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**REPORT OF THE AUDITOR GENERAL**

**ON THE**

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

**FOR THE**

**FISCAL PERIOD ENDED 31 MARCH 2012**



## **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”.

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## ABBREVIATIONS USED

BOM	Bank of Montserrat
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CTB	Central Tenders Board
DFID	Department for International Development
DITES	Department for Information Services and e-Government Services
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
HRMU	Human Resource Management Unit
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ITGC	Information Technology General Control
MCC	Montserrat Community College
MCSA	Montserrat Civil Service Association
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
SOP	Standard Operating Procedures
UKNAO	United Kingdom National Audit Office
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 YEAR ENDING 31 MARCH 2012**

**EXECUTIVE SUMMARY**

**Scope of the Audit Report to the Legislative Council**

Section 42(1) of the Public Finance (Management and Accountability) Act 2008 requires the Auditor General to examine the Public Accounts and to submit a Report on them to the Legislative Council (now renamed Legislative Assembly). This Report outlines significant matters arising from the examination and audit of the Public Accounts, Ministries/Departments and Statutory Agencies for the period ending 31 March 2012.

**Financial Administration and Management**

2. Section 42(1) of the Public Finance (Management and Accountability) Act 2008 requires the Public Accounts to be submitted for audit within a period of 4 months after the year end to which they relate. This requirement was not met as the amended final accounts were only received on 5 December 2013. As a result we could not meet our statutory obligation of tabling the report within 6 months - Section 42(2) - after the end of the fiscal year 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 Appendices 1 and 2. The Audit Certificate is also attached.

**Financial Performance**

4. A comparison of actual recurrent revenue with actual recurrent expenditure revealed a surplus of \$978,877.

5. Budgeted Recurrent Revenue for financial year under review was 97,592,400. Actual Recurrent Revenue realized was \$114,700,659.

6. Actual Local Recurrent Revenue amounted to \$41,760,947 being approximately 92% of budget local revenue collections.

7. Authorized Special Budgetary Aid for the fiscal year was \$52,080,000. Actual revenue received amounted to \$72,939,711 being \$20,859,711 more than budgeted. \$17.7M of the additional revenue was to facilitate payment of outstanding sums to the Montserrat Social Security Fund.

8. Actual Recurrent Expenditure amounted to \$113,721,782. Thirty-eight percent of this amount was spent on Personal Emoluments, twenty-six percent on Pensions and

Gratuities, twelve percent on Goods and Services, seventeen percent on Transfers and Subsidies with the rest being spent on Social Services, Other Expenditure, Debt and Public Sector Reform Initiative.

9. Actual capital expenditure for year amounted to EC\$30,646,626 being 59% of authorized expenditure for the year.

### Cash Position of Government

10. At the end of the reporting period the government bank accounts reflected positive balances, broken down as follows:

Description	Balances (EC\$) 31 March 2012
Consolidated Fund	14,654,484
Development Capital Fund	15,090,968
<b>TOTAL</b>	<b>29,745,452</b>

### Fixed Deposits and Investments

11. As regards outstanding Fixed Deposits and Investments, GOM has accepted an arrangement whereby CLICO will seek to repay outstanding sums over a period of 20 years. With respect to the investments in British American, attempts to gain a consensus on the way forward have been unsuccessful hence recovery of outstanding amounts remains uncertain.

### Public Debt

12. Total Public Debt, exclusive of unpaid contributions to local and regional institutions, amounted to \$8,135,368. Public Debt per capita was \$4,134.76.

13. Principal repayment on external debt was recorded at \$501,664 being 1.20% of actual local recurrent revenue. Interest on External Debt amounted to \$172,665. This represents 0.41% of total local recurrent revenue generated for the year.

### Key findings relating to Ministries/Departments/Statutory Agencies

14. Arrears of Revenue. At the end of March 2012 Arrears of Revenue stood at \$22,260,557 and are itemized as follows:-

Executing Agency	Arrears at 31 March 2012
Ministry of Agriculture, Lands, Housing & the Environment:	0
Government Housing Stock	890,241
Loans to Peasant Farmers	39,387
Ministry of Communications and Works:	0

PWD Laboratory	15,190
Resaleable Stock	12,244
Revenue Plant & Workshop	69,262
Mechanical Spares	31,131
Aircraft Landing Fees	3,622
Navigational Charges	3,885
Concessional Rental - Airport	12,905
Inland Revenue:-	0
Income Tax	13,918,443
Company Tax	3,340,767
Property Tax	3,162,103
Broadcasting Services (Radio M/rat)	0
Advertising Receipts	29,050
Customs	0
Customs Officer Fees	25,995
Treasury:	0
Trade Licence	14,975
Rent of Gov't Buildings	12,645
Emergency Fuel Supply	535,358
Ministry of Health and Community Service	0
Hospital Receipts	142,354
Development Unit	0
Factory Shells	1,000
<b>Total</b>	<b>22,260,557</b>

15. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts. Action should be taken to remove them from the arrears listing.

16. Over-expenditure. Our review highlighted eleven instances, across five Ministries/Departments, where monies were expended in excess of that authorized for the line-item. The amounts over-expended ranged from a low of \$456 to a high of \$73,554.

17. Procurement practices. An assurance audit of procurement practices highlighted some gaps on the procurement regulations that need to be addressed to make the regulations more understandable. It suggested the need for standard operating procedures to be established to limit misunderstanding and abuse of the regulations and for further training to be conducted.

18. Again, some Statutory Agencies have not completed the audits of their financial statements for the year being reviewed.

## Special Audit

### Basic Information Technology General Controls Audit

19. The Department of Information Technology and e-Government Services (DITES), is responsible for the procurement, implementation, support and the overall smooth functioning and maintenance of the GOM network infrastructure. This includes the network and computer equipment in all government offices and the wireless network that provides connectivity between the offices at Government Headquarters in Brades, and all the other government offices on Montserrat. DITES also maintains file storage systems and databases for all of the government departments, as well as email and Internet access.

20. This pilot study sought to assess what security measures DITES has implemented to (i) physically protect all the computing assets from unauthorised modification, theft, accidental or intentional damage and/or destruction and to (ii) ensure that all GOM employees and/or users of the computer systems are properly identified and are authorised to access the folders and files required to carry out their assigned duties.

### Our Findings

21. DITES have some of the essential Information Technology General Controls (ITGC) security measures in place required to protect the critical mission server equipment from structural, environmental, physical and logical access factors. However, a risk assessment exercise revealed that the overall rating of the likelihood and impact of the risks associated with the deficiencies found was high.

22. **Structural And Environmental Controls** – building constructed to appropriate hurricane proof standards, no visible sign of flooding, water damage or dampness. This risk assessed as low.

23. **Physical Access Controls And Security** - Physical security controls against unauthorised access, theft, or vandalism is weak and the risk impact would be high.

24. **Server Room Environmental Controls And Security** - The server room and server devices are effectively secure from environmental hazards and unauthorised access attempts with the exception of the insubstantial door to the room.

25. DITES has a central UPS and is linked to the GOM Headquarters communal backup generator that enables the continuance of normal work activity and backup procedures, in the event of a power failure. However, since February 2012, no one has been formally contracted by the Office of the Deputy Governor, for the regular servicing/maintenance of the generator. It is important that the backup generator is serviced/maintained on a regular basis, to prevent a total loss of power that could cause either an abrupt termination of transactions, loss of key data, and little or no work productivity. The risk impacts of these deficiencies were assessed as medium.



26. **Logical Access Controls** - Standard password software controls effectively restrict access to GOM network remotely (through the Internet) or on site via user id and password. Passwords are mandatorily changed within 14 days or 28 days and users accounts are locked after three consecutive unsuccessful login attempts. However, DITES needs to ensure, across the board, that the security setting on all GOM employee(s) PCs are set to log off automatically after a set time of inactivity. The risk impact, for not ensuring that these controls are properly activated would be medium.

27. Controls for authorised access to departmental folders and files are relatively effective, except for in a few instances where a few employees can access files and folders not pertaining to their daily duties. The risk impact would be high.

28. User accounts are created and adjustments made, via *User Request Forms*. However, DITES need to increase their efforts to garner the co-operation of all Heads of Departments and Human Resource Management Unit (HRMU), formerly the Administration Department, to adhere to the proper protocol of disabling user and email accounts, when a GOM employee has been transferred or when their contract or employment has ended.

29. **Emergency Policies And Procedures** - DITES has a basic disaster plan, however the majority of the staff are either not aware of its existence or are not familiar with it. In addition, DITES has never conducted any emergency drills in the event of a fire. Only a handful of key personnel know what specific tasks to perform in the event of an evacuation. There is also a significant need for the institution and circulation of proper IT Security Policy or IT General Controls documents within the department.

30. The fire alarm system in the entire HR building and the four smoke detectors in DITES office space have all been non-functional for several years. The fire alarm was never commissioned by the responsible entity for over 8 years and the one-year warranty has long since lapsed. Furthermore, there are no other auxiliary fire suppressant devices, such as fire extinguishers, inside DITES office space or the server room.

## **Recommendations**

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

- ❖ The issue of the non-operational fire suppressant system. We highly recommend that this problem be addressed and resolved as soon as possible. This includes the fire alarm system, smoke detectors, and fire extinguishers.
- ❖ The lack of proper physical access controls for the main/front door is another concern that should be dealt with. We recommend that security policies and/or controls regarding the steady flow of frequently, unmonitored, external human traffic within the department during working hours be introduced.

32. There are no proper IT Security Policy or IT General Controls documents in circulation within the department. It is recommended that management formulates and produces a comprehensive IT Security Policy along with IT General Controls documentation that outlines the various working practices, procedures, policies and controls necessary for the security of the entity's assets and the smooth operation of the department.

### **Implementation of Organisation Review**

33. In my last report I highlighted the fact the UKNAO had reviewed my offices and made some recommendations for improvement. A number of these improvements are outside my control and I have to report that there has been no significant movement on them.

## **CHAPTER 1**

### **1.0 INTRODUCTION**

#### **1.1 Reporting Authority**

1. This Report, for the fiscal year ending 31 March 2012, 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 42(2) of the Public Finance (Management and Accountability) Act, No. 7 of 2008.

#### **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 audits of the Annual Accounts of the Government of Montserrat for the fiscal year ending 31 March 2012 were conducted in accordance with the provisions of the Audit Act 2001 and Section 42 (1) of the Public Finance (Management and Accountability) Act 2008. 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 maintain 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 general 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.<sup>1</sup> The specific goal of this report is to provide information by which stakeholders can question whether planned 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.

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<sup>1</sup> Revised Consultative Draft, October 21, 2004: PFM Performance Measurement Framework

12. 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.

#### **1.09 Submission of Annual Accounts**

13. Section 42(1) of the Public Finance (Management and Accountability) Act 2008, state that the Government's Annual Accounts shall be submitted, by the Accountant General, to the Auditor General [for audit] within a period of four months 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.

14. The financial statements were presented for audit in January 2013 however, at the time we were working on prior year audits. Our first request for adjustments to the accounts was submitted to the Treasury Department in June 2013. Final adjustments were received in 5 December 2013. As a result, we could not present the audited financial statements for tabling within the legal statutory deadline.

#### **1.10 Compliance with Financial Orders**

15. There is general compliance with Financial Orders. Although we continue to see some instances of non-compliance, they are considered to be immaterial and do not affect the status of the financial statements.

## CHAPTER 2

### 2.0 FINANCIAL STATEMENTS FOR PERIOD APRIL 2011 – MARCH 2012

#### 2.1 Audit Mandate and Objective

16. In accordance with the provisions of Section 8 of the Audit Act 2001 and Section 42(1) of the Public Finance (Management and Accountability) Act 2008, an audit was conducted on the Public Accounts of Montserrat for the period ended 31 March 2012.

17. 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

18. 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

19. The following is a statement of the assets and liabilities as at 31 March 2012 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**

	<b>2011 Restated</b>	<b>2012</b>	<b>Increase/ (Decrease)</b>
<b>Assets</b>			
Cash	14,693,804	14,654,484	-39,320
Development Capital Fund	12,914,704	15,090,968	2,176,264
Fixed Deposits	3,479,069	3,406,716	-72,353
Investments	2,604,032	2,604,032	0
Advances	(5,049,481)	(8,798,387)	-3,748,905
<b>Total</b>	<b>28,642,128</b>	<b>26,957,813</b>	<b>-1,684,315</b>
<b>Taxpayer's Equity</b>			
Deposits	8,686,230	6,728,530	-1,957,700
Consolidated Fund	19,955,898	20,229,283	273,385
<b>Total</b>	<b>28,642,128</b>	<b>26,957,813</b>	<b>-1,684,315</b>

20. Government of Montserrat has entered into an arrangement with CLICO whereby the company will offer shares for the outstanding investments. With respect to the Investments in British American, attempts to gain a consensus on the way forward have been unsuccessful hence recovery of outstanding amounts remains uncertain.

21. Despite frequent reminders there has been no movement on the issue of clearing the \$60,000 of investments in Montserrat Mills, regarded as irrecoverable, from the accounts.

#### 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 Service	32,085,000	31,901,615
Supply Services	<u>86,250,400</u>	<u>81,820,167</u>
Sub-Total	118,335,400	113,721,782
Less: <b>Revenue</b>	<u>97,592,400</u>	<u>114,700,659</u>
Surplus/(Deficit*)	<u>20,743,000</u>	<u>978,877</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2011		19,955,898
Surplus for the year		978,877
Prior period adjustment		72,353
Funding of Local Projects		<u>(633,139)</u>
Balance c/f 31 March 2012		<u>20,229,283</u>

\* Value of Supplementary Appropriations raised during fiscal year.

##### 2.4.1 Recurrent Revenue

23. Budgeted Recurrent Revenue amounted to \$97,592,400. Actual collections amounted \$114,700,659, an increase of \$17,108,259.

##### 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	18,061,500	17,752,297	0	-309,203
Taxes on Property	1,223,600	840,633	0	-382,967
Taxes on Domestic Goods & Service	1,119,100	1,302,812	103,712	0

Licences	2,217,600	1,965,659	0	-251,941
Taxes on Int'l Trade & Transactions	15,330,000	14,352,962	0	-977,038
Fees, Fines and Permits	1,267,300	1,696,014	428,714	0
Rents, Interest & Dividends	894,000	335,869	0	-558,131
ECCB Profits	390,000	536,160	146,160	0
Reimbursements	35,000	49,912	14,912	0
Budget and Grants	52,080,000	72,939,711	20,859,711	0
Other Revenue	4,894,300	2,928,630	0	-1,965,670
<b>TOTAL</b>	<b>97,592,400</b>	<b>114,700,658</b>	<b>21,553,209</b>	<b>-4,444,950</b>
Net surplus/(deficit)			<b>17,108,259</b>	

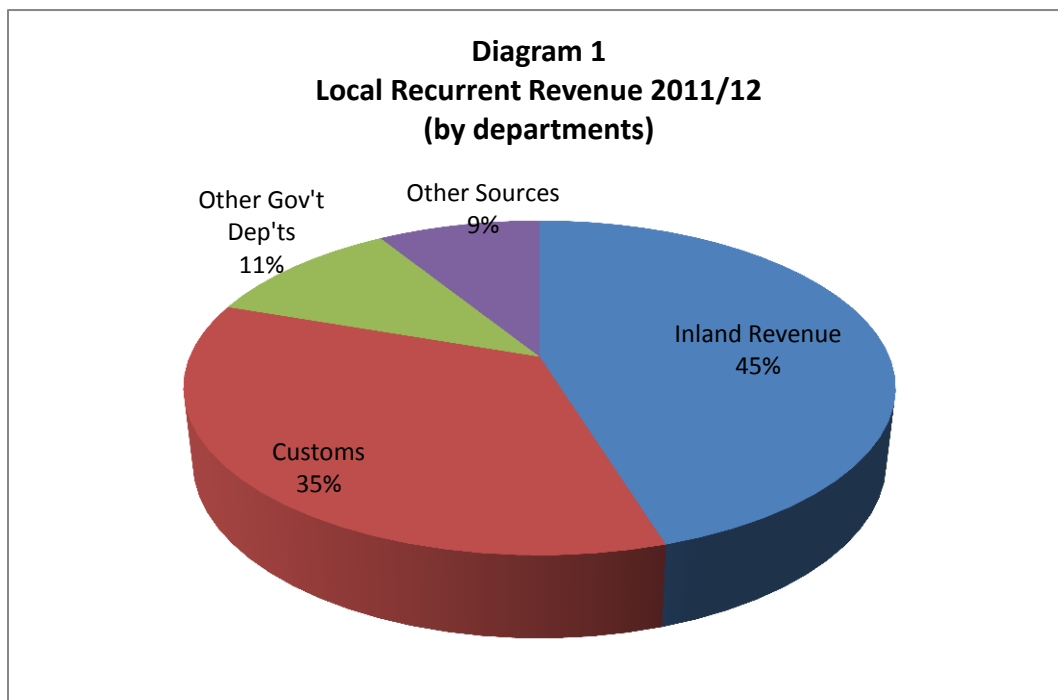
### 2.4.3 Total Recurrent Local Revenue

25. Budgeted Recurrent Local Revenue was \$45,512,400. Actual Revenue amounted to \$41,760,947, a shortfall of \$3,751,453.

26. Over half of the revenue categories realized shortfalls. These shortfalls ranged from a low of \$251,941 to a high of \$1,965,670.

27. Actual Tax Revenue collected was \$36.21M whilst Non-Tax Revenue amounted to \$5.57M.

28. Diagram 1 below illustrates the apportionment (by percentage) of revenue generated by various government departments.





## 2.4.4 Special Budgetary Assistance

29. Estimated Budgetary Assistance was \$52,080,000. Actual revenue received amounted to \$72,939,711 being \$20,859,711 more than originally budgeted. Table 3 below provides a breakdown of the monies received.

**TABLE 3**  
**BUDGETARY AID 2011/12**

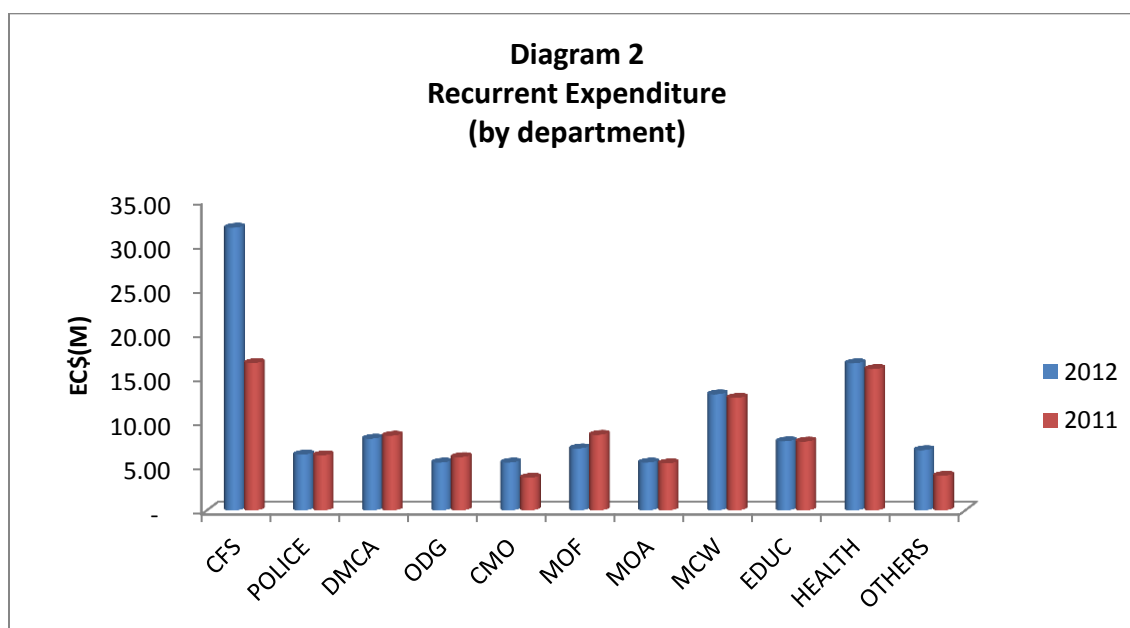
DATE	RECEIPT #	PERIOD	£	EC\$
06/15/2011	126193	1 <sup>ST</sup> quarter tranche	3,280,000	14,468,408
09/01/2011	128947	2 <sup>nd</sup> quarter tranche	3,130,909	13,721,835
11/07/2011	131586	3 <sup>rd</sup> quarter tranche	3,280,000	14,212,896
12/29/2011	135117	Additional budgetary aid*	4,200,000	17,715,600
03/09/2012	138362	4 <sup>th</sup> quarter tranche	2,989,826	12,820,972
<b>TOTAL</b>			<b>16,880,735</b>	<b>72,939,711</b>

\*Additional budgetary aid = Social Security Fund Arrears

## 2.4.5 Recurrent Expenditure

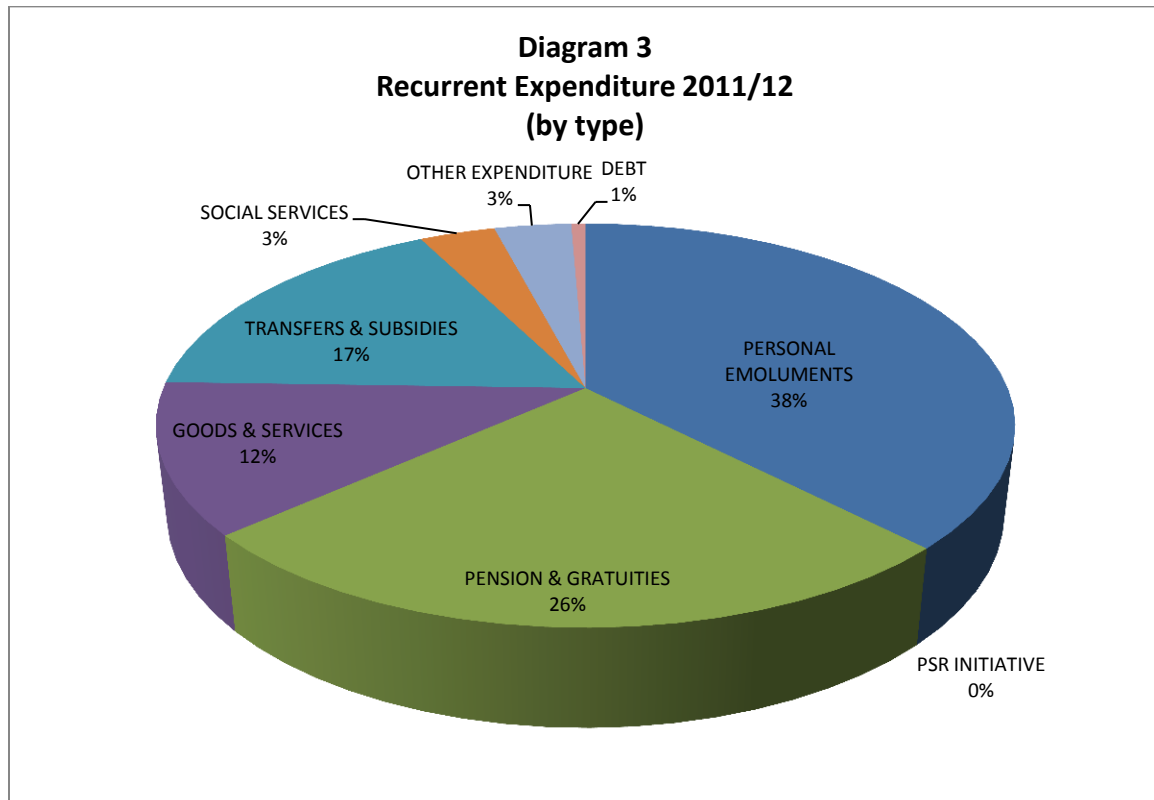
30. The Government of Montserrat was authorized to spend \$97,592,400 by the Appropriations Act, Ordinance #2 of 2011. Four Supplementary Estimates increased the amount by \$20,743,000 bringing total authorized expenditure to \$118,335,400. Actual expenditure for the year amounted to \$113,721,782.

31. Major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year under review 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.



32. Yet again the pattern of expenditure usage remains constant with Personal Emoluments, Pensions and Gratuities, Goods and Services, Transfers and Subsidies utilizing more than 10% per category of overall expenditure incurred.

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



#### 2.4.6 Expenditure Control

34. **Warrants.** As noted earlier one general warrant and four supplementary estimates were issued. Additionally, eight Virement Warrants were also approved to allow ministries and departments to transfer funds from one subhead to another.

35. **Over-expenditure.** Accounting Officers are required to be vigilant and manage their operations in a manner that allows expenditure to be incurred within authorized limits. Our review revealed that there were eleven incidences of over-expenditure on line-items ranging from a low of \$456 to a high of \$73,554. These over-expenditures were incurred by the Treasury Department, Police, DMCA, Legislature and the Ministry of Communication and Works. The over-expended services include debt payments, utilities, personal emoluments and maintenance services.

## 2.5 Arrears of Revenue

36. At the end of the fiscal year being reviewed Arrears of Revenue stood at \$22,260,557 and are itemized as follows: -

**TABLE 4  
ARREARS OF REVENUE**

Executing Agency	Arrears at 31 March 2012	Arrears at 31 March 2011
Ministry of Agriculture, Lands, Housing & the Environment:	0	0
Government Housing Stock	890,241	884,245
Loans to Peasant Farmers	39,387	39,387
Ministry of Communications and Works:	0	0
PWD Laboratory	15,190	0
Resaleable Stock	12,244	0
Revenue Plant & Workshop	69,262	5,000
Mechanical Spares	31,131	0
Aircraft Landing Fees	3,622	4,574
Navigational Charges	3,885	0
Concessional Rental - Airport	12,905	0
Inland Revenue:-	0	0
Income Tax	13,918,443	16,351,770
Company Tax	3,340,767	3,368,153
Property Tax	3,162,103	2,893,022
Broadcasting Services (Radio M/rat)	0	0
Advertising Receipts	29,050	29,947
Customs	0	0
Customs Officer Fees	25,995	13,250
Treasury:	0	0
Trade Licence	14,975	48,600
Rent of Gov't Buildings	12,645	0
Emergency Fuel Supply	535,358	543,859
Ministry of Health and Community Service	0	0
Hospital Receipts	142,354	121,322
Development Unit	0	0
Factory Shells	1,000	63,831
<b>Total</b>	<b>22,260,557</b>	<b>24,366,960</b>

37. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they seem to have no real prospect of collection. Their inclusion tend to distort collectible amounts. **Action should therefore be taken to remove them from the arrears listing.**

## 2.6 Development Fund

### 2.6.1 Statement of Assets and Liabilities

<b>ASSETS</b>		<b>31 Mar 2011</b>		<b>31 Dec 2012</b>
British Development Aid Claims Outstanding		3,275,073		2,249,630
Donor Agencies Expenditure Outstanding		2,460,360		2,462,431
<b>Total Assets</b>		<b>5,785,433</b>		<b>4,712,061</b>
<b>LIABILITIES</b>				
Deposits within Development Fund		9,698,700		12,555,380
Consolidated Fund Payable		(7,799,270)		(11,679,322)
Local Funds		699,952		699,952
Consolidated Capital Fund	(981,243)		(744,003)	
Add Revenue over Expenditure	4,117,292	3,136,049	3,880,053	3,136,050
<b>Total Liabilities</b>		<b>5,735,433</b>		<b>4,712,061</b>

38. Despite several requests for removal, the accounts still contain a number of 'dead' accounts which distorts the balances indicated above.

### 2.6.2 Capital Expenditure

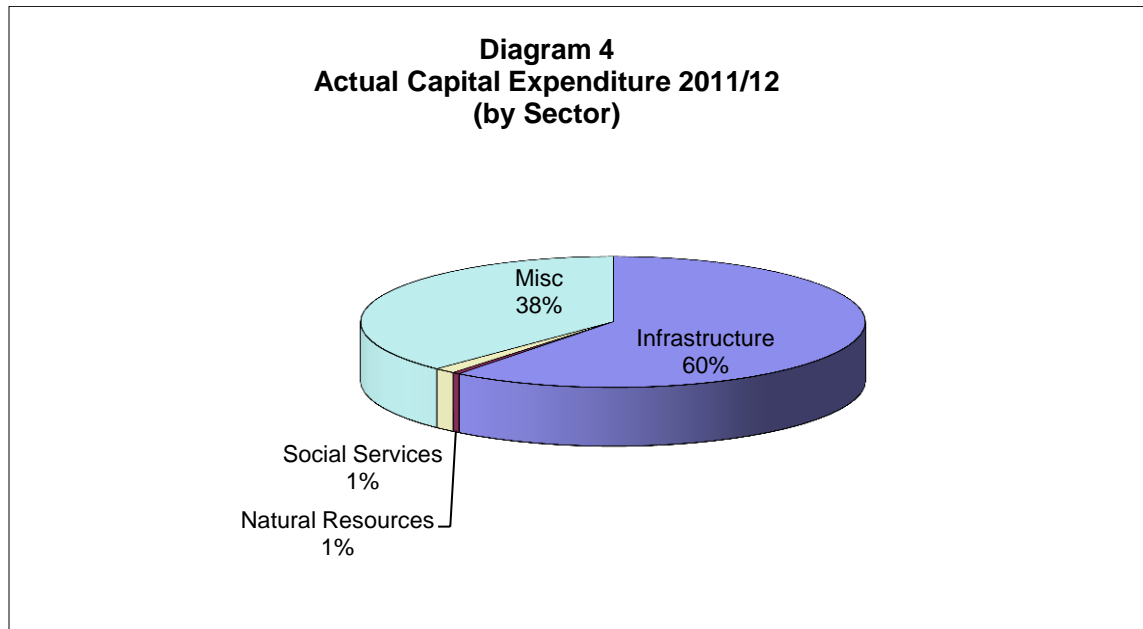
39. Table 5 below provides a view of authorized expenditure and recorded results for the Development Fund.

**TABLE 5**  
**Comparison of Development Fund Estimates and Record Results 2011/12**

<b>Development Fund Expenditure</b>	<b>Authorized</b>	<b>Actual</b>	<b>Variance</b>
DFID	44,430,740	26,562,289	17,868,451
LOCAL	1,208,050	633,139	574,911
DARWIN	363,680	142,012	221,668
CIDA	5,500	0	5,500
UNICEF	19,420	6,183	13,237
PSF	69,300	0	69,300
EU	5,530,900	3,182,481	2,348,419
OPEP	243,710	83,890	159,820
CDB	84,000	0	84,000
JNCC	42,800	<b>36,632</b>	<b>6,168</b>
TOTAL	<b>51,998,100</b>	<b>30,646,626</b>	<b>21,351,474</b>

40. Budgeted capital expenditures amounted \$36,963,700. Supplementary Appropriations totaling \$15,034,400 was also approved leading to Revised Estimates of \$51,998,100. Actual expenditure incurred amounted to \$30,646,626 being 59% of authorized expenditure for the period.

41. Diagram 4 below presents a pictorial view of how the capital expenditures were incurred during the year being reviewed. The expenditures have been classified by sectors.



## 2.7 Other Statements

### 2.7.1 Statement of Contingent Liabilities

Date	Debtor	Creditor	Liability
31 March 2012	GSB	SUNDRY	\$29,463,712

### 2.7.2 Statement of Special Funds

42. This revealed a marginal increase of \$2,777.

### 2.7.3 Statement of Public Debt

43. During the reporting period GOM, with the assistance of DFID, cleared its outstanding debt of \$17.7M<sup>2</sup> to Social Security.

44. Total Public Debt<sup>3</sup>, exclusive of unpaid contributions to local and regional institutions, amounted to \$8,135,368. Public Debt per capita<sup>4</sup> was \$1,648.17<sup>5</sup>.

<sup>2</sup> Outstanding contributions plus interest payments

<sup>3</sup> Total Public Debt = Total External Debt

<sup>4</sup> The Montserrat Statistics Department 2012 mid-year population estimate was 4936

<sup>5</sup> Calculation based on total population as working population unknown.

45. Principal repayments on external debt was recorded as \$501,664 being 1.20% of local recurrent revenue. This amounts to 0.28% when compared to GDP (in current prices for the year)<sup>6</sup>.

46. Interest paid on External Debt amounted to \$172,665.40. This represents 0.41% when compared with actual local recurrent revenue for the year.

#### **2.7.4 Statement of Loans Outstanding**

47. There has been no movement on these loans.

#### **2.8 Losses/Overpayments**

48. There has been no movement on the outstanding balance on an overpayment of gratuity to a legislator.

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<sup>6</sup> GDP 2012 was measured at \$175.77M. Source: Montserrat Statistics Department

## CHAPTER 3

### 3.0 MINISTRIES AND DEPARTMENTS

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

#### 3.1 Cross cutting issues

50. **Over-expenditure.** Accounting Officers are expected to incur expenditure within the limits set by the Legislative Assembly as set out in the Appropriation and Supplementary Acts. Further, Section 10 of the Finance Regulation states that “an Accounting Officer shall maintain control over expenditure of his department to ensure that the amounts provided in the Estimates are not exceeded”. Our audit revealed breaches of this regulation as outlined in Table 6 below.

**TABLE 6**  
**OVER EXPENDITURE BY MINISTRY/DEPARTMENT**

Ministry/Department	Vote	Head	Subhead	Description	Amount
CFS	01	003	292	Debt Servicing	41,625
CFS	01	005	218	Pension and Gratuities	73,554
Police	05	051	224	Utilities	29,993
Police	05	052	210	Personal Emoluments	3,052
DMCA	06	060	216	Allowances	456
Legislature	10	100	216	Allowances	724
Treasury	22	220	228	Supplies and Materials	914
Min. of Comms. & Works	35	351	232	Maintenance Services	27,640
Min. of Comms. & Works	35	352	210	Personal Emoluments	3,640
Min. of Comms. & Works	35	352	212	Wages	27,770
Min. of Comms. & Works	35	355	210	Personal Emoluments	560

51. We again reiterate that it is incumbent on Accounting Officers to regularly monitor their expenditure and **recommend that timely reconciliations be undertaken to prevent these over-expenditures.**

52. **Procurement practices.** An assurance audit of the procurement systems in Montserrat was conducted to determine, in part, the adequacy of the procurement system and to identify lessons learnt and make recommendations to improve the system. The salient points in relation to the procurement practices are highlighted below.

53. The GOM operates comprehensive Procurement Regulations with its latest revision being in 2012. This regulation is applicable to all government bodies and is consistent with those designed for larger public bodies. An audit of procurement practices across government highlighted that there was no evidence of Standard

Operating Procedures (SOP) or any form of simplified guidance to support understanding of the Regulations or in the clarification of roles and expectations that would encourage compliance. **The introduction of SOP would be an essential improvement to limit misunderstanding or abuse.**

54. It was further noted that the complexity of the Regulations and limited guidance provided to users have resulted in the consistent failure to comply at all stages of the procurement and tendering process.

55. The Regulations mandate that certain procurement documents be submitted to the Auditor General. However, in some instances, this was not complied with. It is believed that this breakdown in communication is also linked to the absence of the simplified SOP for users at each stage of the process.

56. The review revealed gaps in the minutes of the Central Tenders Board (CTB) minutes and there was no evidence that some evaluation minutes were forwarded to the Board. **We therefore recommend that the CTB monitors procurements including standard agenda items to follow up on the outcome of previous bid openings and evaluations.**

57. Conflicts of interest are referred to but there is no noted method to ensure declarations are made. It would be good practice to require disclosure at the outset and closure of the meeting and for this to be recorded in the minutes.

58. Limited opportunities exist for separation of duties between those involved in the procurement activity and asset and inventory control, often with the same person involved in the bid preparation, evaluation process, receipt and commissioning and inventory control.

59. We acknowledge the work the Ministry of Finance is undertaking to amend and/or modernize the Finance Regulations. **We do however recommend that the matters outlined above be taken into consideration when finalizing the new regulations.**

## **3.2 Ministry of Communication and Works**

### **3.2.1 Procurement of PWD Equipment**

60. A number of irregularities were found in an assessment of the procurement practices over some PWD equipment purchases. At the time of writing further work was still ongoing to determine the causes of these irregularities.



## **CHAPTER 4**

### **4.0 OTHER FINANCIAL AUDITS**

#### **4.1 Montserrat Water Authority (MWA)**

61. This company's assets were subsumed within MUL and the company no longer exists.

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

62. The 2011 Financial Statements for MLDA's Corporate accounts were tabled in the Legislative Assembly on 5<sup>th</sup> November 2013. The audit for the 2012 accounts is currently being completed.

63. The 2008 – 2010 Financial Statements for Property Management - Government Housing Stock were tabled in the Legislative Council on 28 May 2013. The Financial Statements for 2011 were submitted to our offices and are awaiting audit

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

64. The Financial Statements for fiscal year ending 31 December 2011 was tabled in the Legislative Assembly on 28 May 2013. I have been advised that the accounts for fiscal year 2012 are currently being audited.

#### **4.4 Montserrat Philatelic Bureau (MPB)**

65. We are still awaiting finalization of the Financial Statements for years 2009-2011.

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

66. The Accountant has informed that the 2011 Financial Statements were approved by the Board and are awaiting submission to the Legislative Assembly. The 2012 accounts were completed and presented to the Board. Approval and/or final adjustments, if any, are awaited.

#### **4.6 Montserrat Electricity Services Limited (MONLEC)**

67. When discussing this company with the Managing Director I was informed that the assets of this company were transferred to MUL and that a Statement of Affairs was prepared and audited. However, this company was not officially wound up in accordance with Part IV, Division C – Voluntary Winding Up of the Companies Act. It remains on the books of the Companies Registry although it has not filed any annual returns for 2009 -2012.

#### **4.7 Montserrat Tourist Board (MTB)**

68. I enquired as to the status of the financial statements for fiscal years 2011 and 2012. The Acting Director has informed that capacity constraints have prevented the institution from finalizing the preparation of the accounts for the said period.

#### **4.8 Annual Government Accounts**

69. The Auditor General's Report and Annual Accounts of the Government of Montserrat for periods ending 31 March 2010 and 31 March 2011 were tabled in the Legislative Assembly on 28<sup>th</sup> May 2013. .

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

70. The 2008 - 2010 Accounts were returned to MCSA for adjustments.

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

71. The 2012 Financial Statements were laid before the Legislative Assembly at its sitting of 28 May 2013.

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

72. I have been informed that the 2012 Financial Statements have been prepared and are awaiting audit.

#### **4.12 St Augustine Primary School**

73. The 2008-2010 accounts were returned to the entity for adjustments. At the time of writing we were still awaiting the re-submission of those accounts.

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

74. The Managing Director has informed that the Financial Statements for 1 July – 31 December 2009 have been audited, the 2010 accounts are being audited and 2011 and 2012 accounts are awaiting audit.

#### **4.14 Montserrat Development Corporation (MDC)**

75. The Financial Statements for the years 2011 and 2012 have been tabled in the Legislative Assembly on 25 July 2013.

#### **4.15 Montserrat Community College (MCC)**

76. The Financial Statements for the years ending 31 December 2007 and 2008 together with the accounts for the period ending 31 March 2010 were submitted to our offices and are currently being audited.

#### **4.16 Government Savings Bank**

77. The Financial Statements for the years 2003 – 2012 were submitted to the Ministry of Finance for onward transmission to the Legislative Assembly.

## CHAPTER 5

### 5.0 PERFORMANCE/SPECIAL AUDITS

#### 5.1 Basic Information Technology General Controls Audit

78. The Department of Information Technology and e-Government Services (DITES), is responsible for the procurement, implementation, support and the overall smooth functioning and maintenance of the GOM network infrastructure. This includes the network and computer equipment in all government offices and the wireless network that provides connectivity between the offices at Government Headquarters in Brades, and all the other government offices on Montserrat. DITES also maintains file storage systems and databases for all of the government departments, as well as email and Internet access.

79. This pilot study sought to assess what security measures DITES has implemented to (i) physically protect all the computing assets from unauthorised modification, theft, accidental or intentional damage and/or destruction and to (ii) ensure that all GOM employees and/or users of the computer systems are properly identified and are authorised to access the folders and files required to carry out their assigned duties.

#### 5.2 Our Findings

80. DITES have some of the essential Information Technology General Controls (ITGC) security measures in place required to protect the critical mission server equipment from structural, environmental, physical and logical access factors. However, a risk assessment exercise revealed that the overall rating of the likelihood and impact of the risks associated with the deficiencies found, was high.

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

##### I. Structural And Environmental Controls

82. The entire HR building is well constructed in accordance with the appropriate hurricane proof standards. There were no visible signs of flooding, water damage, or dampness penetration inside the HR building, DITES office wing or on the surrounding grounds. This risk was assessed as low.

##### II. Physical Access Controls And Security

83. Physical security controls against unauthorised access, theft, or vandalism is weak and the risk impact would be high. There is a lack of proper physical access controls pertaining to DITES's front/main door. There is a steady stream of unrestricted and frequently unmonitored human traffic in/out of the department during working hours. In addition, the storage loft is a potential hiding place for an unmonitored individual, which has a medium risk impact.

84. Although DITES windows and doors are equipped with alarms, there is a need for either a night security guard or consistent police night patrols of the GOM Headquarters premises and grounds to deter theft or vandalism.

### **III. Server Room Environmental Controls And Security**

85. The server room and server devices are effectively secure from environmental hazards and unauthorised access attempts with the exception of the insubstantial door to the room. The door is not equipped with an alarm, against unauthorised access.

86. DITES has a central UPS and is linked to the GOM Headquarters communal backup generator that enables the continuance of normal work activity and backup procedures, in the event of a power failure. However, since February 2012, no one has been formally contracted by the Office of the Deputy Governor, for the regular servicing/maintenance of the generator. It is important that the backup generator is serviced/maintained on a regular basis, to prevent a total loss of power that could cause either an abrupt termination of transactions, loss of key data, and little or no work productivity.

87. The risk impacts of these deficiencies were assessed as medium.

### **IV. Logical Access Controls**

88. Standard password software controls effectively restrict access to GOM network remotely (through the Internet) or on site via user id and password. Passwords are mandatorily changed within 14 days or 28 days and users accounts are locked after three consecutive unsuccessful login attempts. However, DITES needs to ensure, across the board, that the security setting on all GOM employee(s) PCs are set to log off automatically after a set time of inactivity. The risk impact, for not ensuring that these controls are properly activated would be medium.

89. Controls for authorised access to departmental folders and files are relatively effective, except for a few instances where a few employees can access files and folders not pertaining to their daily duties. The risk impact would be high.

90. User accounts are created and adjustments made, via *User Request Forms*. However, DITES need to increase their efforts to garner the co-operation of all Heads of Departments and Human Resource Management Unit (HRMU), formerly the Administration Department, to adhere to the proper protocol of disabling user and email accounts, when a GOM employee has been transferred or when their contract or employment has ended.

### **V. Emergency Policies And Procedures**

91. DITES has a basic disaster plan, which the majority of the staff is either not aware of its existence or are not familiar with it. In addition, DITES has never conducted any emergency drills in the event of a fire. Only a handful of key personnel know what

specific tasks to perform in the event of an evacuation. There is also a significant need for the institution and circulation of proper IT Security Policy or IT General Controls documents within the department.

92. The fire alarm system in the entire HR building and the four smoke detectors in DITES office space have all been non-functional for several years. The fire alarm was never commissioned by the responsible entity for over 8 years and the one-year warranty has long since lapsed. Furthermore, there are no other auxiliary fire suppressant devices, such as fire extinguishers, inside DITES office space or the server room.

93. All of these shortcomings have a very high risk impact.

#### **VI. Other Observations**

94. There are several empty and recycled carton boxes stacked all over the office space, which are potential fire hazards and make movement along the corridor and in/out of work cubicles, awkward and difficult.

95. There is also another potential physical access security issue pertaining to all of the GOM offices being left open and unguarded between the hours of 4:00 pm - 6:00 pm.

96. The risk impact of these issues, are very high.

#### **5.3 Our Recommendations**

97. There are several recommendations within the report<sup>7</sup>; however, the following are our chief concerns:

- ❖ The issue of the non-operational fire suppressant system. We highly recommend that this problem be addressed and resolved as soon as possible. This includes the fire alarm system, smoke detectors, and fire extinguishers
- ❖ The lack of proper physical access controls for the main/front door is another concern that should be dealt with. We recommend that security policies and/or controls regarding the steady flow of frequently, unmonitored, external human traffic within the department during working hours be introduced.
- ❖ There are no proper IT Security Policy or IT General Controls documents in circulation within the department. It is recommended that management formulates and produces a comprehensive IT Security Policy along with IT General Controls documentation that outlines the various working practices, procedures, policies and controls necessary for the security of the entity's assets and the smooth operation of the department.

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<sup>7</sup> Full IT General Controls Audit Report tabled under separate cover.

## **CHAPTER 6**

### **6.0 THE OFFICE OF THE AUDITOR GENERAL**

#### **6.1 Legislative mandate**

98. 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**

99. 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**

100. 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**

101. 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.

102. 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 Implementation of Organisation Review

103. In my last report I highlighted the fact the UKNAO had reviewed my offices and made some recommendations for improvement. A number of these improvements are outside my control and I have to report that there has been no significant movement on them.

## 6.6 Budget Outturn

104. The statement of operations for the Office of the Auditor General for fiscal years 2011/12 is detailed below.

<b>EXPENDITURE 2011/12</b>			
<b>Description</b>	<b>Authorized (EC\$)</b>	<b>Actual (EC\$)</b>	<b>Variance</b>
Personal Emoluments	731,700	591,881	139,819
Goods and Services	156,500	122,846	33,654
Transfers and Subsidies	17,000	2,691	14,309
Other Expenditure	2,000	1,897	103
<b>Total</b>	<b>907,200</b>	<b>719,315</b>	<b>187,885</b>
<b>REVENUE</b>			
Audit Fees	<b>25,000</b>	<b>13,500</b>	<b>11,500</b>

### Expenditure

105. Our budget utilization target is set at 95% of budgeted allocation. We did not meet this target as our actual expenditure for the year amounted to 79% of that authorized. This arose due to unfilled vacancies, reduction in communication expenses, unforeseen circumstances resulting in the postponement of scheduled training. We also saw under expenditure on Fees and Rewards.

### Revenue

106. 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.

## 6.7 Outputs Report

107. For the financial year ending 31 March 2012, we audited:

- a) An aggregate of over \$14M 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.

## **6.8 Staffing**

108. We continue to encounter difficulties in recruiting and retaining staff, primarily due to the low wages on offer. At the end of the year, two (2) vacancies remained. This, together with the non-implementation of the recommendations of the Organisation review impacted our ability to meet targeted goals, deadlines, and benchmarks in a timely manner.

## **6.9 Capacity Development Initiatives**

109. We continue to utilize various means to develop and/or update our knowledge, skills and audit techniques through use of internet, workshops, seminars and on-the-job training activities. Several members of staff also broadened their knowledge and skills while participating in the University of the West Indies Open Campus tertiary programmes.

110. We accepted invitations and participated in several in-service training courses facilitated by the Learning and Development Unit housed within the Human Resource Management Unit.

111. Both the Auditor General and the Deputy Auditor General participated in the Leadership Development programme facilitated by the Learning and Development Unit.

## **ACKNOWLEDGEMENT AND APPRECIATION**

We rely heavily on various stakeholders to provide information to assist us in conducting our work. We therefore want to express sincere thanks to the staff of the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for any assistance given to my staff during the performance of the various audit assignments.

We also want to extend our thanks to GOM, its Learning and Development Unit, DFID, IDI, CAROSAI and its member organizations, Commonwealth Secretariat, Crown Agents and other private sector auditors for their invaluable assistance.

My staff has provided invaluable assistance to allow the department to complete its work. I want to say thank you for your hard work and dedication. Your continued support is appreciated as we seek to introduce new standards and improve the services we offer to our clientele. Again, thank you.



Brades, Montserrat  
27 February 2014

Florence A Lee, MSc, BSc, CPA  
Auditor General

**INDEPENDENT AUDITORS REPORT  
ON  
ANNUAL ACCOUNTS FOR PERIOD 1 APRIL 2011 – 31 MARCH 2012  
GOVERNMENT OF MONTSERRAT**

I have examined the Annual Accounts prepared from the Consolidated Fund of the Government of Montserrat as at 31 March 2012, together with relevant subsidiary Statements, as required by Section 17 of the Public Finance (Management and Accountability) Act 2008.

**RESPONSIBILITIES**

The Accountant General is responsible under Sections 5(1) and 17(1&2) of the Public Finance (Management and Accountability) Act 2008 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**

In my opinion, the Annual Accounts for the period ending 31 March 2012 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 Assembly.

**OTHER MATTERS**

My Report dated 8 February 2014, accompanies the Annual Accounts. It contains observations and comments on breaches of controls that I feel should be brought to the attention of those charged with governance.



FLORENCE A LEE, CPA, BSc, MSc  
AUDITOR GENERAL  
OFFICE OF THE AUDITOR GENERAL  
MONTSERRAT, WEST INDIES  
27 FEBRUARY 2014

## APPENDICES

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**APPENDIX 1**  
**GOVERNMENT OF MONTSERRAT**  
**CONSOLIDATED REVENUE FUND**  
**Statement Of Assets And Liabilities As At 31 March 2012**  
**(with comparative figures for March 31, 2011)**

<b>ASSETS</b>	<b>2011</b>	<b>2012</b>
	(Restated)	
CASH LOCAL	6,106,991	5,539,123
OPERATING ACCOUNT - ECCB	50,433	51,308
DEVELOPMENT CAPITAL FUND	12,914,704	15,090,968
CROWN AGENTS # 2 ACCOUNT	3,449,551	3,436,952
FISCAL RESERVE – A/C # 1 TRANCHE ECCB	5,086,829	5,627,100
FIXED DEPOSIT - CLICO	550,000	550,000
FIXED DEPOSIT – BRITISH AMERICAN	2,856,716	2,856,716
INDUSTRIAL DEPOSIT - BANK OF MONTSERRAT	72,353	0
INVESTMENT MONTSERRAT MILLS	60,000	60,000
EQUITY BOM - # 2/SFR-OR-M	2,108,400	2,108,400
INVESTMENT CLICO	435,632	435,632
<b>SUB TOTAL</b>	<b>33,691,609</b>	<b>35,756,199</b>
 <b>ADVANCES</b>		
PERSONAL	625,769	676,508
IMPERSONAL	78,621	78,621
OUTSTANDING IMPREST	304,175	333,150
OTHER GOVERNMENTS & ADMINISTRATIONS	1,175,688	1,282,470
CDB STUDENT LOANS	1,003,119	1,003,119
SALARY CLEARING A/C	0	0
POSTMASTER CLEARANCE	-437,583	-492,933
DEVELOPMENT FUND RECEIVABLE	-7,799,270	-11,679,322
<b>SUB TOTAL</b>	<b>-5,049,481</b>	<b>-8,798,387</b>
<b>TOTAL ASSETS</b>	<b>28,642,127</b>	<b>26,957,813</b>

Government of Montserrat Annual Accounts for the year ended March 31, 2012

**GOVERNMENT OF MONTSERRAT**

**CONSOLIDATED REVENUE FUND**

**Statements of Assets and Liabilities as at March 31, 2012**

(with comparative figures for March 31, 2011)

**LIABILITIES AND THE CONSOLIDATED FUND**

	<b>2011</b>	<b>2012</b>
MISCELLANEOUS DEPOSITS	8,069,691	6,109,214
INDUSTRIAL INVESTMENTS DEPOSITS	50,543	50,543
SPECIAL FUNDS	<u>565,996</u>	<u>568,773</u>
<b>SUB – TOTAL</b>	<u>8,686,230</u>	<u>6,728,530</u>

**CONSOLIDATED FUND**

<b>BALANCE AT START OF YEAR</b>	18,147,915	19,955,898
REVENUE FOR THE YEAR	97,816,955	114,700,659
EXPENDITURE FOR THE YEAR	<u>95,158,241</u>	<u>113,721,782</u>
SURPLUS	2,658,714	978,877
TRANSFER OF LOCAL COSTS	-955,632	-633,139
WRITE OFF ASSET – INDUSTRIAL DEPOSIT	<u>0</u>	<u>-72,353</u>
<b>TOTAL CONSOLIDATED FUND</b>	<u>19,850,998</u>	<u>18,147,947</u>
SUSPENSE	<u>104,900</u>	<u>0</u>
<b>TOTALS</b>	<u>28,642,127</u>	<u>26,642,127</u>

*Accountant General, Montserrat*

**CONSOLIDATED REVENUE FUND – 2012**  
Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
<b>CONSOLIDATED FUND REVENUE:-</b>				
<b>1A. TAX REVENUE</b>				
Taxes on Income, Profits and Capital Gains	18,061,500	18,061,500	17,752,297	-309,203
Taxes on Property	1,223,600	1,223,600	840,633	-382,967
Taxes on Domestic Goods and Services	1,199,100	1,199,100	1,302,812	103,712
Licences	2,217,600	2,217,600	1,965,659	-251,941
Taxes on International Trade & Transactions	15,330,000	15,330,000	14,352,962	-977,038
<b>TOTAL TAX REVENUE</b>	<b>38,031,800</b>	<b>38,031,800</b>	<b>36,214,362</b>	<b>-1,817,438</b>
<b>1B – NON-TAX REVENUE</b>				
Fee, Fines & Permits	1,267,300	1,267,300	1,696,014	428,714
Rents, Interest and Dividends	894,000	894,000	335,869	-558,131
ECCB Profits	390,000	390,000	536,160	146,160
Reimbursements	35,000	35,000	49,912	14,912
Budgets and Grants	52,080,000	52,080,000	72,939,711	20,859,711
Other Revenue	4,894,300	4,894,300	2,928,630	-1,965,670
<b>TOTAL NON-TAX REVENUE</b>	<b>59,560,600</b>	<b>59,560,600</b>	<b>78,486,296</b>	<b>18,925,696</b>
<b>TOTAL REVENUE</b>	<b>97,592,400</b>	<b>97,592,400</b>	<b>114,700,658</b>	<b>17,108,258</b>

**Ag Accountant General**  
**MONTSERRAT**

Government of Montserrat Annual Accounts for the year ended March 31, 2012

**CONSOLIDATED REVENUE FUND – 2012****Annual Abstract of Receipts and Payments**

<b>CONSOLIDATED FUND EXPENDITURE:-</b>	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>(EXCESS) SAVINGS</b>
01 CONSOLIDATED FUND SERV'S	14,422,000	32,085,000	31,901,615	183,385
05 POLICE & FIRE	6,405,600	6,455,600	6,301,157	154,443
06 EMERGENCY CENTRE	9,273,800	8,473,800	8,102,931	370,869
07 LEGAL	1,507,900	1,830,850	1,695,119	135,731
08 MAGISTRATES COURT	136,200	154,200	144,827	9,373
09 SUPREME COURT	1,912,100	1,912,100	1,798,045	114,055
10 LEGISLATURE	910,800	984,400	887,844	96,556
11 AUDIT	907,200	907,200	719,316	187,884
12 OFFICE OF THE DEPUTY GOVERNOR	5,728,200	5,933,250	5,423,358	509,892
15 OFFICE OF THE CHIEF MINISTER	5,489,400	5,516,400	5,363,043	153,357
20 MINISTRY OF FINANCE	4,015,500	3,949,700	3,653,266	296,434
21 DEVELOPMENT UNIT	1,871,800	1,871,800	1,536,471	335,329
22 TREASURY	1,300,700	1,071,100	884,067	187,033
25 GENERAL POST OFFICE	370,300	436,100	417,503	18,597
26 CUSTOMS & REVENUE SERVICE	2,286,300	2,286,300	2,040,249	246,051
30 MIN. OF AGRI., LANDS, HSG & ENVIR.	5,921,300	5,921,300	5,436,803	484,497
35 MIN. OF COMMS & WORKS	10,353,900	13,516,900	13,077,698	439,202
40 MIN. OF EDUCATION	8,154,100	8,154,100	7,772,928	381,172
45 MIN. OF HEALTH & COMM. SERVIC	16,625,300	16,875,300	16,565,543	309,757
<b>TOTAL</b>	<b>97,592,400</b>	<b>118,335,400</b>	<b>113,721,782</b>	<b>4,613,617</b>

Government of Montserrat Annual Accounts for year ended March 31, 2012



**CONSOLIDATED REVENUE FUND – 2012**  
**ABSTRACT OF EXPENDITURE BY TYPE**

<b>CONSOLIDATED FUND EXPENDITURE:-</b>	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>(EXCESS) SAVINGS</b>
2A Personal Emoluments	45,274,700	45,370,390	42,804,812	2,565,578
2B Pension, Gratuities & Other Benefits	11,840,000	29,363,900	29,365,383	-1,483
2C Goods & Services	13,471,200	14,481,810	13,673,188	808,622
2D Transfers & Subsidies	17,506,200	19,855,350	19,328,698	526,652
2E Social Services	3,816,000	3,937,000	3,877,080	59,920
2F Other Expenditure	4,620,300	4,422,750	3,943,669	479,081
2G Debt	1,064,000	904,200	728,952	175,248
<b>TOTAL</b>	<b>97,592,400</b>	<b>118,335,400</b>	<b>113,721,782</b>	<b>4,613,618</b>

Government of Montserrat Annual Accounts for period ended March 31, 2012

**GOVERNMENT OF MONTSERRAT**  
**DEVELOPMENT FUND**  
**STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012**  
**(with comparative figures for March 31, 2011)**

<b><u>ASSETS</u></b>		<b>2011</b>		<b>2012</b>
BRITISH DEVELOPMENT AID				
CLAIMS OUTSTANDING	(1)	3,275,073		2,249,630
DONOR AGENCIES				
EXPENDITURE OUTSTANDING	(2)	<u>2,460,360</u>		<u>2,462,431</u>
<b>TOTAL ASSETS</b>		<b><u>5,735,433</u></b>		<b><u>4,712,061</u></b>
<b><u>LIABILITIES</u></b>				
DEPOSITS WITHIN THE				
DEVELOPMENT FUND	(3)	9,698,700		12,555,379
CONSOLIDATED FUND PAYABLE		(7,799,270)		(11,679,322)
LOCAL FUNDS (40)		699,952		699,952
CONSOLIDATED CAPITAL FUND	(981,243)		(744,003)	
ADD: REVENUE OVER				
EXPENDITURE	4,117,292	<u>3,136,049</u>	3,880,052	<u>3,136,049</u>
<b>TOTAL LIABILITIES</b>		<b><u>5,735,433</u></b>		<b><u>4,712,061</u></b>

**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 period ended March 31, 2012

**DEVELOPMENT EXPENDITURE – 2012**  
**Annual Abstract of Receipts and Payments (Cont'd)**

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
35/350 COMMS & WORKS	8,507,300	16,807,300	9,905,850	6,901,450
21/210 ECONOMIC DEV'T	18,505,700	22,580,850	12,964,934	9,615,916
30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT	783,600	1,379,290	300,348	1,078,942
45/450 HEALTH AND COMM.	645,100	1,931,300	1,824,773	106,527
12/120 OFFICE OF THE DEPUTY GOVERNOR	4,118,000	4,818,000	2,944,582	1,873,418
40/400 EDUCATION	4,404,000	4,428,920	2,678,084	1,750,836
03/030 - ADMINISTRATION	0	52,440	28,055	24,385
<b>TOTALS</b>	<b>36,963,700</b>	<b>51,998,100</b>	<b>30,646,626</b>	<b>21,351,474</b>

*Acting Accountant General*  
**MONTSERRAT**

Government of Montserrat Annual Accounts for the period ended March 31, 2012



**GOVERNMENT OF MONTSERRAT**  
**CONSOLIDATED REVENUE FUND**  
**Notes to the Financial Statements**  
**March 31, 2012**

**THE ACCOUNTING POLICIES**

The accounting policies are based on the Public Finance (Management and Accountability) Act 2008 and comply with generally accepted accounting practices. As outlined in the Act (2008), 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."

**A. PUBLIC ACCOUNTS**

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

- 1. Consolidated Revenue Fund
- 2. Development Fund

This is in accordance with the requirements of Part IV Section 11 of the Public Finance (Management and Accountability) Act 2008.

**B. 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 surplus<sup>8</sup>, 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 of discharge of financial obligations and are disclosed on a net basis in the Statement of Assets and Liabilities.

**C. 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

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<sup>8</sup> 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 March 31, 2012. 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 March 31, 2012. 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.

## **D. NOTES**

### **1. Cash Local**

Cash Local represents the balance of the Consolidated Fund bank account.

### **2. Operating Account ECCB**

Operating Account ECCB are the funds being held by ECCB for the Government of Montserrat.

### **3. Development Capital Fund**

Development Capital Fund represents the balance as at 31 March 2012 for the Capital Development Programme bank account held at the Bank of Montserrat. The bank account forms part of the Consolidated Fund in compliance with the Public Finance (Management and Accountability) Act 2008.

### **4. Crown Agent #2 Account**

Crown Agents 2 Account is the balance held by Crown Agents on behalf of the Government of Montserrat.

### **5. Fiscal Reserve Account #1 Tranche - ECCB**

Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB for Government of Montserrat.

### **6. Equity Bank of Montserrat 2SFR-OR-M**

These represent shares held at the Bank of Montserrat. In future years in accordance with the cash basis of accounting the shares will not be shown amongst the assets in the Statement of Assets and Liabilities.

### **7. Advances – Personal**

Personal Advances represent advances relating to government employees who are designated traveling officers for the purchase of motor vehicles and the insurance premium for the said vehicles, salary advances, medical advances and any other approved balances. These advances are continually being analyzed to identify those that are unlikely to be recovered and recommendation will be made for their write off.

### **8. Advances – Impersonal**

Impersonal Advances are cash floats issued at the beginning of the year to departments with a revenue collection function, and travel advances to officers proceeding overseas on government business. All these advances should be retired immediately on return or before the end of the year whichever is earlier.

### **9. Advances – Outstanding Imprests**

Outstanding Imprest consists of travel advances to staff and imprests to GOM Departments. A schedule of the breakdown of the imprests is attached to these accounts.

## **10. Advances – Other Governments and Administrations**

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

## **11. CDB Student Loans**

CDB Student loans are outstanding balances on loans that were given to students as per line of credit received from the Caribbean Development Bank as shown in the schedule that is attached to these accounts. A schedule giving details of the loans is attached to these accounts. An analysis will be made in future to identify the loans that have been outstanding for a long time and may therefore not be collectible. Thereafter recommendation will be made to write off those loans that are not collectible.

## **12. Postmaster Clearance Account**

Postmaster Clearance Account is the Postmaster contra account held by GOM, another temporary account.

## **13. Miscellaneous Deposits**

As in previous years the Balance Sheet of the Consolidated Fund includes an item called "Miscellaneous Deposits". This should represent money deposited by third parties with the Government of Montserrat and accordingly is shown as a liability of the Government. However, an analysis of these accounts showed that a number of them had debit balances apparently representing assets. A prima facie examination of these accounts could not establish the existence of the assets and it appears likely that these accounts represent expenditure incurred without proper legislative authority being in place. These accounts total \$ 3,294,123. Accordingly Government's liabilities and expenditure may have been understated by this amount.

Conversely, the prima facie examination revealed that other credit balances represented third party deposits for refund and government revenues which should have been brought to account and credited to the Consolidated Fund. These accounts totaled \$ 9,404,539. Accordingly, Government's liabilities may have been overstated by this amount and its revenues understated.

Investigations into these accounts are ongoing and will be completed shortly. Appropriate recommendations will be made to regularize the situation and corrective accounting action will be taken in the 2013 fiscal year. A schedule



showing the details of all Miscellaneous Deposits included in the Balance Sheet will be found at page# and the accounts in question indicated therein.

#### 14. Prior Year Adjustment

An adjustment was made to the accounts due to the dearth of documentary evidence to support the brought forward value of the Industrial Deposit investment that was being carried in the public accounts. This balance was written off against retained earnings.

#### E. BANK ACCOUNTS

The following information relates to bank accounts that are held and operated by various Government Agencies. They are not included in the financial statements, but the balances disclosed, are as at March 31<sup>st</sup>, 2012.

GOVERNMENT AGENCY	ACCOUNT NAME	BALANCE
		\$
Treasury/MCW	Montserrat Antigua Ferry Services	758,230
Treasury/IRD	EU Tax on Savings	91,746
Treasury	Government Savings Bank	3,431,345
Post Office	Postmaster General	10,169
Office of the Premier	Radio Antilles Corp	1,845,811
Treasury	G'ment Dev Bond Self-Help H0using	94,392
Treasury	Volcano Relief Fund	40,489
Health	Social Welfare Benefit	80,244
Treasury	GOM/CDB Loan Payment A/c	1,332,378
Treasury	Montserrat Volcano Relief Fund 2003	212,533
Office of the Premier	ZJB/GUI CDB Project	46,143
Treasury/Dev't Unit	Montserrat Development Corp	624,304
Treasury/Dev't Unit	GOM Project Implementation	688,283
MCW	Info- Communications Authority (GOM)	61,943
Development Unit	Oriole Investment Ltd	72,609
Office of the Premier	Radio Antilles Corp (investment)	1,493,300
Min. of Education	GOM Min of Education	66,693
Min of Finance	GOM Mortgage Advances(Odd Payment Loan)	208,449
<b>Total</b>		<b>11,159,062</b>

## Appendix 2

### DFID PROJECTS IN OPERATION AS AT 31 MARCH 2012

(Funds denominated in EC\$)

Project Name	Project #	Committed Total Project Cost as at 1 April 2011	Commitments during year (2011/12)	Total Committed Project Cost as at 31 March 2012	Cash received as at 1 April 2011	Cash received during year (2011/12)	Life Time Cash Received	Cash spent as at 1 April 2011	Cash spent during year (2011/12)	Cash spend over project life time	Balance carried forward
<b>ADMINISTRATION/ODG</b>											
ACTS (Training)	1211003A		0	0	-1111000	-807330	-1918330	1054925	847035	1901960	-16370
PSR II*	1210001A	9019500	0	9019500	-900000	-1480612	-2380612	1022801	1297433	2320234	-60378
Capacity Development Fund*	1211002A	2800000	0	2800000	-600000		-600000	183510	325394	508904	-91096
Disaster Preparedness Repairs	1212004A		0	0					474721	474721	474721
ACTS - Regional	0304013A		0	0	-3186466		-3186466	3895002	28055	3923057	736591
<b>ECONOMIC DEV'T &amp; TRADE</b>											
Small Capital Projects/ Asset Replacement Scheme*	2109062	1900000	0	1900000	-1979000		-1979000	1619925	153527	1773452	-205548
Gov't accommodation*	2109061A	12582074		12582074	-1320000	-5900000	-7220000	2811069	3553600	6364669	-855331
Private sector development	2102065A	5453700	0	5453700	-2738800	-832907	-3571706.8	1811802	432372	2244173.72	-1327533
Tourism development Pro 2	2104067A	9135050		9135050	-8100000	-1900000	-10000000	3786000		3786000	-6214000
Tourism development Pro 3**	2109069A			0	0	0	0	3434000	1590250	5024250	5024250
MDC	2106073A	8659600	0	8659600	-4262968	-1691741	-5954708.5	4196609	1895787	6092396	137687
Development Economist*	2106072A	681500	0	681500	-729000		-729000	688425		688425	-40575
Asset Replacement Scheme	2107084			0	-5290922		-5290922	7059368		7059368	1768446

Support for Economic Development Planning*	2109095A	460000	0	460000	-377000		-377000	470160		470160	93160
Hurricane Earl Rehabilitation	2112023A	2133859		2133859					791971	791971	791971
Census 2012	2112033A		745000	745000		-754000	-754000		731807	731807	-22193
<b>AGRICULTURE</b>											
Lookout 2:Service Lots/Development of Service Lots - Lookout	3001041A	1719000	0	1719000	0		0	35022	0	35022	35022
Technical Assistance Housing	3006050A	235600	0	235600	-100000		-100000	106632	37814	144446	44446
Housing Incentive Scheme*	3009059A	680000	0	680000	-535000	0	-535000	360000		360000	-175000
Physical Development Plan Update	3010061A	615432	0	615432	-632828		-632828	583190		583190	-49638
<b>MCW</b>											
Little Bay Infrastructure Phase 1	3500013A/ 3502024A	800000	0	800000	-	0	-10234300	1232660 5		12326605	2092305
Restructuring PWD workshop*	3508072A	6672850	0	6672850	-2236250	-1900000	-4136250	2090270	1767751	3858020. 59	-278229
Support for Public Works Strategic Development	3510076A	1764000	0	1764000	-100000	-500000	-600000	134423	305572	439995.0 1	-160005
Integration of Renewables into Small	3510077A	200000	0	200000	-207190		-207190	22834	91363	114196.8 4	-92993
Access Transport Coordinator	3509073A	1339800	0	1339800	-300000	-600000	-900000	438087	306236	744323	-155677
Road Refurbishment Project. – A01 Salem to St John’s	3509074A	1466760 0	5649400	20317000	-1627500	-8500000	-10127500	1662504	6249370	7911873. 83	-2215626
Little Bay Interim Works	3510075A	3800000	0	3800000	-3800000		-3800000	4811778		4811778	1011778
Geothermal exploration		4200000	0	4200000	-1000000	0	-1000000	595264		595264	-404736
Ghaut Replacement Project	3511077A		2800000	2800000					1185559	1185559	1185559

<b>EDUCATION</b>											
Education Change Manager	4008031A	1132403	0	1132403	-525075	-580000	-1105075	1105667		1105667	592
Education Infrastructure	4008032A	7167654		7167654	-1376654	-500000	-1876654	170934	2671901	2842835	966181
<b>HEALTH</b>											
Health Development Plan	4504040A			0	-1400000	-478964	-1878964	1692175	422850	2115025	236061
Housing for the Mentally Challenged	4502036A/ 4502036B/ 4502036C	1238752 0		12387520	-8677400	-1162179	-9839579	9864584	1384238	11248822	1409243

## APPENDIX 3

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 12<sup>th</sup> day of October, 2001.

CLERK OF COUNCILS



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

