was sourced. With the expansion of the unit the work of the unit was increased. Having established that the work can be relied on, we have decided to include their salient findings in this report as a means of providing information on wider audit coverage.

23. During this fiscal year, the Internal Audit Unit has conducted a number of audits. These include a Review of Contract Management at PWD, Review of the SMARTSTREAM Accounting, and Rent Collection at the Montserrat Land Development Authority.

24. As regards contracts management the general view was that increased levels of internal control are required to improve governance over procurement of capital works as these contain higher inherent risks of corruption. In the case of SMARTSTREAM accounting it was reported that only a small fraction of the systems capability is being used compromising the overall usefulness of financial management information.

25. For Rent Collection at the Montserrat Land Development Authority the auditors concluded that there is no proactive rent collection strategy. Current processes require significant improvements in terms of collection and debt recovery to prevent rent arrears accruing to a stage where they are so large it is impossible for the tenant to afford the repayments. Additionally, delays in initiating recovery procedures are excessive and rent recovery actions had been fragmented.

Special Audit

26. We completed a study of IT investments within Central Government Agencies for the period January 2004 – December 2006. This study sought to assess and report on the effectiveness and efficiency of IT investments within central government (Ministries and Departments). The intention was to confirm the existence of related policies and to determine the extent to which GISU, the main IT arm of government, assist other departments in procuring and maintaining their investments.

27. Our findings revealed that there are no set procedures or guidelines for deciding upon an investment thus procurement is done on an adhoc basis. Secondly, not all departments with IT systems have sought assistance from GISU. Thirdly, there are far too many printers that are not being utilized to their full aptitude.

28. We have therefore recommended the establishment of an IT Steering Committee to further centralize government's goals through the effective use of coordinated information technologies. Additionally, we have recommended the development and implementation of a general IT policy. This policy should include, but is not limited to, IT procurement and usage issues.

Compliance with Auditing Standards on SAI Independence

29. In keeping with Government of Montserrat's aim of strengthening the governance environment through increased levels of transparency and accountability¹, and in seeking to comply with the provisions of ISSAI 10 a consultant was procured to review the Audit Act. At the end of the exercised a lay man's draft of the Act was prepared and submitted to the Attorney General's Office for further review. Final adoption of the draft will however have to await the enactment of the Revised Constitution of Montserrat.

¹ "Strengthening the Governance Environment", 2008 Budget Statement

CHAPTER 1

1.0 INTRODUCTION

1.1 Reporting Authority

1. This Report, for the fiscal year 2008, is submitted to the Honourable Minister of Finance, for onward transmission to the Legislative Council. It is pursuant to Section 26 (1) of the Audit Act 2001, No. 7 of 2001 and Section 17 (3) of the Finance (Administration) Act, No. 3 of 2001.

1.2 General Comments

2. This Report outlines the work of my office. It should cover the audits of all central government operations, statutory bodies and corporations and entities where the Government of Montserrat (GOM) injects substantial sums into their operations.

1.3 Audit Mandate

3. The audit of the Annual Accounts of the Government of Montserrat for the fiscal year 2008 was conducted in accordance with the provisions of the Audit Act 2001 and Section 17 (3) of the Finance (Administration) Act 2001. These pieces of legislation provide for the preparation and submission of annual statements by the Accountant General, and for examination and audit of those statements.

4. Section (8) of the Audit Act 2001 specifically requires the Auditor General and, by extension, the Office of the Auditor General, to inquire into, audit and report in an impartial manner, on the Public Accounts, and whether expenditure is achieving value-for-money.

1.4 Scope of Audit

5. The audit programme of work aims to provide sufficient, appropriate audit evidence to afford a reasonable basis for an opinion to be given on the general accuracy and regularity of the Government's financial and accounting transactions. The audit exercise is carried out by way of **test checks**, designed to capture material errors in the accounts, determine adequacy and reliability of internal controls and safeguards, and evaluate compliance with relevant enabling legislation and other Ministry of Finance directives.

1.5 Purpose of Audit Office

6. The Audit Office functions as a safeguard to maintaining financial integrity of Government's operations. The office is therefore independent of the Executive branch of Government for auditing and reporting purposes.

1.6 Audit Methodology

7. Our main function is to assess whether there is effective stewardship and accountability for public funds. This requires us to conduct a variety of audits to include financial audits, compliance audits, evaluation of internal controls and conducting performance reviews.

8. To benchmark our work we have adopted auditing standards provided by the International Organization of Supreme Audit Institutions (INTOSAI). Senior managers prepare annual audit plans for the work to be undertaken during the year. Field work is undertaken to provide us with relevant and reliable evidence that allows us to provide overall assurance as to the accuracy and propriety of financial transactions and accounts.

1.7 Reporting Process

9. This is a two pronged process. Firstly, audit findings on evaluation of internal controls and the economic, effective and efficient use of resources are communicated to management. An exit interview is conducted at which the findings and recommendations are discussed with management. Officials at the entity concerned are then asked to provide a written response to the issues identified in the management letter/report. Secondly, non-compliance with relevant regulations or issues deemed in the public interest is then incorporated in the Auditor General's Report for submission to Parliament.

10. The Auditor General has discretion as to the form and content of her annual report on the public accounts of Montserrat. It is not the duty or responsibility of the Auditor General to disclose each and every error or irregularity in the accounts. As a general rule, she reports on matters that she considers significant and constitute an actual or potential loss of public resources, a lack of financial control, an impairment of accountability, and a breach of, or non-compliance with, legislative or other requirements.

1.8 Goals of Audit Report

11. The goal of a Public Finance Management (PFM) system is to support the achievement of aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public funds.² Stakeholders therefore question whether these budgetary outcomes are achieved and seek to hold the Executive, Central Government agencies and public officials accountable for their actions and for the management of public funds entrusted to their care.

12. A critical objective of a good PFM system relates to the provision of Information that would allow dissemination to meet decision-making, control, management and

² Revised Consultative Draft, October 21, 2004: PFM Performance Measurement Framework

reporting purposes. Another objective is that of Accountability and Transparency that facilitates external transparency and scrutiny of public finances. The timely flow of information coupled with good accountability and transparency practices therefore provide the groundwork whereby stakeholders can independently examine the stewardship of public officials and the overall operations of Central Government agencies.

13. Our mandate provides the authority for us to scrutinize the operation of the Executive and its agents. We are also required to report our findings to the Legislative Council, the body that holds the Executive to account for the delivery of public policy. Our Audit Report is therefore intended to provide the Legislative Council and the public in general with an independent and objective assessment of the operations of Central Government.

1.9 Submission of Annual Accounts

14. Section 26 (1) of the Audit Act 2001, and Section 17 of the Finance (Administration) Act 2001, state that the Government's Annual Accounts shall be submitted, by the Accountant General, to the Auditor General [for audit] within a period of six months [to 30 June] after the close of each year, unless permission is obtained by a Resolution of the Legislative Council for them to be submitted at a later date.

15. Section 17 (2) of the Finance (Administration) Act 2001 states that the "Accountant General ... shall show fully the financial position of the Consolidated Fund on the last day of each financial year".

16. Significant delays in presentation and finalization of audits of prior years resulted in the 2008 Annual Accounts being presented for audit well after the mandated deadline³. As a result, we could not present the audited financial statements for tabling within the legal statutory deadline.

1.10 Compliance with Financial Orders

17. Miscoding of expenditure and lateness of financial reporting continue to pose problems for effective financial reporting. Other compliance breaches and internal control weaknesses are highlighted in subsequent paragraphs, under the respective Ministries/Departments.

³ The mandated deadline is six (6) months after the end of the fiscal year.

CHAPTER 2

2.0 FINANCIAL STATEMENTS FOR FISCAL YEAR 2008

2.1 Audit Mandate and Objective

18. In accordance with the provisions of Section 8 of the Audit Act 2001 and Section 17 of the Finance (Administration) Act 2001, an audit was conducted on the Public Accounts of Montserrat for the financial year ended 31 December 2008.

19. 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.

2.2 Methodology

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

2.3 Statement of Assets and Liabilities of the Consolidated Fund

21. The following is a statement of the assets and liabilities as at 31 December 2008 grouped according to the nature of the item. A detailed statement, as presented by the Accountant General, is attached at Appendix 2. The statement records cash assets and liabilities only.

TABLE 1
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2008	2007	Increase/ (Decrease)
Assets			
Cash	14,733,977	16,432,408	(1,698,431)
Development Capital Fund	(5,067,062)	1,509,545	(6,576,607)
Fixed Deposits	3,888,463	3,888,463	0
Investments	4,668,400	7,168,400	(2,500,000)
Advances	7,125,053	(1,825,826)	8,950,879
Total	25,348,831	27,172,990	(1,824,159)
Taxpayer's Equity			
Deposits	8,443,680	5,949,906	2,493,774
Consolidated Fund	16,905,151	21,223,084	(4,317,933)
Total	25,348,831	27,172,990	(1,824,159)

2.4. Movements on the Consolidated Fund

22. 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>
Consolidated Fund Services	16,454,300	13,539,852
Supply Services	<u>84,003,600</u>	<u>81,126,263</u>
Sub-Total	100,457,900	94,666,115
Less: Revenue	<u>96,142,500</u>	<u>95,068,601</u>
Surplus/(Deficit*)	<u>(4,315,400)</u>	<u>402,486</u>
<i>Consolidated Fund</i>		
Balance b/f 1 January 2008		21,223,084
Surplus for the year		402,486
Funding of Local Projects		<u>(4,720,418)</u>
Balance c/f December 2008		<u>16,905,152</u>

* Value of Contingencies Warrants raised during fiscal year.

2.4.1 Recurrent Revenue

23. Estimated Recurrent Revenue amounted to \$96,142,500. Actual collections totaled \$95,068,601, a shortfall of \$1,073,899.

2.4.2 Revenue Surpluses and Shortfalls

24. Revenue surpluses and shortfalls are detailed in Table 2 below.

TABLE 2
REVENUE SURPLUSES AND SHORTFALLS

<i>Recurrent Revenue Head</i>	<u>Budgeted</u>	<u>Actual</u>	<u>Surplus</u>	<u>Shortfalls</u>
	\$	\$	\$	\$
Taxes on Income, Profits & Gains	15,229,100	14,961,910	0	267,190
Taxes on Property	1,192,000	993,222	0	198,778
Taxes on Domestic Goods & Service	1,215,000	1,345,522	130,522	0
Licences	1,972,600	2,372,848	400,248	0
Taxes on Int'l Trade & Transactions	14,735,000	14,784,906	49,906	0
Fees, Fines and Permits	1,220,000	1,149,096	0	70,904
Rents, Interest & Dividends	2,041,500	832,708	0	1,208,792
ECCB Profits	200,000	570,779	370,779	0
Reimbursements	87,000	133,806	46,806	0
Budget and Grants	54,600,000	54,600,000	0	0
Other Revenue	3,650,300	3,323,806	0	326,494
TOTAL	96,142,500	95,068,603	998,261	2,072,158
Net surplus			1,073,897	

2.4.3 Total Recurrent Local Revenue

25. Recurrent Local Revenue was projected at \$41,542,500. Actual Revenue amounted to \$40,468,601, a shortfall of \$1,073,899.

26. Table 3 below provides a comparative summary of actual Recurrent Local Revenue collected during 2007 and 2008. A review of the figures indicates that Recurrent Local Revenue for 2008 increased by \$3,443,359 or 9.3% when compared to collections for 2007.

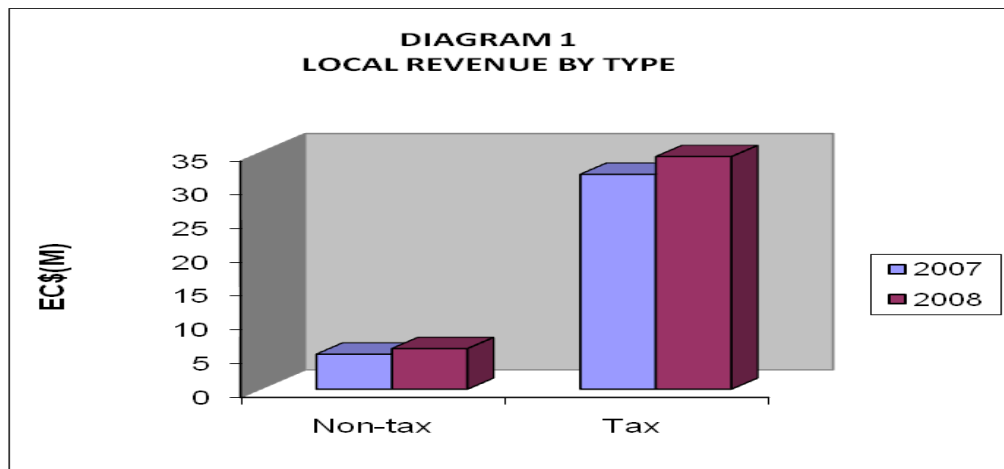
**TABLE 3
COMPARATIVE LOCAL REVENUE SUMMARY**

SOURCE OF REVENUE	ACTUAL 2007	ACTUAL 2008	INCREASE/ (DECREASE)
Taxes on Income, Profit & Capital Gains	14,612,856	14,961,910	349,054
Taxes on Property	1,401,667	993,222	(408,445)
Taxes on Domestic Goods & Services	1,305,129	1,345,522	40,393
Licences	2,144,650	2,372,848	228,198
Taxes on International Trade & Transaction	12,377,787	14,784,906	2,407,119
Fees, Fines and Permits	1,035,172	1,149,096	113,924
Rents, Interest and Dividends	961,258	832,708	(128,550)
ECCB Profits	347,208	570,779	223,571
Reimbursements	64,653	133,806	69,153
Other Revenue	2,774,864	3,323,806	548,942
TOTAL	37,025,244	40,468,603	3,443,359

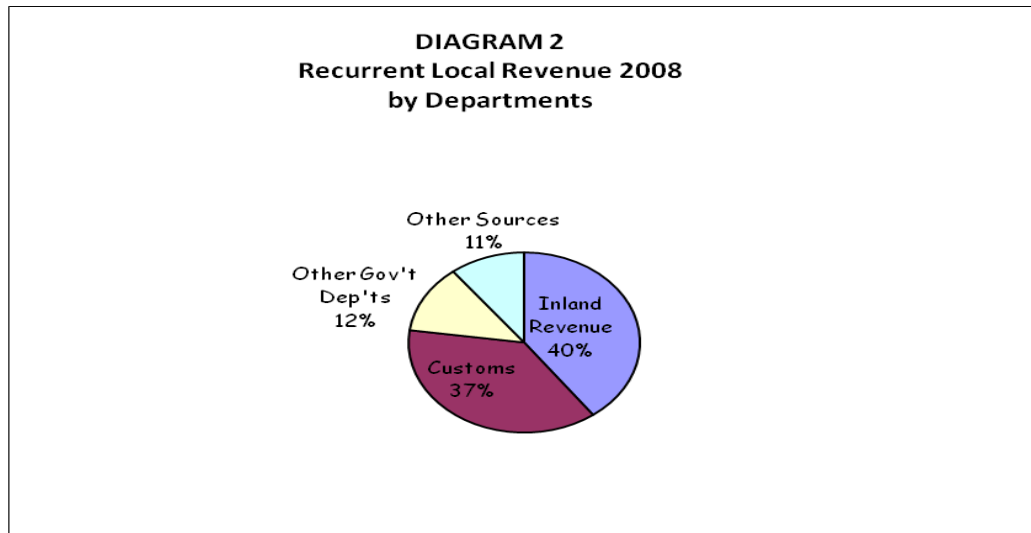
27. Six (6) revenue heads recorded increases of over \$100,000 and two (2) recorded decreases greater than \$100,000 when compared with revenues collected in 2007. Collections of Taxes on International Trade show a noteworthy improvement of over a \$2M.

28. Actual Tax Revenue collected amounted to \$34,458,407 whilst Non-Tax Revenue amounted to \$6,010,194.

29. The Diagram 1 below compares actual revenue, by type, for the years 2007 and 2008.



30. Diagram 2 below illustrates the apportionment (by percentage) of revenue generated by various government departments.



31. Our main revenue generating departments continue to be The Inland Revenue and the Customs Departments. These departments have together collected 77% of revenue collected in 2008.

2.4.4 Special Budgetary Assistance

32. Authorised Special Budgetary Assistance for 2008 was stated at \$54,600,000. Revenue received for this subhead amounted to \$56,675,410 being \$2,075,410 more than budgeted. The additional sum was to meet outstanding payments for emergency expenditure. It was however received on the last day of the financial year hence the payments could not be effected. It was thus transferred to a below-the-line account 22 221 53545 – Misc Receipt and Payments - to facilitate the payments in the next financial year.

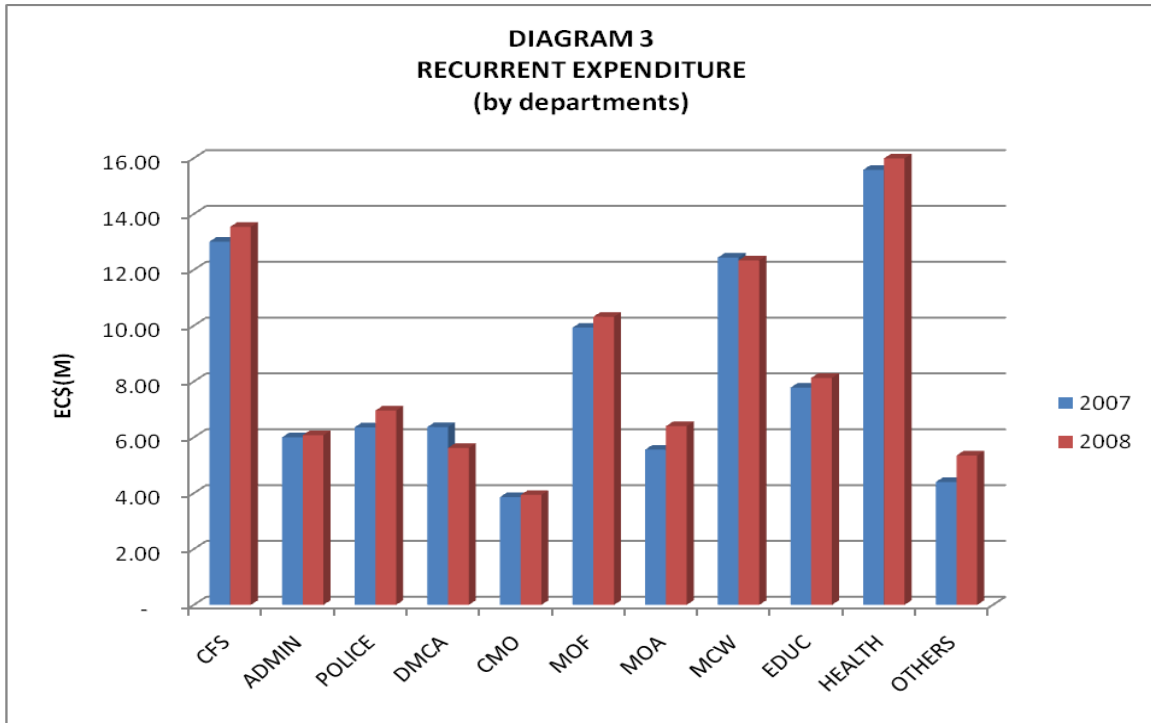
2.4.5 Recurrent Expenditure

33. The Appropriations Act 2008, Ordinance #2 of 2008, authorized expenditure amounting to \$96,142,500. The records indicate that two (2) Supplementary Estimates were issued to meet cost of unforeseen expenditure. One Reservation Warrant was seemingly issued. We could not find any supporting evidence for a Supplementary Estimate and the Reservation Warrant.

34. Actual expenditure for the year amounted to \$94,666,116 an increase of \$3.38M when compared to expenditure for 2007.

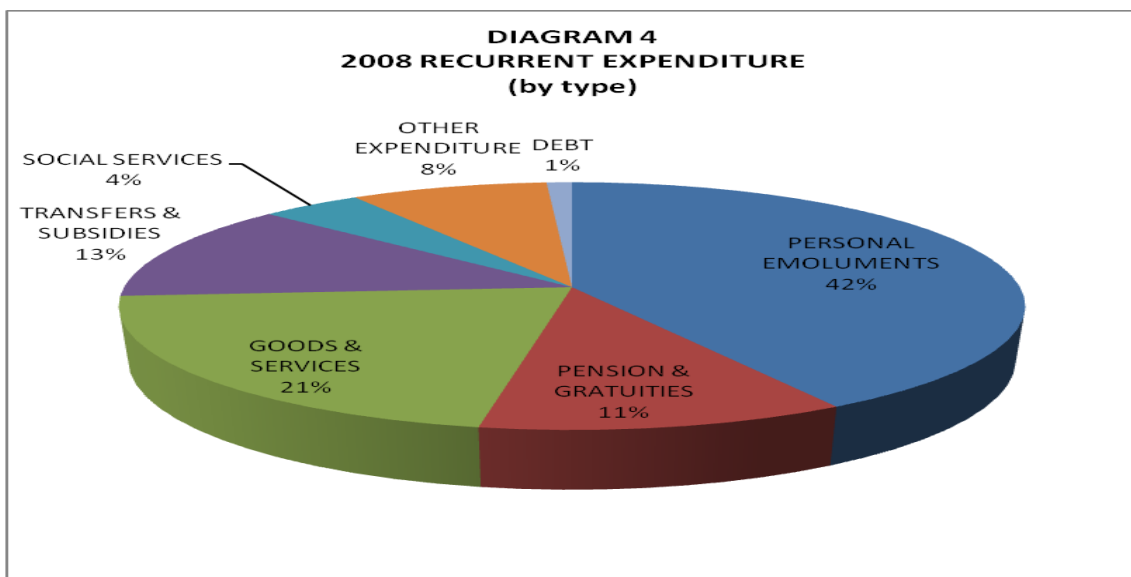
35. Major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year under review as compared with 2007 are highlighted in

the chart below. All Departments falling under the purview of the Ministry of Finance are grouped together, while other Departments not specifically listed are grouped under Others.



36. Expenditure categories which incurred more than 10% of total amount spent include Personal Emoluments, Pensions and Gratuities, Goods and Services, and Transfers and Subsidies.

37. The graph below highlights expenditure by cost categories and gives relative percentages used per cost category.



2.4.6 Expenditure Control

38. **Warrants.** Section 17(1) of the Public Finance (Management and Accountability) Act 2008 states that “no money shall be withdrawn from the Consolidated Fund or the Development Fund except upon the authority of a warrant”. Authority for expenditure is given by various types of warrants. This includes the initial budget (general), transfers between line items during the year (virements), in cases of emergency expenditures and other exceptional unforeseen circumstances (contingencies). For the fiscal year being reviewed one (1) general warrant and two (2) Supplementary Estimates were purportedly issued. Additionally eight (8) Virement Warrants were approved by the Ministry of Finance to allow ministries and departments to transfer funds from one subhead to another.

39. **Failure of Management Controls over budget input process.** The budget management process requires that warrants be signed by either the Minister of Finance or the Financial Secretary. Additionally, all warrants are entered into the financial accounting software, SMARTSTREAM, by personnel at the Ministry of Finance after the relevant signatures are obtained. For the year under review, there was a breakdown in this system of controls as several adjustments to the authorized total budget were seen in the accounts without the relevant warrant(s) being produced⁴. The impact of the failure of this control is the fact that Accounting Officers would have based their decision making on the balances in the accounts. Consequently, decisions would have been taken to incur additional expenditures or to cut back on much needed services.

40. **Over-expenditure.** Section 21(1) of the Public Finance (Management and Accountability) Act requires that, in circumstances where expenditure is incurred in excess of appropriation, a statement of expenditure in excess be prepared and submitted to Parliament for acceptance or otherwise. Our duties require us to audit this statement to determine compliance with law. Given the lack of evidence to support adjustments to some allocations, we could not verify the total authorized allocation for the year or the level of unauthorized expenditure.

41. Ministry of Finance plays a key role in expenditure management. We therefore continue to recommend that no budgetary information be added to the accounting system before the receipt of a signed warrant. We also recommend that the work of staff inputting the data be reviewed.

42. **Miscoded Expenditure.** We continually provide guidance to Accounting Officers as to the most appropriate sub-heads under which expenditure is to be incurred yet we continue to encounter miscoded expenditure. We continue to reiterate that managers should pay special attention to the need for improvements in this area as miscoded

⁴ Searches for the relevant documentation were conducted at several agencies including the Ministry of Finance and Clerks of Council offices without any success.

expenditures distort the accounts and renders financial, budget information and variance analysis unreliable.

2.5 Arrears of Revenue

43. At the end of the fiscal year being reviewed Arrears of Revenue stood at \$25,126,546 and are itemized as follows: -

**TABLE 4
ARREARS OF REVENUE**

Executing Agency	Arrears at 31 December 2008
Ministry of Agriculture, Lands, Housing & the Environment:	0
Government Housing Stock	983,004
Loans to Peasant Farmers	39387
Ministry of Communications and Works:	0
Revenue Plant & Workshop	74,814
Aircraft Landing Fees	4,574
Inland Revenue:-	0
Income Tax	18,096,772
Company Tax	3,593,448
Property Tax	1,522,336
Broadcasting Services (Radio M/rat)	29,947
Customs	31,390
Treasury:	0
Trade Licence	66,250
Emergency Fuel Supply	559,759
Ministry of Health and Community Service	61,033
Development Unit	63,831
Total	25,126,546

44. A number of these accounts remain unverified for the following reasons:

- Staff turnover and unfilled vacancies within the OAG affecting work output;
- Some lists were returned to departments for adjustments. These remained uncompleted at time of preparing this report;
- No arrears statement was submitted for the Ministry of Communication and Works and for Radio Montserrat.

2.6 Development Fund

2.6.1 Statement of Assets and Liabilities

ASSETS		2008		2007
British Development Aid Claims Outstanding		3,227,119		5,757,550
Donor Agencies Expenditure Outstanding		7,816,910		2,443,657
Local Funds		(694,611)		(694,611)
Total Assets		10,349,418		7,506,596
LIABILITIES				
Deposits within Development Fund		2,429,742		8,432,109
Consolidated Fund Payable		4,605,018		(4,061,565)
Consolidated Capital Fund	(12,159,848)		(3,314,657)	
Add Revenue over Expenditure	8,845,190	3,314,658	6,450,708	3,136,050
Total Liabilities		10,349,418		7,506,596

45. Some of the assets and liabilities on this table relate to balances brought forward on projects which have been closed for several years. These balances are sitting in the accounts without any movement. We are therefore recommending that the Accountant General review these balances, seek permission for use of outstanding sums or transfer the balances to the Consolidated Fund.

2.6.2 Capital Expenditure

46. Estimates and recorded results for the Development Fund are summarized in the Table 5 below.

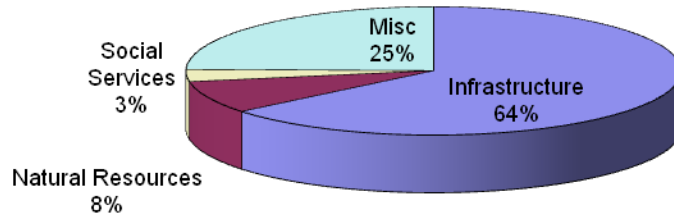
TABLE 5
Comparison of Development Fund Estimates and Record Results 2008

Development Fund Expenditure	Authorized	Actual	Variance
DFID	32,546,120	16,252,223	16,293,897
LOCAL	5,345,437	4,720,418	625,019
CAREC	0	0	0
UNICEF	0	0	0
PSF	3,079,546	1,224,519	1,855,027
EU	13,867,175	13,261,407	605,768
OPEP	166,745	40,340	126,405
TOTAL	55,005,023	35,498,907	19,506,116

47. As seen in the table above \$55,005,023 was authorized for capital expenditures. Actual expenditure for the year amounted to \$35,498,907 being 64.5% of authorized expenditure for the year.

48. Diagram 5 below presents a pictorial view of how the capital expenditures were incurred during the year being reviewed. The expenditures have been classified by sectors.

**DIAGRAM 5
ACTUAL CAPITAL EXPENDITURE 2008
(by Sector)**



2.7 Other Statements

2.7.1 Statement of Contingent Liabilities

Date	Debtor	Creditor	Liability
December 31, 2008	GSB	SUNDRY	\$40,185,038

2.7.2 Statement of Special Funds

49. Withdrawals from this account amounted to \$38,115 thus reducing the balance to \$563,397.

2.7.3 Statement of Public Debt

50. At end fiscal year 2008 Total Public Debt stood at EC\$28,154,891. This figure includes an outstanding payment to Social Security. Public Debt per capita⁵ stood \$5,775.36 per person. This level of debt equates to approximately 18% of GDP⁶ (at current prices⁷) and is well within the ECCB's recommended maximum level of debt⁸.

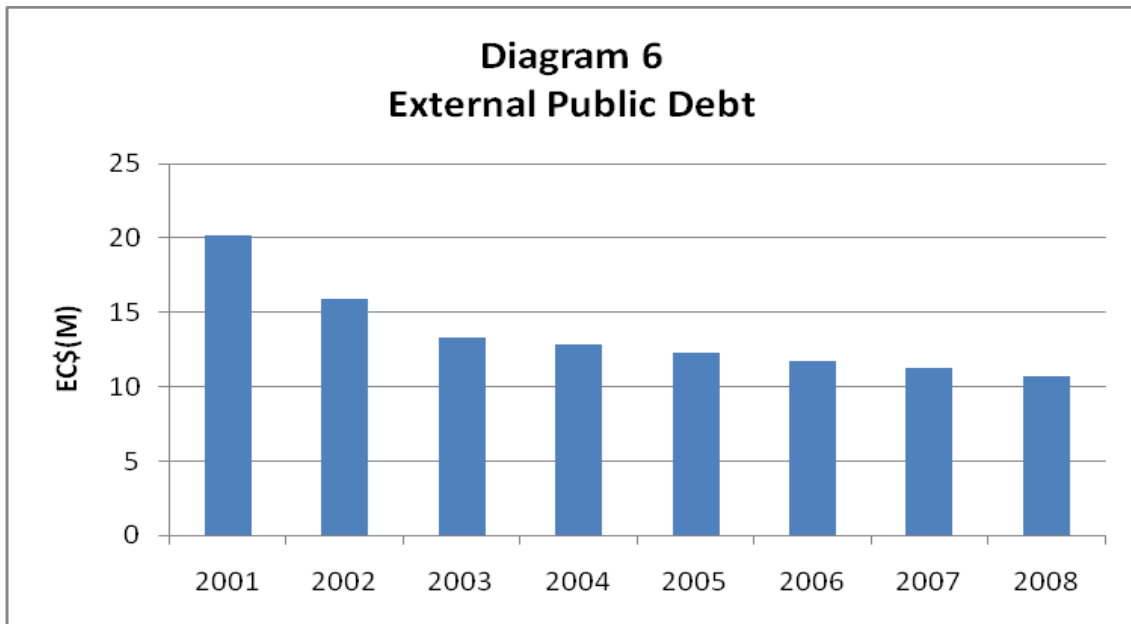
51. External Public Debt stood at \$10,751,749 at the end of the year being reviewed. The graph below compares the movements in the external debt at the end of the years 2001 – 2008.

⁵ The Montserrat Statistics Department 2008 mid-year population estimate was 4,875.

⁶ GDP figures were rebased using 2006 as the base year

⁷ GDP 2008 measured \$156.52M. Source: Montserrat Statistics Unit

⁸ Maximum level of debt should not surpass 60% of GDP.



54. \$501,664 was utilized for principal repayments on external debt. This represents 1.24% of actual local recurrent revenue for the year. When compared against GDP (in current prices for the year) it represents 0.32%.

55. Domestic Debt totaled \$1M was repaid during the fiscal thus removing the debt relating to the development bonds.

56. Interest on External Debt amounted to \$206,188.55. This payment utilised 0.51% of total local recurrent revenue generated for the year.

2.7.4 Statement of Loans Outstanding

57. There has been no movement on these loans that have been outstanding for more than twenty (20) years. We are again recommending that the Accountant General seek to have them removed from the accounts.

2.8 Losses/Overpayments

58. There has been no reduction in the outstanding balance on an overpayment of gratuity to a legislator despite that legislator agreeing to make the refunds.

CHAPTER 3

3.0 MINISTRIES AND DEPARTMENTS

59. This chapter highlights the concerns raised during the audit of Ministries/Departments. It focuses mainly on breaches of regulations and/or weaknesses in internal controls. Some of the concerns included arose out of work undertaken by the Internal Audit Unit housed in the Ministry of Finance.

60. SAIs and internal auditors have differing defined roles. However, the collective purpose is to promote good governance through contributions to transparency in and accountability for the use of public resources, as well as to promote efficient, effective, and economic public administration⁹.

61. ISSAI 1610¹⁰ provide guidance as to the conditions under which the specific work of the internal auditor can be used. These include ensuring that staff had adequate technical knowledge and training; the work is properly supervised, reviewed and documented; adequate evidence is obtained to enable the internal auditor to draw reasonable conclusions; that the conclusions drawn are appropriate and that the reports are consistent with results of work performed. We have concluded that the work was conducted in accordance with the guidelines and that reliance can be placed on it. We have also decided to include the salient findings as part of this report.

3.1 MINISTRY OF AGRICULTURE

3.1.1 Arrears of Revenue

62. At the end of the fiscal year outstanding revenues for management of the government housing stock totaled \$983,004 resulting in an increase of \$409,933 when compared with outstanding revenue at the end of 2007. Eighty-four percent (84%) of this amount was recorded as reimbursable expenses for work conducted on the Drummonds apartment building project.

63. Collection of revenue as it relates to Government Housing Stock still continues to present a major weakness in control. Several strategies have been adopted to reduce outstanding arrears with minimal effect. This prompted a review of the rent arrears recovery.

64. At the end of the exercise it was concluded that there is no proactive rent collection strategy and the current processes require significant improvements in terms of collection and debt recovery to prevent rent arrears accruing to a stage where they are so large it is impossible for the tenant to afford the repayments. It was also found that delays in initiating recovery procedures were excessive in that more than six (6)

⁹ Adapted from INTOSAI GOV 9150 – Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector

¹⁰ ISSAI 1610 – Using the work of internal auditors

months elapsed before legal counsel was sought and that rent recovery efforts were fragmented.

3.1.2 Agricultural Exhibition

65. Agricultural Exhibitions are funded mainly by the Ministry of Agriculture. Contributions are also received from public and local business organizations. A current account is opened at BOM with the intention of closing off the account after each exhibition. When all transactions have been completed any residual balance is paid into the Consolidated Fund.

66. A review was conducted to determine whether systems were in place to control the operations of the Agricultural Exhibition and whether the controls in place were sufficient to prevent the loss of public funds.

67. Our review revealed that there were weaknesses in the monitoring mechanisms. For example, there was no register to record contributions received or letters of acknowledgement filed as proof of receipt of contributions. Our review also revealed that \$2,435 of the amount said to be collected was not accounted for in the bank statement. Additionally, no bank reconciliation statements were prepared. These weaknesses need to be addressed in an effort to prevent concealment and/or misappropriation of funds.

3.1.3 Collection of Revenue - Royalties

68. During the course of the audit we noted that revenue was being collected from Montserrat Port Authority relating to royalties on export of sand and aggregate. At the time of the audit the Department of Agriculture did not have a system in place for ensuring that all revenue due to Government from sand mining operations were being collected and paid over to it.

3.1.4 Health, Safety and Security

69. We conducted a physical survey of the storeroom and the garage area. The storeroom is adequately lighted but has only one entrance/exit door. There was evidence of mice infestation in the storeroom and both areas were very hot and poorly ventilated. There is limited storage space and a number of large tractor tyres are stocked in the work area leaving inadequate space for the workers to maneuver. Additionally, we questioned the location of the tyres, since we felt, they were not properly secured.

70. We therefore concluded that the storeroom and garage area raise health and safety concerns. Potential mishaps in the storage and garage areas could result in unnecessary financial payments for workmen's compensation, sick leave and for

temporary replacement workers. We therefore recommend that urgent action be taken to correct the situation.

3.2 RADIO MONTSERRAT

3.2.1 Revenue Collection

71. No proper safeguards were in place to ensure accountability for receipt books issued to the department. There was no receipt book register. The Junior Clerical Officer was responsible for requisitioning receipt books from Treasury. She also had responsibility for the safekeeping of the books (unused, in use and completed receipt books).

72. Control by separation of duties and effective supervision was lacking in this area as the Junior Clerical Officer was responsible for the whole accounting cycle relating to the collection of revenue.

73. Proper safeguards were not in place for the safekeeping of Government revenue. The cash is kept in the office in a cash pan. The keys to the cash pan are kept in the cash pan. The cash pan was kept in a desk drawer which is not secure.

74. Although receipts were issued for monies collected during the reporting period, all revenue was not paid into the Consolidated Fund on a timely basis. The bank deposit slips were found in the cash book with revenue forms attached but there was no evidence that these were actually accounted for in the Treasury records. These amounted to \$36,850.19.

75. To improve the controls over revenue collection we recommended the use of a Receipt Book Register. We also recommended that the Register, along with the new and unaudited receipt books be kept in the custody of the Station Manager.

76. We recognize that separation of duties may not be possible in some areas, with only one clerical staff. We therefore recommended that controls be improved through more careful supervision by the Station Manager.

3.3 COMMUNICATIONS AND WORKS

3.1.1 Contract Management at PWD

77. A review of the contract management systems was conducted. It concluded that increased levels of internal control are required to improve governance over procurement of capital works as these contain higher inherent risks. More specifically, the review revealed that there was a lack of detailed feasibility studies being completed to support policy and in turn the development programme to ensure full impact on long-term recurrent expenditure.

78. With regard to contract management itself, the finding was that there are some systemic issues which need to be addressed. These issues include weak financial vetting and tender evaluation procedure. Poor transparency in contractor selection was identified as an issue that needs to be addressed as it could lead to difficulties in defending allegations of collusion or corruption. Moreover, the lack of transparency goes against GOM's goal to "institute policies and transparent processes that would spread the benefits of these [capital] investments across relevant businesses in the private sector"¹¹.

¹¹ "Advancing the Economic Management Agenda", Specific Programmes and Targets for 2008, 2008 Budget Statement

CHAPTER 4

4.0 OTHER FINANCIAL AUDITS

4.1 Montserrat Water Authority (MWA)

79. I was advised that the audit of the financial statements for years 2005 - 2007 are still awaiting final approval by the Board before submission for tabling in Council. I was further advised that the 2008 accounts are completed and are awaiting submission to the auditors.

4.2 Montserrat Land Development Authority (MLDA)

80. The 2008 Financial Statements for MLDA's Corporate and Property Management - Government Housing Stock were submitted to our offices and are currently being audited.

4.3 Montserrat Social Security Fund (MSSF)

81. The 2008 Financial Statements were laid before the Legislative Council at its sitting of 11, 15 & 16 March 2010.

4.4 Montserrat Philatelic Bureau (MPB)

82. The 2007 and 2008 Financial Statements were tabled in Legislative Council on 23 December 2010.

4.5 Montserrat Aviation Services Ltd (MASL)

83. Liquidation proceedings were completed during this year and the residual funds were paid into the Treasury.

4.6 Montserrat Port Authority (MPA)

84. The 2008 Financial Statements were laid in the Legislative Council on 29 June 2010.

4.7 Montserrat Electricity Services Limited (MONLEC)

85. I was advised that the audits of the financial statements for years 2005 - 2007 were completed and that the statements were awaiting final approval by the Board before submission to Council. I was further advised that the 2008 accounts were nearing completion and submission to the auditors.

4.8 Montserrat Tourist Board (MTB)

86. The Finance and Administrative Officer has informed that the company encountered problems in the use of their accounting software which required the entity to re-input accounting data. As a result of this, the completion of the accounts for 2008 has been delayed. She anticipates that the accounts will be completed shortly.

4.9 Annual Government Accounts

87. The Auditor General's Report and Annual Accounts of the Government of Montserrat for 2005, 2006 and 2007 were tabled in the Legislative Council on 30 November 2010.

4.10 Montserrat Civil Service Association (MCSA)

88. The 2008 Accounts were submitted to our offices and are currently being audited.

4.11 Golden Years Foundation for Care of Elderly (GYFCE)

89. The Financial Statements for fiscal year 2008 were laid before the Legislative Council on its sitting of 27 October 2009.

4.12 Montserrat Financial Services Commission (MFSC)

90. The 2008 Financial Statements were tabled in the Legislative Council on 27 October 2009.

4.13 St Augustine Primary School

91. The accountant has informed that the accounts have been finalized and are awaiting audit.

4.14 Montserrat Utilities Limited (MUL)

92. I was advised that the Financial Statements for 1 July – 31 December 2008 were yet to be finalized for submission to the auditors.

4.15 Montserrat Development Corporation (MDC)

93. The Financial Statements for the period ending 31st March 2008 were tabled in the Legislative Council on 27 January 2009.

4.16 Montserrat Community College (MCC)

94. The financial Statements for the period 1 October 2004 – 31 December 2005 and 1 January – 31 December 2006 were tabled in the Legislative Council on 23 December 2010. Both sets of accounts were qualified on the basis of disagreement with management on the treatment of revenue, valuation of some revenues and expenditures and material mis-classification of expenditures.

95. It was recommended that management seek the assistance of a professional accountant to aid the preparation of the accounts.

CHAPTER 5

5.0 PERFORMANCE AUDITS

5.1 IT investments within Central Government Agencies for period January 2004 – December 2006

96. IT investments are under a lot of scrutiny worldwide. There is increasing pressure on management to attain value for money (VFM) from investing in IT simply because of the astronomical amounts being spent. The OAG decided to review the government's investment in IT.

97. This study covered the period January 2004 to December 2006 and seeks to assess and report on the effectiveness and efficiency of IT investments within central government (Ministries and Departments). The intention is to confirm the existence of related policies and to determine the extent to which GISU, the main IT arm of government, assist other departments in procuring and maintaining their investments.

98. Many departments and/or ministries have embarked on implementing systems with assistance from funding agencies and the Government of Montserrat (GoM). Some systems were implemented prior to the years that were established (2004 – 2006) for this audit. However, we thought it necessary to include them as part of this audit to review their efficiency and effectiveness.

Our findings

99. GISU is responsible for the procurement and maintenance of all IT equipment. However, we found that not all departments with IT systems have sought assistance from GISU. Funding or donor agencies have donated systems to specialized departments and are also providing support services at no cost in some instances. The systems are worthwhile simply because of the outputs generated by them and the benefits gained from their usage and information.

100. Secondly, there are far too many printers that are not being utilized to their full aptitude. Thirdly, there are no set procedures or guidelines for deciding upon an investment thus procurement is done on an adhoc basis. Of the eleven (11) IT systems we found that only four (4) of them are being utilized 75% or more and one system was abandoned.

101. Finally, we requested responses to the issues raised, have sent several reminders and to date we have not received any responses from Supreme/Magistrate Courts and the Registry.

Our recommendations

102. Listed below are the major recommendations:

- that an IT Steering Committee be established to further centralize government's goals through the effective use of coordinated information technologies.
- the development and implementation of a general IT policy. This policy should include, but is not limited to, IT procurement and usage issues.
- that GISU send an official notification to all ministries or departments informing them of the need for notifying it prior to any purchase or receipt of donations of IT assets.
- further training of IT staff as well as system users to enable maximum usage of systems.

CHAPTER 6

6.0 THE OFFICE OF THE AUDITOR GENERAL

6.1 Legislative mandate

103. The Audit's mandate detailed in the Audit Act 2001 makes me responsible for the audit of the Public Accounts, accounts of government Ministries/Departments, statutory agencies (except where their legislation provides for appointment of another auditor), and entities who are receiving or seeking grants from the public purse.

6.2 Mission

104. Our mission is "to promote 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 Council".

6.3 Auditing Standards

105. The Caribbean Organisation of Supreme Audit Institutions (CAROSAI) has formally adopted the International Organisation of Supreme Audit Institutions (INTOSAI) standards. Montserrat is a member of CAROSAI and hence follows the INTOSAI standards.

6.4 Reporting Criteria, Process and Practice

106. The main reporting criteria are the Audit Act and the Finance (Administration) Act. These mandate the Statements in the Public Accounts that are to be audited. We report on these. Additionally, we use our professional judgment to report on issues that should be made known to the Parliament and the public in the interest of accountability or which serve as useful learning points to the public sector. These include

- material non-compliance issues,
- actual or potential loss of public funds,
- significant breaches of or non-application of internal controls,
- whether value-for-money was obtained for monies spent, and
- whether services are being performed economically, efficiently and effectively.

107. A draft report or management letter is prepared which contains the findings arising from the audit and recommendations for improvement. This is discussed with senior management who is then asked to prepare and submit a written management response. Important matters are then selected from the draft report or management letter for inclusion in the Annual Audit Report.

6.5 Budget Outturn

108. The statement of operations for the Office of the Auditor General for fiscal years 2007 is detailed below.

EXPENDITURE 2008			
Description	Authorized (EC\$)	Actual (EC\$)	Variance
Personal Emoluments	593,900	579,589	14,311
Goods and Services	242,600	188,631	53,969
Transfers and Subsidies	32,000	13,918	18,082
Other Expenditure	6,000	5,080	920
Total	874,500	787,218	87,282
REVENUE			
Audit Fees	25,000	15,900	9,100

Expenditure

109. We aim to achieve an expenditure utilization rate of 95% of budgeted allocation. For this fiscal year, actual expenditure amounted to 90% budgeted expenditure. Six (6) subheads recorded savings of over \$5,000. These were Personal Emoluments, Travel Allowance, International Travel and Subsistence, Maintenance Services, Training, Fees and Rewards. The savings arose for the following reasons:

- Greater effort at cost containment,
- Vacancies for some parts of the year,
- Some allowances not utilized due to staff being on prolonged leave or not in possession of vehicle for part of the year,
- Planned attendance at 20th Commonwealth Auditor General's Conference held in Bermuda had to be cancelled.
- Some planned short-term training efforts did not materialise.
- Efforts to procure on-island short-term auditing assistance were not fruitful.

Revenue

110. Invoices are raised on the completion of the audit. For some audits, the accounts were returned to the relevant entity for adjustment. These were not completed and re-submitted for auditing by the end of the fiscal year. The late re-submission affected our ability to raise the projected revenue for the year.

6.6 Outputs Report

111. For the financial year ending 31 December 2007, we audited:
- a) An aggregate of over \$142M in government revenues and expenditures.

- b) Twenty-two statements included in the Public Accounts per year. These audits focused on examinations of revenue and expenditure, and verification of assets and liabilities.
- c) Ten Ministries and Departments of Central Government with twenty-two accounting units per year.
- d) Four other financial statements per year.
- e) The pre-audit of pension and gratuity calculations. This activity included the audit of pension and gratuity calculations for mainstream Civil Servants, nurses, teachers, police and members of Parliament.

6.7 Staffing

112. For fiscal year 2008 the Office of the Auditor General retained a staff complement of fifteen persons being thirteen (13) auditors and two (2) support staff.

6.8 Training

113. During the fiscal year the OAG continued its capacity development efforts. This strategy continues to focus on staff participating in a mixture of training efforts through in-house training, overseas training and through distance learning programmes.

6.8.1 In-house training

114. The focused mainly on coaching and mentoring of staff whereby senior managers continued to provide guidance and assistance to junior staff when conducting their duties.

115. Staff also expanded their knowledge of general public sector issues by participating in several in-service training sessions/workshops conducted by the Training Division, Department of Administration. These included training on:

- Senior & Middle Management Development Training facilitated by the Management Institute for National Development (MIND);
- Training for Permanent Secretaries and Heads of Department, facilitated by the Commonwealth Secretariat;
- Revenue Modeling and Forecasting facilitated by the Caribbean Regional Technical Assistance Center (CARTAC);
- Office Procedures, telephone etiquette, Smartstream Financial (Reconciliation), Customer service and team building,
- Business Communication

6.8.2 Overseas training

116. Several staff members also improved their knowledge and skills while attending the following overseas training programmes:

- Singapore-Commonwealth Third Country Training Programme “Advanced Public Expenditure Management: Internal Audit and Internal Control”, Singapore.
- Pension Governance Workshop, Crown Agents, Jamaica
- Risk Assessment, Corporate Fraud Prevention and Detection and Interview Techniques, Certified Information Security, Barbados;
- Forging Better Partnerships, Master Class for Auditor Generals of CAROSAI, funded by the Canadian International Development Agency (CIDA)

6.8.3 *Distance learning*

117. The University of the West Indies (UWI), through its distance education programme, continues to be the main medium through which update their managerial and accounting knowledge and skills.

6.9 **Advocacy**

118. We continue to provide clarification for financial management issues as they relate to compliance with the Finance and Procurement and Stores Regulations. During the year, we also produced a pamphlet outlining the way we work.

119. Regionally, we continue to participate in meetings for Accountants General/Budget Directors/Auditor Generals for the respective officials within the Eastern Caribbean Currency Union (ECCU). For the year being reviewed we attended semi-annual meetings of the grouping.

6.10 **Compliance with Auditing Standards on SAI Independence**

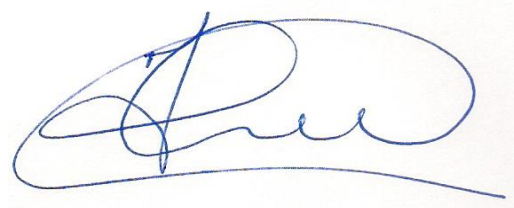
120. As stated in my last report we are seeking to be in compliance with ISSAI 10 which requires SAIs to have functional and organizational independence. With that in mind, a consultant conducted a review of the Audit Act. A layman’s draft Audit Act was prepared. This draft includes provisions for the independence of the Audit Office as premised on INTOSAI’s Lima and Mexico declarations. The layman’s draft was submitted to the Attorney General’s Chambers for further review. However, final preparation and enactment is dependent on the outcome of the Constitution Review.

ACKNOWLEDGEMENT AND APPRECIATION

This Report highlighted the work of my office and our interactions with several entities. I therefore wish to express my thanks to the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for any assistance given to my staff during the performance of the various audit assignments. We look forward to your continued support.

As we strive to improve the services we offer, capacity development and institutional strengthening are among our highest priorities. We extend our thanks to GOM, its Public Sector Reform Unit and its Training Division, DFID, the UKNAO, IDI, CAROSAI and its member organizations, MIND, Commonwealth Secretariat, Crown Agents and other private sector auditors for their invaluable assistance toward the expansion of our knowledge and skills.

Finally, staff is our organisation's greatest resource as their input, through suggestions for improvement and completion of work assignments, is critical to achieving the organisation's goals. I extend my thanks to my staff for their hard work and support. The work was oft times challenging in various ways but we stuck to our tasks and accomplished our goals. Again, thank you.



Brades, Montserrat
2 June 2011

Florence A Lee, MSc, BSc, CPA
Auditor General

**GOVERNMENT OF MONTSERRAT
ANNUAL ACCOUNTS FOR FISCAL YEAR 2008**

AUDIT CERTIFICATE

I have examined the Annual Accounts prepared from the Consolidated Fund of the Government of Montserrat as at 31 December 2008, together with relevant subsidiary Statements, as required by Section 17 of the Finance (Administration) Act, #3 of 2001.

RESPONSIBILITIES

The Accountant General is responsible under Sections 5(1) and 17(1&2) of the Finance (Administration) Act 2001 for the preparation and presentation of the Financial Statements and the information contained therein. My responsibility under Section 8 of the Audit Act 2001 is to express an independent opinion on those statements based on my audit and to report my opinion to you.

SCOPE

My audit was conducted in accordance with generally accepted auditing standards. Those standards require that I 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.

OPINION

Except as otherwise stated in my Report dated 2 June 2011, attached hereto, and subject to the observations and comments contained therein, in my opinion, the Annual Accounts for the Fiscal Year 2008 presents fairly the financial operations of the Consolidated Fund of the Government of Montserrat, and the sums expended have been generally applied for the purposes authorized by the Legislative Council.



FLORENCE A LEE, CPA, BSc, MSc
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL
MONTSERRAT, WEST INDIES
2 June 2011

APPENDICES

Appendix 1	Consolidated Fund Financial Statements 2008	30
Appendix 2	Audit Act 2001	41
Appendix 3	Organisation Chart	53

APPENDIX 1
GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Statement Of Assets And Liabilities As At 31 December 2008
(with comparative figures for December 31, 2007)

ASSETS	2007	2008
CASH LOCAL	2,226,389	6,430,923
OPERATING ACCOUNT - ECCB	40,453	40,237
DEVELOPMENT CAPITAL FUND	1,509,545	-5,067,062
CROWN AGENTS # 2 ACCOUNT	10,045,961	3,504,735
FISCAL RESERVE – A/C # 1 TRANCHE ECCB	4,119,604	4,758,082
FIXED DEPOSIT - BARCLAYS BANK	712,514	712,514
FIXED DEPOSIT - ST PATRICKS CREDIT UNION	246,880	246,880
FIXED DEPOSIT – BRITISH AMERICAN	2,856,716	2,856,716
INDUSTRIAL DEPOSIT - BANK OF MONTSERRAT	72,353	72,353
INVESTMENT MONTSERRAT MILLS	60,000	60,000
EQUITY BOM - # 2/SFR-OR-M	2,108,400	2,108,400
INVESTMENT CMMB	2,500,000	0
INVESTMENT CLICO	2,500,000	2,500,000
SUB TOTAL	28,998,815	18,223,778
 ADVANCES		
PERSONAL	573,555	545,167
IMPERSONAL	77,622	77,622
OUTSTANDING IMPREST	651,260	471,248
OTHER GOVERNMENTS & ADMINISTRATIONS	202,034	632,631
CDB STUDENT LOANS	1,015,601	1,003,363
SALARY CLEARING A/C	(766)	(766)
POSTMASTER CLEARANCE	(283,567)	(387,836)
DEVELOPMENT FUND RECEIVABLE	(4,061,565)	4,783,625
SUB TOTAL	(1,825,826)	7,125,053
TOTAL ASSETS	27,172,989	25,348,831

Government of Montserrat Annual Accounts for the year ended December 31, 2008

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND**

**Statements of Assets and Liabilities as at December 31, 2008
(with comparative figures for December 31, 2007)**

LIABILITIES AND THE CONSOLIDATED FUND

	2007	2008
MISCELLANEOUS DEPOSITS	4,585,337	7,117,225
77INSURANCE COMPANY DEPOSITS	712,514	712,514
INDUSTRIAL INVESTMENTS DEPOSITS	50,543	50,543
SPECIAL FUNDS	<u>601,511</u>	<u>563,397</u>
SUB – TOTAL	<u>5,949,905</u>	<u>8,443,680</u>

CONSOLIDATED FUND

BALANCE AT START OF YEAR (Recurrent)	22,831,940	21,223,084
REVENUE FOR THE YEAR	94,988,991	95,068,601
EXPENDITURE FOR THE YEAR	<u>91,293,481</u>	<u>94,666,116</u>
SURPLUS	3,695,509	402,485
SUSPENSE	28,270	0
TRANSFER OF LOCAL COSTS	<u>(5,332,635)</u>	<u>(4,720,418)</u>
TOTAL CONSOLIDATED FUND	<u>21,223,084</u>	<u>16,905,151</u>
TOTALS	<u>27,172,989</u>	<u>25,348,831</u>

Accountant General, Montserrat

CONSOLIDATED REVENUE FUND – 2008
Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
CONSOLIDATED FUND REVENUE:-				
1A. TAX REVENUE				
Taxes on Income, Profits and Capital Gains	15,229,100	15,229,100	14,961,910	(267,190)
Taxes on Property	1,192,000	1,192,000	993,222	(198,778)
Taxes on Domestic Goods and Services	1,215,000	1,215,000	1,345,522	130,522
Licences	1,972,600	1,972,600	2,372,848	400,906
Taxes on International Trade & Transactions	14,735,000	14,735,000	14,787,906	49,906
TOTAL TAX REVENUE	34,343,700	34,343,700	34,461,407	114,707
1B – NON-TAX REVENUE				
Fee, Fines & Permits	1,220,000	1,220,000	1,149,096	(70,904)
Rents, Interest and Dividends	2,041,500	2,041,500	832,708	(1,208,792)
ECCB Profits	200,000	200,000	570,779	370,779
Reimbursements	87,000	87,000	133,806	46,806
Budgets and Grants	54,600,000	54,600,000	54,600,000	0
Other Revenue	3,650,300	3,650,300	3,323,806	(326,494)
TOTAL NON-TAX REVENUE	61,798,800	61,798,800	60,610,194	(1,188,606)
TOTAL REVENUE	96,142,500	96,142,500	95,068,601	(1,073,899)

Ag Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2008

CONSOLIDATED REVENUE FUND – 2008
Annual Abstract of Receipts and Payments

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
01 CONSOLIDATED FUND SERV'S	12,306,600	16,454,300	13,539,852	2,914,448
02 GOVERNOR'S OFFICE	363,500	293,500	262,332	31,168
03 ADMINISTRATION	6,086,300	6,257,300	6,081,293	176,007
04 CHIEF ESTABLISHMENT OFFICER	1,362,600	1,272,600	1,144,832	127,768
05 POLICE & FIRE	7,304,000	7,006,000	6,958,070	47,930
06 EMERGENCY CENTRE	5,688,800	5,803,800	5,618,606	185,195
07 LEGAL	1,597,000	1,647,000	1,344,469	302,531
08 MAGISTRATES COURT	154,500	154,500	133,223	21,277
09 SUPREME COURT	836,000	806,000	786,757	19,243
10 LEGISLATURE	949,500	919,500	892,878	26,622
11 AUDIT	894,500	864,500	787,219	77,281
15 OFFICE OF THE CHIEF MINISTER	4,118,700	4,098,700	3,941,961	156,739
20 MINISTRY OF FINANCE	4,927,500	4,977,500	4,828,872	148,628
21 DEVELOPMENT UNIT	2,717,500	2,717,500	2,499,065	218,435
22 TREASURY	1,043,000	905,000	841,707	63,293
23 CUSTOMS & EXCISE	1,175,600	1,175,600	1,065,346	110,254
24 INLAND REVENUE	1,041,300	916,300	689,053	227,247
25 GENERAL POST OFFICE	514,000	514,000	398,601	115,399
30 MIN. OF AGRI., LANDS, HSG & ENVIR.	7,015,600	6,790,600	6,395,308	395,292
35 MIN. OF COMMS & WORKS	12,012,900	12,482,900	12,336,820	146,080
40 MIN. OF EDUCATION	8,303,500	8,283,500	8,130,849	152,651
45 MIN. OF HEALTH & COMM. SERVIC	15,729,600	16,117,300	15,989,003	128,297
TOTAL	96,142,500	100,457,900	94,666,116	5,791,785

Government of Montserrat Annual Accounts for year ended December 31, 2008

CONSOLIDATED REVENUE FUND – 2008
ABSTRACT OF EXPENDITURE BY TYPE

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
2A Personal Emoluments	43,609,300	40,960,000	39,226,270	1,733,730
2B Pension, Gratuities & Other Benefits	9,190,000	13,570,000	10,794,333	2,775,667
2C Goods & Services	18,599,600	20,886,790	19,910,401	976,389
2D Transfers & Subsidies	11,511,600	12,069,810	12,051,659	18,151
2E Social Services	4,146,000	3,967,200	3,966,382	818
2F Other Expenditure	7,828,500	7,893,600	7,729,630	163,970
2G Debt	1,257,500	1,110,500	987,443	123,057
TOTAL	96,142,500	100,457,900	94,666,118	5,791,782

Government of Montserrat Annual Accounts for year ended December 31, 2008

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2008
(with comparative figures for December 31, 2007)

<u>ASSETS</u>		2007		2008
BRITISH DEVELOPMENT AID				
CLAIMS OUTSTANDING	(1)	(5,757,550)		3,227,119
DONOR AGENCIES				
EXPENDITURE OUTSTANDING	(2)	2,443,657		7,816,910
LOCAL FUNDS	(4)	(694,611)		(694,611)
TOTAL ASSETS		(7,506,596)		10,349,418
<u>LIABILITIES</u>				
DEPOSITS WITHIN THE				
DEVELOPMENT FUND	(3)	8,432,109		2,429,742
CONSOLIDATED FUND PAYABLE		(4,061,565)		4,605,018
CONSOLIDATED CAPITAL FUND	(3,314,657)		12,159,848	
ADD: REVENUE OVER				
EXPENDITURE	6,450,708	3,136,050	(8,845,190)	3,314,658
TOTAL LIABILITIES		(7,506,596)		10,349,418

NOTES TO THE BALANCE SHEET

- (1) SUM OF THE BALANCES FOR BDD AND WISTS (STMENT 16)
(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: STATEMENT 16.

Ag Accountant General
Montserrat

Government of Montserrat Annual Account for the year ended December 31, 2008

DEVELOPMENT EXPENDITURE – 2008
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
35/350 COMMS & WORKS		7,218,296	3,318,305	3,899,991
35/354 COMMS & WORKS - O D'S		7,100,000	2,889,579	4,210,421
21/210 ECONOMIC DEV'T		24,690,949	21,868,461	2,822,488
30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT		5,480,771	2,383,866	3,096,905
45/450 HEALTH AND COMM.		5,690,199	2,611,422	3,078,777
03/030 ADMINISTRATION		1,470,000	1,424,026	45,974
40/400 EDUCATION		3,104,808	886,459	2,218,349
05/051 POLICE & FIRE		250,000	116,789	133,211
TOTALS		55,005,023	35,498,907	19,506,116

Acting Accountant General
MONTERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2008

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
December 31, 2008**

THE ACCOUNTING POLICIES

The accounting policies are based on the Finance (Administration) Act 2002 and comply with generally accepted accounting practices. As outlined in the Act (2002), the two concepts underlying the Government's accounting system are:-

- (i) The concept of the consolidated Revenue Fund which emanates from the requirement that all revenues received, other than those allocated by law, or received for specific purposes, "shall form one Consolidated Revenue Fund."
- (ii) The concept that the balance of the Fund "shall be appropriated by the Legislative Council."

1. PUBLIC ACCOUNTS

The Public Accounts of Montserrat consists of the accounts of all officers and authorities of the [Central] Government. The presentation is in two parts:

- a. Consolidated Revenue Fund
- b. Development Fund

This is in accordance with the requirements of Section 57 of the Finance (Administration) Act 2002.

2. BASIC CONCEPTS

The basic concepts that guide the Government's Accounting System are embodied in the above mentioned Act.

Budgetary transactions enter into the calculation of the annual surplus¹², and are disclosed on the Statement of Revenue and Expenditure. All other transactions lead to the acquisition or disposal of financial claims or to the creation or discharge of financial obligations and are disclosed on a net basis in the Statement of Assets and Liabilities.

3. BASIS OF ACCOUNTING

The Government of Montserrat uses the strict cash basis of accounting. Revenue is reported in the year in which it is received and expenditure is recorded when it

¹² The constitutional status of Montserrat disallows the Government to report an annual deficit.

is actually paid. Commitments by Government departments/ministries are not entered into the accounts.

Revenue is reported after the deduction of refunds but excludes amounts receivable, Savings Bank Deposits, other specified purpose accounts, and other liability accounts.

Expenditure consists of all charges to budgetary appropriations that affect the annual surplus of the Government and payments from accounts established for specific purposes. These include charges for work performed, goods received, services rendered during the year and expenditure internal to Government.

Assets are generally defined as the financial claims acquired by the Government of Montserrat from outside organizations and individuals as a result of events and transactions recorded at December 31, 2008. However, as a direct result of the Government's accounting policies outlined above, certain financial claims are not reported on the Statement of Assets and Liabilities, the most important being the accounts receivables.

Physical Assets of the Government are charged to budgetary expenditure at the time of acquisition or construction. Their existence is not acknowledged on the Statement of Assets and Liabilities since a physical asset disclosure is not a requirement of the current Government Accounting practice. Efforts will be made to establish a record of Government Assets for the purpose of information.

Liabilities are generally defined as the financial obligations of the Government of Montserrat to outside organizations and individuals as a result of events, and transactions recorded as at December 31, 2008. Due to current accounting policies, no provision is made in the Accounts for (a) Terminal Benefit Payments and Pension, (b) Doubtful Debts, and (c) Accrued Interests on Government Liabilities.

4. ADVANCES

a. Personal

This category consists of advances to government employees who are designated travelling officers for the purchase of motor vehicles and insurance premiums for the vehicle, salary advances, and medical and any other approved advances.

b. Impersonal Advances

This represents amounts issued to government departments for executing special projects.

c. Outstanding Imprests

This category jointly represents cash float issued at the beginning of the year to departments with a revenue collection function, and travel advances to officers proceeding overseas on official business. These advances should be retired at the end of each financial year in accordance with the financial regulations.

d. Other Governments and Administrations

These are the net transactions executed on behalf of Caribbean countries and other Organisations. Reimbursement is intended to be made monthly.

e. CDB Student Loans

Total amount outstanding regarding the loans issued as per the line of credit received from the Caribbean Development Bank.

f. Postmaster Clearance

Total receipts cleared through account held with Crown Agents Financial Services Ltd. for stamps and postal money orders.

g. Development Fund Receivable

Gross amount due by Development Aid Agencies for advance payment from the Consolidated Fund to meet the expenditure needs of approved development projects. In 2008 the greater percentage of Development Aid transactions processed by the Treasury Department were funded by the Department for International Development.

h. Transfer to Local Costs

The Government of Montserrat contributed the amount of ECD4,720,418 to local capital projects during the reported period.

APPENDIX 2

NO. 07 OF 2001

AUDIT ACT 2001

MONTSERRAT

(Preamble and Enactment Omitted)

Short title and commencement 1. This Act may be cited as the Audit Act 2001, and shall come into force on such day as the Governor-in-Council may by Order appoint.

PART I

PRELIMINARY

Interpretation 2. In this Act unless the context otherwise requires:-

"Auditor General" means the Auditor General of Montserrat appointed under section 3;

"Accountable Officer" means any officer, including an Accounting Officer, concerned in or responsible for the collection, receipt, custody, issue of payment of public moneys, stores, stamps, investments, securities or negotiable instruments whether the same are the property of the Government or on deposit with or entrusted to the Government or to any public officer in his official capacity either alone or jointly with any other public officer or any other person;

"Accountant General" means the Accountant General of Montserrat;

"Accounting Officer" means any public officer appointed under the provisions of this Act and charged with the duty of accounting for any service in respect of which moneys have been appropriated;

"Appropriation Act" means any Act to apply a sum out of Consolidated Fund to the service of a financial year, and includes a Supplementary Appropriation Act;

"Consolidated Fund" means the Consolidated Fund of Montserrat established by section 7 of The Finance (Administration) Act, 2001;

"Development Programme Account" means the development programme account referred to in section 15 of the Finance (Administration) Act, 2001;

"Financial Secretary" means the officer directly responsible to the Minister for the management of the Department of Finance;

"Financial Year" means the twelve months ending on the thirty-first day of December in any year;

"Government Company" for the purpose of this Act includes -

- (a) Companies under the control and supervision of Government;
- (b) Companies in which Government holds stock, shares or bonds; or
- (c) Companies or institutions in which Government has a financial interest.

"Legislative Council" means the Legislative Council of Montserrat;

"Minister" means the member of Executive Council to whom has been assigned for the time being responsibility for matters relating to finance;

"Officer" means an employee of the Government including a public officer and a police officer;

"Public Accounts Committee" means the Standing Committee for the examination of the Public Accounts of Montserrat appointed by the Speaker of the Legislative Council in accordance with Legislative Council Standing Order No. 65;

"Public Body" for the purposes of this Act includes the Government, Government Ministries, Departments, Offices and Units;

"Public Moneys" includes -

- (a) all revenues or other moneys raised or received for the purpose of the Government; and
- (b) any other moneys or funds held, whether temporarily or otherwise, by any public officer in his official capacity, either alone or jointly with any other person,

whether a public officer or not;

(c) any other public property which come within the scope of this Act and those of Public Bodies, Statutory Bodies and Government Companies;

"Public Stores" means all chattels of whatsoever nature the property of, or in possession of, or under the control of the Government;

"Public Service" means the service of the Crown in a civil capacity in respect of Government;

"Receiver of Revenue" means the Accountant General or any officer designated by him for the purpose of receiving moneys, securities or other financial instruments collected by collectors of revenue;

"Speaker" means the Speaker of the Legislative Council and includes the Deputy Speaker;

"Statutory Body" for the purposes of this Act means any Corporation, Company, Board, Commission, Authority or other Body established by or under an Act to provide goods and services to the public; and which meets one or more of the following criteria -

- (a) all or part of its appropriations for operating purposes are provided from public funds; or
- (b) its operations may under the Act establishing the same, or under any Act relating thereto, impose or create a liability upon such public funds;

"Supplementary Appropriation Act" means any Act the purpose of which is the appropriation of moneys in supplementation of the appropriation already made by an Appropriation Act.

PART II THE AUDITOR GENERAL

Appointment of Auditor
General

3. The Governor in his discretion with the prior approval of a Secretary of State shall appoint in writing an officer, to be styled the Auditor General, who shall not be capable while holding the office of Auditor General, of holding any other office of profit under the Crown.

Tenure of office

4. (1) The Auditor General shall be deemed to be an officer in the Public Service of the Crown and, save as is otherwise provided in section 5 and section 6 (1), the provisions of the law and regulations in force relating to the Public Service shall apply to him:

Provided that the terms and conditions of office applicable to the Auditor General upon his appointment shall not be made less favourable to him during the currency of his appointment.

(2) The Auditor General shall hold office during good behaviour, and may be removed only by the Governor with the prior approval of a Secretary of State; and in any such case a full statement of the circumstances shall at the first opportunity be made to the Legislative Council.

Vacancy in office of Auditor General

5. In the event of the office of Auditor General becoming vacant the Governor in his discretion, after consultation with the Public Service Commission, may appoint in writing a public officer to act as Auditor General pending the appointment of an Auditor General in accordance with the provisions of section 3.

Acting Auditor General

6. (1) If, in the opinion of the Governor, the Auditor General is likely to be unable to exercise his powers or perform the duties of his office during any period by reason of absence or inability to act from illness or any other cause, the Governor in his discretion, after consultation with the Public Service Commission, may appoint in writing a public officer to act as Auditor General during such period.

(2) Every person appointed to act as Auditor General pursuant to the provisions of section 5 or subsection (1) of this section shall have and may exercise all the powers and authority and shall perform all the duties by this Act conferred and imposed upon the Auditor General.

(3) Notwithstanding the provisions of section 4 (1), every public officer appointed to act as Auditor General under the provisions of section 5 or of subsection (1) of this section shall, for the period for which such public officer acts as Auditor General, be paid an allowance at an annual rate equal to the difference between the annual salary of his substantive appointment in the Public Service and the annual salary granted to the Auditor General under section 7.

Salary and

7. (1) The annual salary and allowances of the Auditor

Allowance of Auditor General

General shall be at a rate not less than the average rate paid to Departmental Permanent Secretaries.

(2) The Legislative Council may by Resolution increase the salary payable under this section, and the person holding the office of Auditor General at the date on which such Resolution is passed shall as from the date or such other date as may be specified in the Resolution be entitled to the salary at the increased rate as if it had been duly granted to him under this section.

(3) The salary and allowances payable to the Auditor General by virtue of this section shall be charged on and issued out of the Consolidated Fund.

PART III DUTIES AND POWERS OF AUDITOR GENERAL

Duties of Auditor General

8. (1) The Auditor General shall inquire into, audit and report in an impartial manner on the accounts of Public Bodies, Statutory Bodies and Government Companies, and in his audit shall make such examination as he may deem necessary to satisfy himself whether -

- (a) accounts have been faithfully and properly maintained in accordance with generally accepted accounting standards, and that all reasonable precautions have been taken to safeguard the collection and custody of public moneys, and that these have been fully accounted for or paid, where so required by law, into the Consolidated Fund;
- (b) moneys which have been appropriated and disbursed have been applied to the purposes for which they were appropriated, and that expenditure has been made only as authorised;
- (c) moneys other than those which have been appropriated have been dealt with in accordance with proper authority;
- (d) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of cash, stamps, securities and public stores, and that the regulations, directions and instructions relating thereto have been duly observed;

- (e) sufficient relevant and reliable audit evidence is obtained to support the issue of a professional audit opinion on the financial statements of the organisations subject to audit;
- (f) expenditure is achieving value for money;
- (g) adequate regulations, directions or instructions exist for the guidance of Accounting Officers and Accountable Officers, and are complied with;
- (h) proper returns have been submitted by Accounting Officers in accordance with the Finance (Administration) Act 2001;
- (i) the accounts are in agreement with the books of accounts and returns.

(2) In the conduct of his duties the Auditor General shall comply with professional Auditing Standards to deliver a high quality audit service operating to best current practice.

Advisory Role
to Public
Accounts Committee

9. (1) The Auditor General shall act in an advisory capacity to the Public Accounts Committee in the execution of its duties and powers provided for in section 4 of Order No. 65 of the Standing Order of Montserrat Legislative Council (SRO 6 of 1972).

(2) In accordance with the provision of subsection (1) , the Auditor General shall -

- (a) advice the Chairman of the Public Accounts Committee on the matters selected for examination, and if requested to do so, explain the accounting principles involved to the whole Committee;
- (b) brief the Chairman of the Public Accounts Committee, and if requested, the whole Committee, on the items appearing in the Statements of Expenditure in Excess; and
- (c) brief the Committee on the Treasury minute and on progress made in implementing the Committee's previous recommendations.

(3) In performance of his advisory functions the Auditor General shall not be subject to any directions or instructions given by the Committee.

Access to information

10. (1) In the exercise of duties imposed upon him by this Act the Auditor General may upon request -

- (a) have access to all records, registers, books, documents, data, vouchers, cash, stamps, securities, stores or other Government property of any kind whatsoever in the possession of any public officer.
- (b) call upon any officer for any explanations and information which he may require in order to enable him to discharge his duties;
- (c) without the payment of any fee cause search to be made in and extracts taken from any public office;
- (d) authorize any person publicly carrying on the profession of accountant, auditor, or public officer, including members of his staff, to conduct on his behalf any inquiry, examination or audit, including surprise checks of cash and stores, and such person or officer shall report thereon to the Auditor General.

(2) If in the opinion of the Auditor General, a public officer, in response to a request made under subsection (1) denies access or fails to provide any or sufficient information or explanations, he may so advise the Government who shall thereupon direct the officer of the body or company to furnish the Auditor General with such information and explanations, and to give him access to those accounting records and documents which are in the opinion of the Auditor General, necessary for him to fulfill his duties and responsibilities.

Auditor General not to be required to undertake pre-audit or any duties incompatible with his office

11. (1) The Auditor General shall not be required to undertake any examination of accounts partaking of the nature of a pre-audit which involves the acceptance by him of responsibility which would preclude him from full criticism of any accounting transaction after each transaction has been duly recorded.

(2) The Auditor General shall not be required to undertake any duties outside those pertaining to his office if in his opinion such duties are incompatible with the responsibilities and

duties of that office.

Requests by
Government

12. The Auditor General may, if in his opinion such an assignment does not interfere with his primary responsibilities, whenever the Government so request, inquire into and report on any matter relating to the financial affairs of Montserrat or to public property, or to inquire into and report on any organisation that has received aid from the Government of Montserrat, or, in respect of which, aid from the Government of Montserrat is sought.

Advisory powers

13. The Auditor General may, if requested to do so by any entity whose accounts he audits render to that entity any technical advice or assistance that he is competent to render by virtue of his professional qualifications and experience.

Notification of
irregularities to
Financial Secretary and
Attorney General

14. If at any time it appears to the Auditor General that substantial irregularities have occurred in the receipt, custody, issue or expenditure of public moneys or in the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other Government property, or in the accounting for the same, he shall immediately bring the matter to the notice of the Financial Secretary.

Auditor Officers not to
be appointed to Boards

15. Neither the Auditor General nor any member of his staff may be appointed as Chairman or member of any Board of Survey, Tenders Board or Board of Enquiry, and he shall not be required to take part in any actual or apparent investigation into suspected losses, fraud or irregularities. However, subject to the provisions of section 11(2), he or any member of his staff may provide technical advice and services if requested to do so.

Legal advice

16. In the exercise of his duties imposed upon him in this Act the Auditor General may lay before the Attorney General a case in writing as to any question regarding the interpretation of any Act or regulation concerning the powers of the Auditor General or the discharge of his duties, and the Attorney General shall give a written opinion upon the interpretation required.

Powers of Auditor
General not subject to
direction

17. In the exercise of his powers of audit of and reporting on accounts the Auditor General shall not be subject to the direction or control of any person or authority.

Staff resources

18 (1) The staff required to assist the Auditor General in the performance of his duties shall be composed of such qualified

officers as the Governor may from time to time appoint.

(2) Anything which, under the authority of this Act, is directed to be done by the Auditor General, other than the certifying of and reporting on accounts, may be done by any officer of his staff so authorised by him.

Use of professional services

19. The Auditor General may within the total budget approved for his office in the annual Appropriation Act, contract for professional services at such remuneration and on such terms and conditions as approved by the Minister for Finance.

Accommodation to be made available for outside audits

20. If in order to carry out his duties more effectively, the Auditor General considers it necessary or desirable to station any person employed in or by his office in the premises occupied by any Government Ministry, Department, Office, or Unit, Public Body, Statutory Body, Government Company, or other organisation established by law for public purposes, the auditee shall make every effort to provide the necessary office accommodation for any person so stationed.

Sanctions for improper disclosure

21. Disciplinary action, as provided for in section 106 of General Orders and, in serious cases, legal action, may be instituted against the Auditor General or, any Auditor in his department, or any person engaged by him in accordance with the provisions of section 10 (1)(d), for improperly disclosing information obtained during the course of an audit.

Other Auditor

22. (1) Notwithstanding section 8 (1), the Auditor General is not required to audit the books and accounts of a Statutory Body or Government Company for which another Auditor is appointed in accordance with the provisions of its constituting Act or of the Act that governs its operations, and may, in order to fulfill his auditing responsibilities, rely on the report of the duly appointed Auditor of the Statutory Body or Government Company.

(2) The Auditor of the books and accounts of a Statutory Body or Government Company, must provide to the Auditor General, a copy of -

(a) the annual financial statements;

(b) his report on these statements; and

(c) any other report he makes to the Board of

Directors, the executive or the management of the Statutory Body or Government Company, as the case may be, on his findings and recommendations.

(3) The Auditor mentioned in subsections (1) and (2) shall make available on request to the Auditor General, the working papers, and other documents and reports in respect of his audit as well as any other information and explanation which the Auditor General may require in respect of that audit and its results.

(4) When the Auditor General is of the opinion that the information, explanation, documents and reports provided by the Auditor mentioned in subsections (1) and (2) are insufficient or that additional audit work should be carried out, he may conduct or cause to be conducted such additional audit or investigation as he considers necessary of the books, accounts and operations of the Statutory Body or Government Company.

Funding of the Audit Office

23. (1) The Auditor General shall annually prepare an estimate of the sums that will be required to be provided by the Legislative Council for the payment of the salaries, allowances and expenses of his office during the next ensuing fiscal year.

(2) The Auditor General shall apprise the Governor in writing in the event that the amounts provided in the Annual Estimates to be submitted by the Ministry of Finance to the Legislative Council are, in his opinion, inadequate to enable him to fulfill the duties and responsibilities of his office.

Audit of office of Auditor General

24. The Auditor General shall prepare accounts in respect of work of his office during each financial year, and those accounts shall be audited by such Auditor appointed by the Minister of Finance after consultation with the Public Accounts Committee.

PART IV THE AUDIT AND EXAMINATION OF PUBLIC ACCOUNTS

Annual Accounts

25. Within a period of six months (or such longer period as the Legislative Council may by Resolution appoint) after the end of each financial year there shall be transmitted to the Auditor General by the Accountant General accounts showing fully the financial position of Montserrat at the end of the year, which shall include the statements listed in section 17 (2), and section 18 of the Finance (Administration) Act 2001. Any delay in submitting these statements to the Auditor General must be authorised by a Resolution of the

Legislative Council.

Report on Annual
Accounts and Special
Reports

26 (1) On receipt of the accounts prescribed by section 25 the Auditor General shall cause them to be examined and audited and shall, within a period of nine months (or such longer period as the Legislative Council by Resolution may appoint) after the end of the financial year to which the accounts relate, certify each account, and shall within the aforesaid period prepare, sign and transmit to the Minister a report on the examination and audit of all such accounts, together with copies of the accounts, certified as aforesaid. In this certification of the accounts the Auditor General shall express his opinion as to whether they present fairly, information, in accordance with accounting policies of the Government together with any reservation he may have.

(2) The Auditor General may at any time if it appears to him desirable transmit to the Minister a special report on any matter incidental to his powers and duties under this Act.

Minister to lay
documents
transmitted to him by
Auditor General

27. (1) The Minister shall cause a copy of every document transmitted to him under the provisions of section 26 to be laid before the Legislative Council at its next meeting following the date on which such documents were received by him.

(2) If the Minister fails to lay any document before the Legislative Council as required by subsection (1) the Auditor General shall forthwith transmit a copy thereof to the Speaker to be by him presented to the Legislative Council.

Documents laid in
accordance with
section 27 to be dealt

28. Every document laid before the Legislative Council in accordance with the provisions of section 27 shall be dealt with in the manner prescribed by Legislative Council Standing Orders.

PART V
EXAMINATION AND AUDIT OF THE ACCOUNTS OF
STATUTORY CORPORATIONS, BOARDS, COMMISSIONS AND
BODIES.

Examination and audit
of accounts of
Statutory Corporations
and similar bodies

29. As provided for in section 8 (1), but subject to the provisions of section 26 (1), the accounts of any Statutory Corporation, Board, Commission or Body shall be examined and audited by the Auditor General.

Duties and
powers

30. In relation to such Statutory Corporation, Board, Body or Commission and its members, officers and employees, the same or

similar duties powers and discretion as are conferred upon the Auditor General in regard to the audit of Government accounts apply.

Preparation of report

31. Subject to the provisions of the provisions of section 25, the Auditor General shall prepare a report on the examination and audit of the quasi-Government accounts for which he is appointed Auditor, and shall transmit such report to the Minister under whose portfolio a particular entity lies for presentation to the Legislative Council.

Minister to obtain observations on report of Auditor General

32. (1) On receipt of any account and the report by the Auditor General, the Minister shall obtain the observations of the Statutory corporation, Board, Body or Commission concerned on any matter to which attention has been drawn by the Auditor General in such report, and such observations shall be presented to the Legislative Council with the said report.

(2) If the Minister fails within a reasonable time to present such account and report to the Legislative Council, the Auditor General shall transmit a copy of the account and report to the Speaker to be by him presented to the Legislative Council.

Audit Fees to be charged

33. Any Statutory Corporation and any Board, Body or Commission the accounts of which are audited by the Auditor General under the provisions of section 31 shall in respect of such audit pay such fee as may be determined by the Auditor General. Any such fee shall be paid into the Government Treasury as public money:

Provided that the Financial Secretary may, in any case in which it shall appear to him to be in the public interest that some lesser fee shall be paid, instruct the Auditor General to levy such lesser fee.

SPEAKER

Passed the Legislative Council this 12th day of October, 2001.

CLERK OF COUNCILS

**APPENDIX 3
OFFICE OF THE AUDITOR GENERAL
ORGANISATION CHART**

