



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 2013



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”.



OFFICE OF THE AUDITOR GENERAL

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

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

Email: audit@gov.ms

25 September 2014

AUD 7/24

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

Sir

In accordance with Sections 100 and 103 (2) of the Montserrat Constitution Order 2010 and Section 42(2) of the Public finance (Management and Accountability) Act 2008, I forward, for laying before the Legislative Assembly, my Report on the examination of the public accounts of Montserrat, and of other financial statements and accounts required to be audited by me in respect of the financial year ending 31 March 2013.

Yours respectfully

Florence A lee, CPA, BSc, MSc
Auditor General

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ABBREVIATIONS USED

| | |
|---------|--|
| BOM | Bank of Montserrat |
| BNTF | Basic Needs Trust Fund |
| CAROSAI | Caribbean Organisation of Supreme Audit Institutions |
| DFID | Department for International Development |
| 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 |
| IPSAS | International Public Sector Accounting Standards |
| ISSAI | International Standards for Supreme Institutions |
| ITEC | Indian Technical and Economic Development |
| MCC | Montserrat Community College |
| MCSA | Montserrat Civil Service Association |
| MDC | Montserrat Development Corporation |
| MONLEC | Montserrat Electricity Services |
| MFSC | Montserrat Financial Services Commission |
| MICA | Montserrat Info-Communication Authority |
| MLDA | Montserrat Land Development Authority |
| MPA | Montserrat Port Authority |
| MPB | Montserrat Philatelic Bureau |
| MSSF | Montserrat Social Security Fund |
| MTB | Montserrat Tourist Board |
| MVO | Montserrat Volcano Observatory |
| MWA | Montserrat Water Authority |
| MUL | Montserrat Utilities Limited |
| OAG | Office of the Auditor General |
| PAC | Public Accounts Committee |
| PFM | Public Finance Management |
| PFMAA | Public Finance Management and Accountability Act |
| PIU | Project Implementation Unit |
| 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 2013**

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 2013.

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 1 September 2014. 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 Appendix 1.

4. The Audit Certificate is also attached. The accounts have been given a qualified opinion for incorrect treatment of investments, the inclusion of uncollectible amounts in advances, the misclassification of transactions and non-existence of assets included in Miscellaneous Deposits.

Adoption of International Public Sector Accounting Standards (IPSAS)

5. The Accountant General has stated, in Note 1, that the financial statements have been prepared in two sets, firstly to comply with the Public Finance (Management and Accountability) Act and secondly under the Cash Basis International Public Sector Accounting Standards (IPSAS).

6. We applaud the use of the IPSAS reporting framework to strengthen accountability and enable comparability of public sector financial statements, worldwide. We however find that preparing the two sets of accounts is time consuming and onerous. The same information is being presented in two different formats and we see no benefit in doing this. **As it is important for the country to adopt and comply with the international accounting standards, we are recommending that**

management consider amending the requirements of the Public Finance Management and Accountability Act to bring them in line with the IPSAS.

Financial Performance

7. A comparison of actual revenue against actual expenditures revealed a deficit of \$902,948. This imbalance is against the principles of grant-in-aid and is unsustainable, if left unchecked.

8. Approved Recurrent Revenue amounted to \$101,321,200. Actual sums collected totaled \$98,009,916, a shortfall of \$3,311,284.

9. Budgeted Recurrent Local Revenue was \$45,645,880. Actual collections amounted to \$42,438,304, a shortfall of \$3,209,576.

10. Approved Budgetary Assistance was \$55,780,000. Actual revenue received amounted to \$55,571,612 being \$208,388 less than budgeted.

11. Total Authorized Recurrent Expenditure amounted to \$103,441,200. Actual Recurrent Expenditure amounted to \$98,812,864. Forty-three percent of this amount was spent on Personal Emoluments, twelve percent on Pensions and Gratuities, fourteen percent on Goods and Services, twenty-one percent on Transfers and Subsidies with the rest being spent on Social Services, Other Expenditure, Debt and Revenue Refunds.

12. Actual capital expenditure for year amounted to EC\$57,360,429 being 72% of authorized expenditure for the year.

Cash Position of Government

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

| Description | Balances (EC\$) 31 March 2013 |
|--------------------------|--|
| Consolidated Fund | 11,805,811 |
| Development Capital Fund | 46,399,266 |
| TOTAL | 58,205,077 |

Fixed Deposits and Investments

14. There had been no action on the issue of clearing \$60,000 of investments in Montserrat Mills although the entity has been out existence for a long time. With respect to the British American Insurance Company investment our review revealed that a Judicial Manager had been appointed to agree a strategy to deal with BAICO stakeholders. This strategy will deal primarily with BAICO's core business, the life policy

holders. At time of writing we had not been given sight of any plan for dealing with the remaining annuity and investment contract business into which this investment falls nor communication outlining any specific amount to be repaid to the Government of Montserrat or the time by which the investment is to be repaid. As a result, we cannot determine the fair value of this investment. We therefore cannot determine the fair value of this investment.

Public Debt

15. Our review revealed that the Statement of Public Debt presented focus primarily on government guaranteed debt. After some discussion, the Accountant General agreed to incorporate some amounts owing to regional and international organisations amounting to \$11,850,368. Total debt thus amounts to \$20,595,463.

16. Principal repayment on external debt was recorded at \$502,888 being 1.18% of actual local recurrent revenue. Interest on External Debt amounted to \$161,167. This represents 0.38% of total local recurrent revenue generated for the year.

Contingent Liabilities

17. Contingent liability refers to a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be reliably measured. The required accounting treatment is for such liabilities to be disclosed in the Notes to the Accounts.

18. The Contingent Liability Statement provided for audit highlighted possible liabilities to the depositors of the Government Savings Bank of \$25,722,704. Other potential liabilities relating to legal claims amounted to \$6,127,654. This brings total Contingent Liabilities to \$31,850,358.

Losses/Overpayments/Claims abandoned etc.

20. During the period being reviewed, Cabinet agreed the write-off of \$1,185,454 for uncollectible property, income and company, and withholding taxes. Section 54 (1 and 2) of the PFMAA requires the Minister to gain authorization, via a Resolution, from the Legislative Assembly for each write-off or abandonment or the total sum authorized to be written off or abandoned in a financial year. We could not find and Resolution authorizing the write-offs.

Reporting of economic and fiscal information

21. Section 4 of the PFMAA 2008 requires the Minister of Finance to prepare and lay before the Legislative Assembly an economic and fiscal management plan on or before 31 January. Such a plan would include the following:

- The macro-economic, fiscal policies and broad programmes to be pursued;
- Indicators which will enable an accurate overall assessment of the economy;

- Indicators which will enable an accurate overall assessment of the finances of the government; and
- Any significant policy changes made since the previous economic and fiscal management plan.

22. There was no compliance with the subsection as no such plan was presented to the Legislative Assembly or to the Auditor General for review.

Key findings relating to Ministries/Departments/Statutory Agencies

23. Arrears of Revenue. At the end of March 2013 Arrears of Revenue stood at \$17,268,249 and are itemized as follows:-

| Executing Agency | Arrears at 31 March 2013 |
|---|-------------------------------------|
| Ministry of Agriculture, Lands, Housing & the Environment*: | 0 |
| Loans to Peasant Farmers | 39,387 |
| Ministry of Communications and Works: | 0 |
| PWD Laboratory | 10,770 |
| Resaleable Stock | 1,107 |
| Revenue Plant & Workshop | 7,338 |
| Mechanical Spares | 231 |
| Aircraft Landing Fees | 2,675 |
| Navigational Charges | 2,950 |
| Concessional Rental - Airport | 5,900 |
| Scenic flights | 39,938 |
| Inland Revenue:- | 0 |
| Income Tax | 8,907,622 |
| Company Tax | 4,163,584 |
| Property Tax | 3,272,334 |
| Broadcasting Services (Radio M/rat) | 0 |
| Advertising Receipts | 21,631 |
| Customs | 0 |
| Customs Officer Fees | 76,525 |
| Treasury: | 0 |
| Trade Licence | 18,481 |
| Rent of Gov't Buildings | 0 |
| Emergency Fuel Supply | 533,359 |
| Ministry of Health and Community Service | 0 |
| Hospital Receipts | 162,917 |
| Development Unit | 0 |
| Factory Shells | 1,500 |
| Total | 17,268,249 |

* Arrears for Government Housing Stock have been removed from this table as it rightly belongs to a quasi-government agency rather than central government. This will be reported on when the audit of the entity is conducted.

24. We acknowledge that some work has been done to remove uncollectible arrears. However, further work is needed to bring the arrears to a point where there is a high possibility of collection.

25. Over-expenditure. For this reporting period we note four instances where the regulations have been breached. Over-expenditures were identified in two Ministries/Departments and ranged from a low of \$1,082 to a high of \$103,404.

26. Non-submission of Departmental Financial Returns. Section 41(b) of the PFMAA requires Accounting Officers to prepare and submit, to the Minister and the Auditor General, in respect of the votes, revenues, resources and information in several returns as outlined in paragraph 2 of the Schedule to the Act. Only three Accounting Officers complied with the Regulations although reminded of their responsibility.

27. Reconciliation of accounts. We continue to encounter instances where information on warrants are omitted or incorrectly recorded in the accounts. The fact that budgetary information remains uncorrected suggests that Accounting Officers are not reconciling their accounts. This is a significant breakdown in the management controls.

28. Reconciliation of bank accounts held outside the Treasury Consolidated Fund. We undertook this assignment to determine how these accounts were being managed, what arrangements were in place to safeguard the assets and to identify any areas of significant risk. We found several critical weaknesses in the controls to include;

- A lack of appropriate oversight by the Accountant General over the management of the said bank accounts;
- No evidence that bank reconciliations were being performed;
- Some managers had no idea that the bank account existed, or what the funds were to be used for, although monthly bank statements were being received by their departments; and
- The inability to impose effective controls could provide an environment for fraud to take place where unscrupulous persons can withdraw monies from accounts without Accounting Officers knowledge.

29. Trade Licences. The Trade Licences Act requires the payment of licences by Classes however the Act did not provide any guidance as to how the Classes were to be identified. Further, we did not see any documentary guidance from management to staff outlining how classes were to be determined. This therefore poses a risk that the cashiers would accept incorrect amounts from clients leading to under-collection of revenue.

30. Other financial audits. Statutory Agencies were at various stages of completion of their annual audits.

Implementation of Organisation Review

31. As regards the UKNAO organization review recommendations, no further work has been done to enable implementation of the elements outside my control.

CHAPTER 1

1.0 INTRODUCTION

1.1 Reporting Authority

1. This Report, for the fiscal year ending 31 March 2013, is submitted to the Honourable Minister of Finance, for onward transmission to the Legislative Assembly. It is pursuant to Sections 100 and 103(2) of the Montserrat Constitution Order 2010, and Section 42(2) of the Public Finance (Management and Accountability) Act, No. 7 of 2008.

1.2 General Comments

2. I am pleased to present my Annual Report for the fiscal year 2013. It outlines the more significant issues arising from the work of my office on central government agencies (Ministries/Departments), 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 2013 were conducted in accordance with the provisions of Section 103(1) of the Montserrat Constitution Order 2010 and Section 42 (1) of the Public Finance (Management and Accountability) Act 2008. 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. The sections quoted above specifically require the Auditor General and staff, 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. We use auditing standards provided by the International Organization of Supreme Audit Institutions (INTOSAI) to guide our auditing processes. 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 Legislative Assembly.

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.¹ 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.

¹ 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 Assembly, the body that holds the Executive to account for the delivery of public policy. Our Audit Report is therefore intended to provide the Legislative Assembly 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. Although the draft financial statements were presented for audit earlier in the year, final adjustments were only received from the Treasury Department in August 2014. We could not therefore present the audited financial statements for tabling within the legal statutory deadline.

1.10 Compliance with Financial Orders

15. There were several areas of non-compliance with Financial Orders. Where we saw significant and/or repeated instances, they are reported in the segments that follow.

CHAPTER 2

2.0 FINANCIAL STATEMENTS FOR PERIOD APRIL 2012 – MARCH 2013

2.1 Audit Mandate and Objective

16. In accordance with the provisions of Section 103(1) of the Montserrat Constitution Order 2010 and Section 42(1) of the Public Finance (Management and Accountability) Act 2008, we conducted an audit of the Public Accounts of Montserrat for the period ended 31 March 2013.

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, physical examination, confirmations, recalculations and interviews with the Accountant General and staff, personnel in the Ministry of Finance, and Accounting Officers.

2.3 Adoption of International Public Sector Reporting Standards (IPSAS)

19. The Accountant General has stated, in Note 1, that the financial statements have been prepared in two sets, firstly to comply with the Public Finance (Management and Accountability) Act and secondly under the Cash Basis International Public Sector Accounting Standards (IPSAS)².

20. According to the Standard, “disclosure of information about such matters as the cash balances of the entity, whether cash is generated from taxes, fines, fees, and/or borrowings and whether it was expended to meet operation costs, for the acquisition of capital assets or for the retirement of debt will enhance transparency and accountability of financial reporting. These disclosures will also facilitate more informed analysis and assessments of the entity’s current cash resources and the likely sources and sustainability of future cash inflows”³.

21. We applaud the use of the IPSAS reporting framework to strengthen accountability and enable comparability of public sector financial statements, worldwide. We however find that preparing the two sets of accounts is time consuming

² IPSAS are best practice guides issued by the International Federation of Accountants (IFAC), the standard setting body for the accounting profession

³ Financial Reporting under the Cash Basis of Accounting, International Public Sector Accounting Standards Board, International Federation of Accountants,

and onerous. The same information is being presented in two different formats and we see no benefit in doing this. As it is important for the country to adopt and comply with the international accounting standards, **we are recommending that management consider updating the requirements of the Public Finance Management and Accountability Act and its regulations to bring them in line with the IPSAS, that is, current best practice.**

2.4 Statement of Assets and Liabilities of the Consolidated Fund

22. The following is a statement of the assets and liabilities as at 31 March 2013 grouped according to the nature of the item. A detailed statement, as presented by the Accountant General, is attached at Appendix 1. The statement records cash assets and liabilities only.

TABLE 1
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

| | 2013 | 2012 | Increase/ (Decrease) |
|--------------------------|-------------------|-------------------|-------------------------|
| Assets | | | |
| Cash | 11,805,811 | 14,654,484 | (2,848,673) |
| Development Capital Fund | 46,399,266 | 15,090,968 | 31,308,298 |
| Fixed Deposits | 3,406,716 | 3,406,716 | 0 |
| Investments | 2,168,400 | 2,604,032 | (435,632) |
| Advances | (38,017,322) | (8,798,387) | (29,218,935) |
| Total | 25,762,872 | 26,957,813 | (1,194,942) |
| Taxpayer's Equity | | | |
| Deposits | 7,319,311 | 6,728,530 | 590,781 |
| Consolidated Fund | 18,433,560 | 20,229,283 | (1,785,723) |
| Total | 25,752,872 | 26,957,813 | (1,194,942) |

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

24. **Investments.** 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.

25. Also included in investments is an amount of \$2,856,716 with British American Insurance Company (BAICO). Our review revealed that the Bahamian Court had appointed a Judicial Manager to agree a strategy to deal with BAICO stakeholders. It is our understanding that the strategy would cover BAICO'S traditional core business, that

is, life policy holders. At time of writing we had not been given sight of any plan for dealing with the remaining annuity and investment contract business into which this investment falls nor communication outlining any specific amount to be paid to the Government of Montserrat. As a result, we cannot determine the fair value of this investment.

26. These uncollectible investments represent 11.32% of total assets and are therefore material to the fair presentation of the financial statements.

27. **Advances.** General Orders 506 states that advances made from public funds for travelling and subsistence expenses is recoverable in full immediately the officer return to Montserrat. Monies advanced for salaries to persons proceeding overseas on vacation leave should be recovered on the first payday following the advance of salary. Other classes of advances for example, for motor purchases/insurance and medicals are expected to be recovered in accordance with a repayment plan set by the Accountant General. The existence of several of the outstanding balances indicates non-compliance with the Regulations.

28. Moreover, this line item contains a number of sub accounts with balances that are deemed uncollectible. Some individuals have died, have left the colony or the entity has been out of existence for a long time. To enable the accounts to give a fair presentation a number of these accounts need to be written off.

29. **Miscellaneous Deposits.** This normally would represent money deposited by third parties to facilitate an activity to be undertaken by GOM. As such balances would represent liabilities of the Government. The Accountant General had agreed to analyse the balances and to make transfers to the Consolidated Fund where the balances were no longer needed. The review revealed a number of accounts had debit balances apparently representing assets. A prima facie examination of these accounts could not establish the existence of the assets.⁴

30. The foregoing suggests that expenditures were inappropriately classified. Further, the fact that existence of the assets cannot be established means that the accounts, which represents 26% of total assets, are not fairly presented with respect to this account. Moreover, **we recommend that the non-existent asset balances be removed from the accounts and, where possibly, other account balances that are no longer needed be transferred to the Consolidated Fund.**

2.4. Movements on the Consolidated Fund

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

⁴ See Note 15 of the Notes to the Public Accounts 2012/13

| <u>Expenditure</u> | <u>Authorized</u> | <u>Actual</u> |
|--|--------------------------|----------------------|
| Personal Emoluments, Wages & Allowances | 44,621,400 | 42,242,679 |
| Benefits | 11,471,100 | 11,467,509 |
| Services | <u>47,348,700</u> | <u>45,202,676</u> |
| Sub-Total | 103,441,200 | 98,912,864 |
| Less: Revenue | <u>101,321,200</u> | <u>98,009,916</u> |
| Surplus/(Deficit*) | <u>2,120,000</u> | <u>(902,948)</u> |
| <i>Consolidated Fund</i> | | |
| Balance b/f 1 April 2012 | | 20,229,283 |
| Deficit for the year | | (902,948) |
| Funding of Local Projects | | <u>(882,775)</u> |
| Balance c/f 31 March 2012 | | <u>18,443,560</u> |
| * Value of Supplementary Appropriations raised during fiscal year. | | |

2.4.1 Recurrent Revenue

32. Approved Recurrent Revenue amounted to \$101,321,200. Actual sums collected totaled \$98,009,916, a shortfall of \$3,311,284.

2.4.2 Revenue Surpluses and Shortfalls

33. Table 2 below provides a pictorial view of revenue surpluses and shortfalls for the period under review.

TABLE 2
REVENUE SURPLUSES AND SHORTFALLS

| <i>Recurrent Revenue Head</i> | <i><u>Budgeted</u></i> | <i><u>Actual</u></i> | <i><u>Surplus</u></i> | <i><u>Shortfalls</u></i> |
|--------------------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------------|
| | <i>\$</i> | <i>\$</i> | <i>\$</i> | <i>\$</i> |
| Taxes on Income, Profits & Gains | 18,422,700 | 15,162,134 | 0 | 3,260,566 |
| Taxes on Property | 1,248,100 | 871,715 | 0 | 376,385 |
| Taxes on Domestic Goods & Service | 1,210,300 | 1,452,938 | 242,638 | 0 |
| Licences | 2,748,600 | 2,002,417 | 0 | 746,183 |
| Taxes on Int'l Trade & Transactions | 15,422,000 | 17,389,827 | 1,967,827 | 0 |
| Fees, Fines and Permits | 1,393,800 | 1,748,071 | 354,271 | 0 |
| Rents, Interest & Dividends | 634,000 | 263,128 | 0 | 370,872 |
| ECCB Profits | 0 | 64,318 | 64,318 | 0 |
| Reimbursements | 35,000 | 45,880 | 10,880 | 0 |
| Budget and Grants | 55,780,000 | 55,571,612 | 0 | 208,388 |
| Other Revenue | 4,426,700 | 3,437,876 | 0 | 988,824 |
| TOTAL | 101,321,200 | 98,009,916 | 2,639,934 | 5,951,218 |
| Net surplus/(deficit) | | | 3,311,284 | |

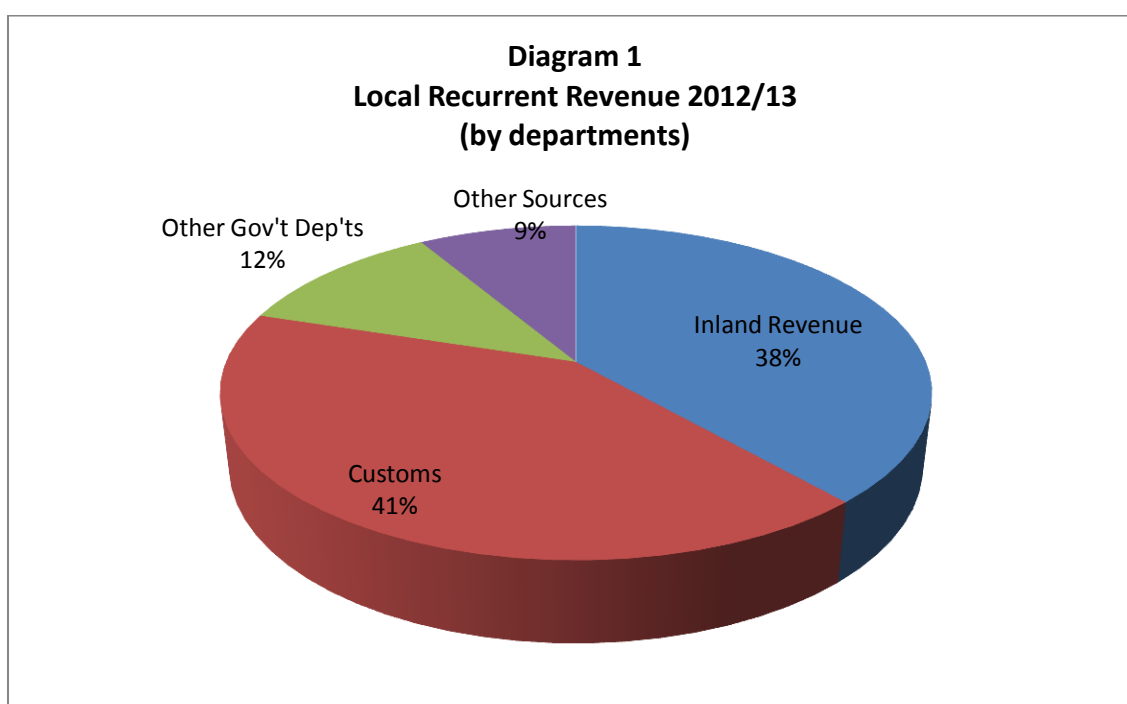
2.4.3 Total Recurrent Local Revenue

34. Budgeted Recurrent Local Revenue was \$45,647,880. Actual Revenue amounted to \$42,438,304 a shortfall of \$3,209,576.

35. 54.5% of the revenue categories realized shortfalls. These shortfalls ranged from a low of \$208,388 to a high of \$3,260,566.

36. Actual Tax Revenue collected was \$36.88M whilst Non-Tax Revenue amounted to \$5.56M.

37. The apportionment (by percentage) of revenue generated by various government departments is highlighted in Diagram 1 below.



2.4.4 Special Budgetary Assistance

38. Approved Budgetary Assistance was \$55,780,000. Actual revenue received amounted to \$55,571,612 being \$208,388 less than budgeted. Table 3 below provides a breakdown of the monies received.

TABLE 3
BUDGETARY AID 2012/13

| DATE | RECEIPT # | PARTICULARS | £ | EC\$ |
|------------|-----------|--|---|------------|
| 06/27/2012 | 142273 | 1 ST quarter budgetary aid* | - | 13,769,995 |
| 10/17/2012 | 146120 | 2 nd quarter budgetary aid* | - | 13,581,544 |

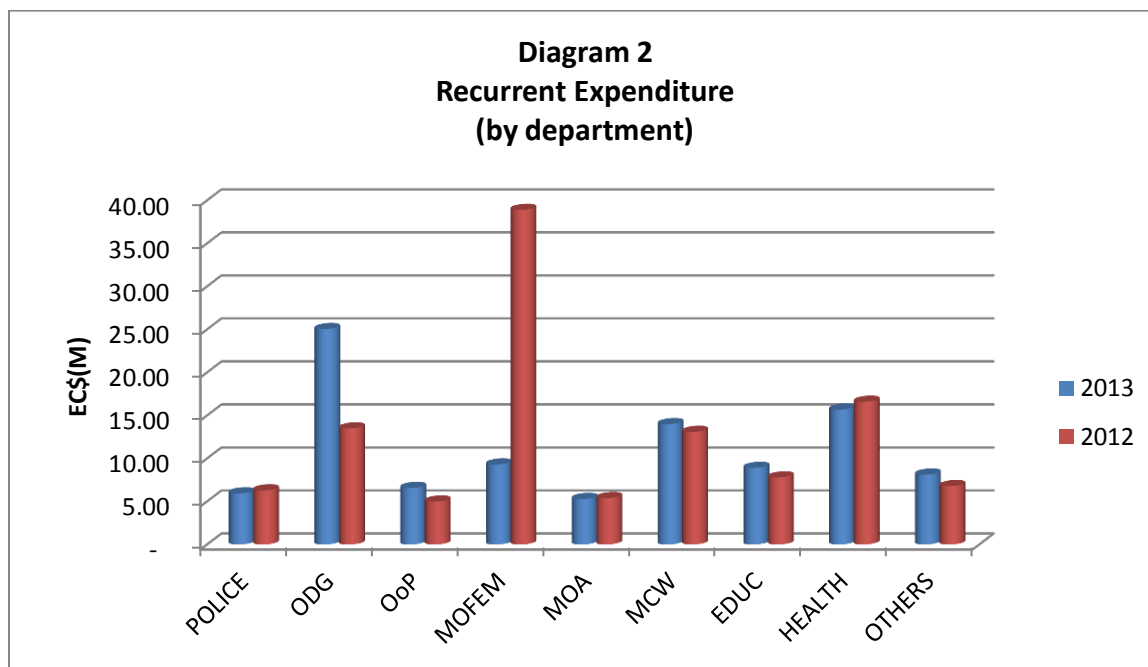
| | | | | |
|---------------------|--------|---------------------------------------|-----------|------------|
| 12/07/2012 | 149244 | 3 rd quarter budgetary aid | 3,377,678 | 14,587,854 |
| 02/06/2013 | 152782 | 4 th quarter budgetary aid | 3,222,290 | 13,632,220 |
| Total budgetary aid | | | 6,599,968 | 55,571,613 |

- Due to a change in the process of remitting the funds, the sterling amount could not be verified.

2.4.5 Recurrent Expenditure

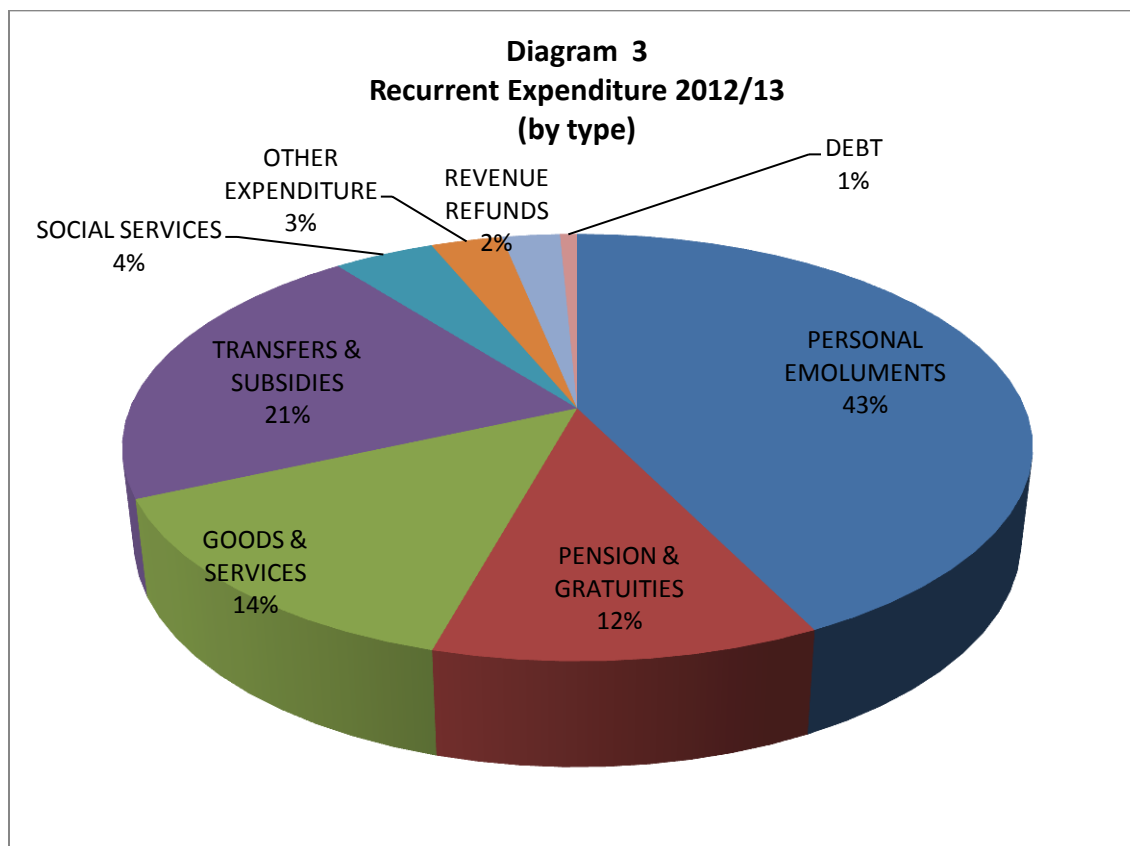
39. The Appropriations Act, Ordinance #6 of 2012 authorized expenditure of \$101,321,200 for the fiscal year. Four Supplementary Estimates, totaling \$2,120,000 were approved by the Legislative Assembly. They increased the total authorized expenditure to \$103,441,200. Actual expenditure for the year amounted to \$98,912,864.

40. Diagram 2 below shows major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year being reviewed. All Departments falling under the purview of the Ministry of Finance and Economic Management are grouped together. The Disaster Management Coordination Agency was subsumed within the Office of the Deputy Governor. Chief Minister's Office has been renamed Office of the Premier (OoP). Other Departments not specifically listed are grouped under Others.



41. 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.

42. Diagram 3 below shows expenditure by cost categories and gives relative percentages used per cost category.



2.4.6 Expenditure Control

43. **Warrants.** For the fiscal year being reviewed, one general warrant and four supplementary estimates were issued. Six Virement Warrants were also approved.

44. **Over-expenditure.** The incidences of over-expenditures have been significantly reduced. For this reporting period there were four incidences where the regulations have been breached. These are detailed in the table below.

TABLE 6
OVER EXPENDITURE BY MINISTRY/DEPARTMENT

| Ministry/Department | Vote | Head | Subhead | Description | Amount |
|---|------|------|---------|----------------------|---------|
| Office of the Deputy Governor | 12 | 120 | 218 | Pension & Gratuities | 103,404 |
| Ministry of Finance & Economic Management | 20 | 200 | 216 | Allowances | 4,691 |
| Ministry of Finance & Economic Management | 20 | 200 | 228 | Supplies & Materials | 1,082 |
| Ministry of Finance & | 20 | 206 | 270 | Revenue Refund | 74,989 |

| | | | | | |
|---------------------|--|--|--|--|--|
| Economic Management | | | | | |
|---------------------|--|--|--|--|--|

45. On one occasion the over-expenditure resulted from withdrawal from the original allocation via Virement warrant. On all occasions, however, they represent unauthorized withdrawals from the Consolidated Fund.

46. We reiterate that it is the Accounting Officer's responsibility to ensure that sufficient funds are available to meet these expenditures. As such they ought to ensure that the relevant warrants are obtained before these expenditures are made.

47. **Statement of Excess Expenditure.** Section 21 of the Public Finance Management and Accountability Act requires a Statement of Excess Expenditure to be laid before the Legislative Assembly and referred to the Public Accounts Committee (PAC). The Section further states that PAC shall submit a report to the Legislative Assembly, and where the Assembly, by means of a motion, allows the excess as a charge on the public funds, a Supplementary Appropriation Bill is to be prepared. There was no compliance with these provisions.

2.4.7 Deficit financing

48. When the Estimates were being prepared it was done on the premise of a balanced budget principle where operating revenues would equal expenditure. It is expected that actual revenues would exceed or at least equal expenditure. A comparison of actual revenue against actual expenditures revealed a deficit of \$902,948. This imbalance is against the principles of grant-in-aid and is unsustainable, if left unchecked.

2.5 Arrears of Revenue

49. At the end of the fiscal year being reviewed Arrears of Revenue stood at \$17,227,764 and are itemized as follows: -

TABLE 4
ARREARS OF REVENUE

| Executing Agency | Arrears at 31 March 2012 | Arrears at 31 March 2013 |
|---------------------------------------|-----------------------------|-----------------------------|
| Ministry of Communications and Works: | 0 | 0 |
| PWD Laboratory | 15,190 | 10,770 |
| Resaleable Stock | 12,244 | 1,107 |
| Revenue Plant & Workshop | 69,262 | 7,338 |
| Mechanical Spares | 31,131 | 231 |
| Aircraft Landing Fees | 3,622 | 2,675 |
| Navigational Charges | 3,885 | 2,950 |
| Concessional Rental - Airport | 12,905 | 5,900 |
| Scenic flights | 0 | 39,938 |
| Inland Revenue:- | 0 | 0 |
| Income Tax | 13,918,443 | 8,907,622.07 |

| | | |
|--|-------------------|----------------------|
| Company Tax | 3,340,767 | 4,163,583.83 |
| Property Tax | 3,162,103 | 3,272,334.22 |
| Broadcasting Services (Radio M/rat) | 0 | 0 |
| Advertising Receipts | 29,050 | 21,631 |
| Customs | 0 | 0 |
| Customs Officer Fees | 25,995 | 76,525 |
| Treasury: | 0 | 0 |
| Trade Licence | 14,975 | 18,481 |
| Rent of Gov't Buildings | 12,645 | 0 |
| Emergency Fuel Supply | 535,358 | 533,359 |
| Ministry of Health and Community Service | 0 | 0 |
| Hospital Receipts | 142,354 | 162,916.50 |
| Development Unit | 0 | 0 |
| Factory Shells | 1,000 | 1,500 |
| Total | 21,330,929 | 17,227,763.62 |

50. Although some effort was made to remove some uncollectible amounts further work is still needed clean-up the accounts, thereby making the prospects of collection more realistic.

2.6 Development Fund

2.6.1 Statement of Assets and Liabilities

| ASSETS | | 31 Mar 2013 | | 31 Mar 2012 |
|--|--------------|------------------------|-----------|------------------------|
| British Development Aid Claims Outstanding | | | | 2,249,630 |
| Donor Agencies Expenditure Outstanding | | 2,415,953 | | 2,462,430 |
| Consolidated Fund Receivable | | 40,957,315 | | 11,679,320 |
| Total Assets | | 43,373,268 | | 16,391,380 |
| LIABILITIES | | | | |
| Deposits within Development Fund | | 19,132,684 | | 12,555,379 |
| Local Funds | | 699,952 | | 699,952 |
| Consolidated Capital Fund | (26,141,944) | 0 | (744,003) | |
| Add Revenue over Expenditure | 29,277,993 | 3,136,049 | 3,880,052 | 3,136,049 |
| Total Liabilities | | 43,373,268 | | 16,391,380 |

51. We again highlight that this statement contain a number of accounts with debit and credit balances that are in need of write-off. As such it does not give a fair presentation of the accounts.

2.6.2 Capital Expenditure

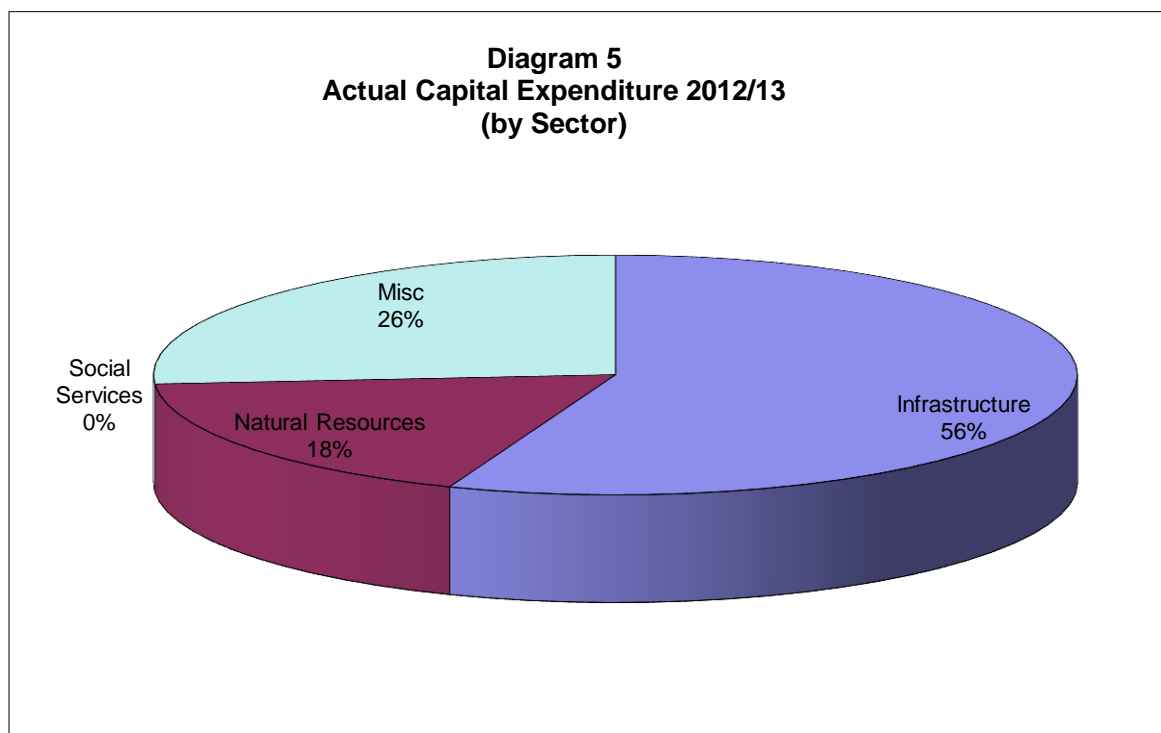
52. Table 5 below provides a view of authorized expenditure and recorded results for the Development Fund.

TABLE 5
Comparison of Development Fund Estimates and Record Results 2012/13

| Development Fund Expenditure | Authorized | Actual | Variance |
|-------------------------------------|-------------------|-------------------|-------------------|
| DFID | 64,546,385 | 44,729,053 | 19,817,332 |
| LOCAL | 1,074,800 | 882,775 | 192,025 |
| DARWIN | 234,425 | 176,971 | 57,454 |
| CIDA | 0 | 0 | 0 |
| UNICEF | 27,010 | 15,706 | 11,304 |
| PSF | 0 | 0 | 0 |
| ECLAC | 40,750, | 0 | 40,750 |
| EU | 13,725,843 | 11,418,534 | 2,307,309 |
| OTEP | 287,170 | 85,379 | 201,791 |
| CDB | 127,565 | 52,011 | 75,554 |
| JNCC | 0 | 0 | 0 |
| TOTAL | 80,063,948 | 57,360,429 | 22,703,519 |

54. At the start of the fiscal year capital expenditures was budgeted at \$25,461,900. Three (3) Supplementary Appropriations totaling \$54,602,048 were approved bringing Revised Estimates of \$80,063,948. Actual expenditure amounted to \$57,360,429 being 72% of authorized expenditure for the year.

54. A pictorial view of capital expenditures is given in Diagram 4 below. The expenditures have been classified by sectors.



2.7 Other Statements

2.7.1 Statement of Contingent Liabilities

55. Contingent liabilities refer to a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably. The required accounting treatment is for these contingent liabilities to be disclosed in the Notes to the Accounts.

56. For the year being reviewed, this Statement highlighted possible liabilities to depositors of the Government Savings Bank of \$25,722,704⁵. Other possible liabilities relating to legal claims 6,127,654 bringing potential claims to \$31,850,358.

2.7.2 Statement of Special Funds

57. Of the 10 funds listed, only 2 are operational. A review revealed that the other 8 has been unused for some time and the majority of entities are no longer in operation. As such, **we recommend that the funds be closed with balances being transferred to the Consolidated Fund.**

2.7.3 Statement of Public Debt

58. Governments use taxpayer funds to finance its operations and, in accordance with good governance principles of transparency and accountability, are expected to report on their fiscal and liquidity vulnerabilities⁶. In facilitating transparency and accountability in debt management, the International Monetary Fund (IMF) stated that “materially important aspects of debt management operations should be disclosed”⁷. Thus, since it is the taxpayer who ultimately has to pay for the public debt, its reporting should include liabilities to domestic and foreign creditors.

59. Our review revealed that the Statement of Public Debt presented focus primarily on government guaranteed debts. Some future payments, for example, pension liabilities, and payments for some goods and services already contracted but not paid for were not included in the Statement of Public Debt.

60. With a view to more accurate reporting, the Public Debt Statement was amended to include a section on arrears outstanding to various stakeholders inclusive of local, regional and international institutions. These arrears amount to \$11.85M⁸ dollars.

⁵ Section 7 of the Savings Bank Act requires GOM to make up any deficiency between assets and the lawful claims of depositors.

⁶ Fiscal and liquidity vulnerabilities refer the extent to which a government can meet its financial obligations in the short term

⁷Policy Paper - Revised Guidelines for Public Debt Management, International Monetary Fund, April 2014, page

⁸ Revenue refunds due for over payment on taxes were not included in this amount.

61. Total Public Debt⁹, exclusive of unpaid contributions to local and regional institutions, and revenue refunds, amounted to \$8,745,870. Public Debt per capita¹⁰ was \$1,763.64¹¹.

62. Principal repayment on external debt was recorded as \$501,864 being 1.18% of local recurrent revenue. This amounts to 0.28% when compared to GDP (in current prices for the year)¹².

63. Interest paid on External Debt amounted to \$161,167.05. This represents 0.38% when compared with actual local recurrent revenue for the year.

2.7.4 Statement of Loans Outstanding

64. There has been no movement on these loans for several years. **The Accountant general should seek permission to write-off these loans.**

2.8 Losses/Overpayments/Claims abandoned etc.

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

66. During the period being reviewed, Cabinet agreed the write-off of \$1,185,454 for uncollectible property, income and company, and withholding taxes. Section 54 (1) of the PFMAA states that “the Minister may, if so authorized by a Resolution of the Legislative Assembly, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to government and write off losses of or deficiencies in public moneys or public resources”. Section 54 (2) states that “a Resolution referred to in sub-section (1) may specify the maximum amount authorized for each write-off or abandonment and the total sum authorized to be written off or abandoned in a financial year”.

67. We could not find any Resolution authorizing the write-offs.

2.9 Reporting of economic and fiscal information

68. Section 4 of the PFMAA 2008 requires the Minister of Finance to prepare and lay before the Legislative Council (renamed Legislative Assembly) an economic and fiscal management plan on or before the 31 January¹³. The section also requires the Auditor General to examine and report to the Legislative Assembly on whether in my opinion:

⁹ Total Public Debt = Total External Debt

¹⁰ The Montserrat Statistics Department 2013 mid-year population estimate was 4959

¹¹ Calculation based on total population as working population unknown.

¹² GDP 2013 was measured at \$178.64M. Source: Montserrat Statistics Department

¹³ The PFMAA 2008 Commencement Order 2009, SRO 14/2009, stated that Sec 4 “shall come into force on 1 April 2010”.

- a) The conventions and assumptions underlying the preparation comply with the principles of prudent financial management
- b) The information is sufficiently accurate and that the reasons given are fair and reasonable
- c) The objects and activities are consistent with the approved overall macro-economic and fiscal policy.

69. The Ministry of Finance has not complied with this provision and no plan of macro-economic and fiscal policy has been prepared for submission to the Legislative Assembly. When asked about this the following response was received.

70. **Management Response.** “The provision in its current form cannot be realistically implemented.

The Ministry of Finance and Economic Management is currently considering the amendment to the Act to give effect to the relevant sections”.

71. Due to the non-submission of the macro-economic and fiscal policy plan, I was unable to comply with the requirement of Section 4 of the PFMAA 2008.

CHAPTER 3

3.0 MINISTRIES AND DEPARTMENTS

72. 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

73. **Procurement practices.** In my last Report I indicated that 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. I had also reported that several weaknesses were highlighted..

74. I am now happy to state that, at the time of writing this report, GOM is in the process of repealing the Procurement Regulations. Crown Agents has been contracted to draft the new regulations, making it more robust but user friendly in the process.

75. **Non-submission of Departmental Financial Returns.** Section 41(b) of the PFMAA requires Accounting Officers to prepare and submit, to the Minister and the Auditor General, with a copy to the Accountant General, in respect of the votes, revenues, resources and moneys for which the Accounting Officer is responsible, the accounts and information set out in paragraph 2 of the Schedule of the Act. The Schedule details the statements that are to be submitted. Many of the Accounting Officers were partially non-compliant with this requirement as most statements were not submitted to the Office of the Auditor General. See Appendix 3 for non-compliant Ministries/Departments.

76. **Reconciliation of Accounts.** We continue to encounter instances where information on warrants are omitted or incorrectly recorded in the accounts. We are aware that it is the Budget Division within the Ministry of Finance who inputs the information into SMARTSTREAM. However, it is the Accounting Officer's responsibility to ensure that all budgetary information relating to their department is correctly reported. The fact that budgetary information remain uncorrected suggests that Accounting Officers are not reconciling their accounts. This is a significant breakdown in the management controls.

3.2 Ministry of Communication and Works

3.2.1 Procurement of PWD Equipment

77. In my last report I indicated that a number of irregularities were found in an assessment of the procurement practices over some PWD equipment purchases and

that work was ongoing to determine the causes of these irregularities. That work had not been concluded at the time of writing this report.

3.3 Treasury Department

3.3.1 Reconciliation of bank accounts held outside the Treasury Consolidated Fund.

78. Section 53 of the Public Finance Management and Accountability Act allows Accounting Officers to open bank accounts with the prior authority of the Accountant General who, by said quoted section, is expected to set terms and conditions for the operation of the accounts. Several such accounts were authorized and opened by several Ministries/Departments. We therefore undertook an audit to determine how these accounts are being managed, what controls were put in place to safeguard these assets and to identify any areas of significant risk.

79. Attention was focused on those bank accounts that would not have been audited as part of an entity's accounts. The accounts specifically examined were as follows:

TABLE 7
SELECTED BANK ACCOUNTS HELD OUTSIDE TREASURY CONSOLIDATED FUND

| AGENCY | ACCOUNT NAME | BALANCE AS AT 31 MARCH 2013* |
|-----------------------|-------------------------------------|-------------------------------------|
| Treasury | G'ment Dev Bond Self-help Housing | 94,391.97 |
| Treasury | GOM/CDB Loan Payment A/c | 1,374,201.99 |
| Treasury | Montserrat Volcano Relief Fund 2003 | 212,533.11 |
| Treasury | Volcano Relief Fund | 40,489.21 |
| Treasury | EU Tax on Savings | 91,746.02 |
| Development Unit | Oriole Investment Ltd** | 74,812.26 |
| Office of the Premier | Radio Antilles Corp** | 1,872,450.09 |
| Office of the Premier | ZJB/GUI CDB Project | 46,142.87 |
| | Total | 3,806,767.52 |

*Balances taken from bank statements

** Subsequent to year end, the Ministry of Finance asked Bank of Montserrat (BOM) to transfer the balance or substantial portions of the balance to the Treasury Consolidated Fund.

80. Our audit revealed several critical weaknesses in the controls to include the following:

a) A lack of appropriate oversight by the Accountant General over the management of the said bank accounts. Apart from the initial request for bank reconciliations to be performed, we found no evidence that the Accounting Officers were reminded of their responsibility to perform them.

b) Bank reconciliations are a critical internal control measure which allows management to maintain control over their finances. However, we found no evidence that these were being performed. Further, several bank statements were missing rendering it impossible for reconciliations to be conducted. This is a serious breach of the controls.

c) In fact, it appeared that some managers had no idea that some bank accounts existed, or what the funds were to be used for, although monthly bank statements were being received by their departments. This therefore suggests that the accounts were not being used and therefore may have outlived their original purpose.

d) We found that, on one occasion, the bank account was being operated by an external entity with bank statements being sent to the government entity. The Accounting Officers could not provide the terms of such arrangement. Further, no copy of any report detailing the operation of the account was provided to us despite our several requests.

e) The inattention to performing bank reconciliations or inability to impose effective controls provides an environment in which fraud can exist. Given that management is not paying attention to reconciling their accounts, unscrupulous persons can withdraw monies from the accounts without their knowledge.

81. We are therefore recommending that

a) **the Accountant General insist that bank reconciliations be performed on a monthly basis and that copies of said reconciliations be supplied to the Treasury Department by the 15th of the following month. Where the accounts are managed by the Treasury Department we also expect that bank reconciliations will be performed and signed off by senior management.**

b) **Reporting guidelines be agreed to enable Accounting Officers to have a better understanding of and control over account movements. More importantly, it is essential that Accounting Officers monitor the movements on these accounts as it would allow them to independently verify whether accounts are being operated according to their wishes.**

c) **Where accounts have outlived their original purpose we suggest that any balances on these accounts be paid into the Treasury Consolidated Fund.**

3.3.2 Trade Licences

82. During the audit of Trade Licences it was observed that there is no description for the Classes given in the Trade Licence Act. Further, we did not see any documentary guidance to staff outlining how classes are to be determined. This poses a risk that incorrect amounts would be accepted for the various classes leading to under collection

of revenue. It also poses a problem for us to verify whether businesses are recorded in the correct classes. We provide the following examples to illustrate our difficulties in conducting this audit.

83. Our audit revealed instances where persons were moved from one class to another. In all cases they were transferred to a lower class resulting in GOM collecting less revenue. No explanation was given for this downward movement in classes.

84. On one occasion an individual paid for a Class 2 licence in 2006. No licence fees were collected for 2007 – 2012 although it is our understanding that the business was in operation during this period. This resulted in an under collection of \$900. Further, that person was allowed to pay for a Class 5 licence fee in 2013 resulting in an under collection of \$100. Again there was no explanation as to why the decrease in the licence fee.

85. **We recommend that:**

a) **Guidance for the determination of classes be established and disseminated to the cashiers. We would also like a copy of such guidance to be provided to us to enable us to determine whether the correct fees are being charged.**

b) **Efforts be made to collect those sums considered to be under-collected.**

3.4 Montserrat Secondary School

3.4.1 Revenue Collection

86. An audit of revenue collection sought to determine whether proper safeguards were in place to ensure accountability for all receipt books issued to the entity and for the safekeeping of revenue while in the custody of the entity. In this exercise, six receipts books for lunch fees were not presented for audit. This casts doubts on the effectiveness of management's controls and enables an environment for misappropriation of funds. Management was asked to locate and present the missing books for audit.

87. In response to our request MSS management responded as follows:

"We were instructed at the School to forward the receipt books to Ministry of Education (Headquarters) as a part of their internal monitoring. This was done however the books were not returned. We will continue to try locating them so that they can be presented for auditing as required".

88. At time of writing this report the books were still not presented for audit.

3.4.2 Savings Accounts

89. In seeking to determine whether adequate controls and safeguards existed to minimize the risks of misuse of funds, we found that the documentation provided was not organized and could not adequately correlate with deposits and withdrawals. Receipts and invoices were not properly filed to show order of transactions, withdrawals were not backed by specific bills neither was the source of funds shown for deposits. Although a supporting excel document was provided the transaction details were unclear and could not be easily traced. Overall, we felt that proper accounting and documentation procedures were not followed and it was unclear whether staff was familiar with Finance Regulations 2002.

90. In responding to the observations, the Principal stated that **“steps have been put in place to ensure that the accepted procedure is followed in keeping with the regulations. Additionally, training in this area for all relevant staff at the MSS is requested”**.

91. The following plan to guide future operations was also provided.

(1) There are two signatories on the account. Both signatories must confirm the amount to be withdrawn/paid for the approval of the withdrawal and payment. This will continue. In addition a system requiring payment vouchers will be implemented.

(2) Receipts are provided for cash donations to the school. This will be improved to include donations paid by cheques.

3.5 Radio Montserrat

3.5.1 Revenue Collection

92. Our audit focused on determining whether (a) proper safeguards were in place to ensure accountability for all receipt books issued to the Department and for the safe-keeping of government revenue while in the custody of the Department and (b) satisfactory systems were in place for billing, notifying and reminding persons of sums payable to the Government and where necessary, collect revenue that may be outstanding.

93. A review of the revenue collection process showed that the details of payment were not included in the cashbook. The programme airtimes are no longer included on the invoices to clients. It was also observed that no individual files were kept for monthly clients and there was no Debtors' Ledger which would assist in determining arrears. Further, management controls in terms of supervision appeared to be weak.

CHAPTER 4

4.0 OTHER FINANCIAL AUDITS

4.1 Montserrat Land Development Authority (MLDA)

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

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

4.2 Montserrat Social Security Fund (MSSF)

96. I have been informed that the 2012 Financial Statements were audited, presented to and accepted by the Board. Final copies for submission to the Legislative Assembly are awaited. The 2013 Financial Statements are prepared and awaiting audit.

4.3 Montserrat Philatelic Bureau (MPB)

97. The Financial Statements for the years 2009 – 2011 were resubmitted to our offices and are currently being audit.

4.4 Montserrat Port Authority (MPA)

98. The Manager has informed that draft audited accounts for financial years 2011 and 2012 were received from their external auditors however the finalized reports were not yet received because of anomalies in the contingent liability letters received from their lawyers in June 2013 and May 2014 respectively. Amended letters and finalized reports are expected by mid-August 2014.

99. He further stated that the audit exercise on the 2013 Financial Statements is currently in progress.

4.5 Montserrat Tourist Board (MTB)

100. The financial statements for the period 2011 – 2013 have been submitted to our offices and are currently being audited.

4.6 Annual Government Accounts

101. The Report of the Auditor General on the Audit of the Public Accounts of Montserrat for the fiscal period ended 31 March 2012 was tabled in the Legislative Assembly during the period 24th, 27th and 28th March 2014. .

4.7 Montserrat Civil Service Association (MCSA)

102. The 2008 - 2010 Accounts are currently being audited.

4.8 Golden Years Foundation for Care of Elderly (GYFCE)

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

4.9 Montserrat Financial Services Commission (MFSC)

104. I have been informed that the 2012 Financial Statements have been audited and are awaiting confirmation by the Board.

105. The 2013 Financial Statements are currently being prepared.

4.10 St Augustine Primary School

106. The 2008-2010 accounts were returned to the entity for adjustments. At the time of writing we were finalizing the audit report.

4.11 Montserrat Utilities Limited (MUL)

107. The opening Statement of Financial Position as at 1st July 2008 together with the Financial Statements for the six months to 31st December 2008 and for the year ending 31st December 2009 were tabled in the Legislative Assembly on 28th January 2014.

108. The Financial Controller has advised that the 2010 and 2011 Financial Statements are currently with the auditors, the 2012 accounts awaiting audit, whilst the 2013 statements are being prepared.

4.12 Montserrat Development Corporation (MDC)

109. The Chief Executive Officer has reported that the 2013 Financial Statements were prepared and submitted for auditing. The entity is however awaiting the finalization of an outstanding matter before said Financial Statements can be represented to the Board for agreement and subsequent tabling in the Legislative Assembly.

4.13 Montserrat Community College (MCC)

110. 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.

4.14 Government Savings Bank (GSB)

111. The Financial Statements for the years 2003 – 31 December 2012 were tabled in the Legislative Assembly on 28 January 2014.

4.15 Montserrat Info-Communication Authority (MICA)

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

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

4.15 Basic Needs Trust Fund (BNTF)

114. The BNTF accounts for the period ending 31st March 2013 were tabled in the Legislative Assembly on 22nd April 2014.

4.16 Project Implementation Unit (PIU)

115. EXCO decision 213/09 authorised the setting up of the PIU effective 1 April 2009. In January 2014 we were officially asked to audit the accounts of PIU given that GOM is injecting substantial sums into its operations. Our preliminary review revealed that the PIU appeared to have functioned independently, was not a part of any department of government, had separate bank accounts and prepared separate financial statements, that is, their statements are not a part of the Consolidated Fund Accounts.

116. International Standards of Auditing require me to gain an understanding of the entity's financial reporting framework. This is inclusive of its legal framework, statutes, laws, regulations and accounting policies adopted. We could not find any specific enabling legislation or legal mandate for the entity. Additionally, despite several requests, we were not given sight of any accounting policy for the entity. As a result, we could not determine whether the accounts are free from material misstatements and as such had to issue a disclaimer of audit opinion on the accounts.

4.17 Montserrat Volcano Observatory (MVO)

117. The services of an accountant was procured to assist the agency in bring the accounts up-to-date. The Business Manager has informed that significant work had been undertaken but that further work is needed to update the accounts to fiscal year 2013. She envisions that this would be completed shortly.

CHAPTER 5

5.0 THE OFFICE OF THE AUDITOR GENERAL

5.1 Legislative mandate

118. The Audit's mandate detailed in the Montserrat Constitution Order 2010 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.

5.2 Mission

119. 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".

5.3 Auditing Standards

120. 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.

5.4 Reporting Criteria, Process and Practice

121. The main reporting criteria are the Constitution Order 2010, the Public Finance (Management and Accountability) Act, 2008 and the Public Finance Management and Accountability Regulations 2009. 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 Legislative Assembly 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.

122. 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.

5.5 Implementation of Organisation Review

123. As regards the UKNAO organization review recommendations, no further work has been done to enable implementation of the elements outside my control.

5.6 Budget Outturn

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

| EXPENDITURE 2012/13 | | | |
|-------------------------|-------------------|----------------|----------------|
| Description | Authorized (EC\$) | Actual (EC\$) | Variance |
| Personal Emoluments | 820,800 | 717,744 | 103,056 |
| Goods and Services | 153,000 | 119,378 | 33,622 |
| Transfers and Subsidies | 55,500 | 6,693 | 48,807 |
| Other Expenditure | 5,000 | 2,035 | 2,965 |
| Total | 1,034,300 | 845,850 | 188,450 |
| REVENUE | | | |
| Audit Fees | 25,000 | 9,000 | 16,000 |

Expenditure

125. Our actual expenditure for the year amounted to 81% of that authorized. This arose due to unfilled vacancies, reduction in communication expenses, unforeseen circumstances resulting in the postponement of scheduled training, and the payment for a programmed audit being directly undertaken by the audited entity.

Revenue

126. 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.

5.7 Outputs Report

127. For the financial year ending 31 March 2013, we audited:

- a) An aggregate of over \$184.7M 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.

5.8 Staffing

128. We continue to encounter difficulties in recruiting and retaining staff, primarily due to the low wages on offer. To make it easier for filling of vacancies we suggested that one position be abolished and the funds used to part fund an officer at a higher position thus enabling the acquisition of more critical analytical skills. However, our suggestions for improving the skills base and retaining more essential staff did not gain the required support. Thus, at the end of the year, three (3) vacancies remained.

5.9 Capacity Development Initiatives

129. We continue to broaden our knowledge and update our skills and audit techniques through use of internet, workshops, seminars and on-the-job training activities.

130. Staff continues to utilize the University of the West Indies Open Campus tertiary programmes to improve their academic ability.

131. Four staff members participated in the IDI's Riskbased Approach to Financial Audits E-course. One member participated in the ISSAI Certification Programme, iCAT Compliance Audit E-course.

132. One member attended a course on Auditing in Information Technology Environment, in India. It was facilitated by the Comptroller and Auditor General of India through the Indian Technical and Economic Cooperation (ITEC) programme.

133. Staff, at all levels, participated in several in-service training courses facilitated by the Learning and Development Unit housed within the Human Resource Management Unit (HRMU).

134. The UKNAO provided training in performance auditing for several members of staff.

5.10 Attendance at Conferences and Workshops

135. The 20th INTOSAI Congress, held in South Africa 2010, adopted a comprehensive set of International Standards of Supreme Audit Institutions (ISSAI) that cover the core audit disciplines of financial, performance and compliance audits. The adoption of the ISSAI represents a milestone in the strengthening of the global public sector audit profession. INTOSAI called upon its members to use the ISSAI framework as a common

framework of reference for public sector auditing and implement the ISSAIs in accordance with the mandate and national regulations of the respective SAIs.

136. In light of the foregoing, IDI¹⁴ facilitated a workshop in Suriname where it outlined plans for the ISSAI 3I Implementation programme. It was explained that that completion of an iCAT assessment was essential to highlighting deficiencies, if any, in SAIs audit programme. It also allows the SAI to improve its audit programmes to make them compliant with the international auditing standards.

137. The Auditor General attended this workshop and made a commitment to conduct an iCAT assessment of its compliance audit programme.

138. The Auditor General attended the XVII Caribbean Organisation of Supreme Audit Institutions (CAROSAI) Congress held in Port-of-Spain, Trinidad from 18 – 21 March, 2013. This Congress was a significant milestone in the life of CAROSAI as it was its 25th Anniversary.

139. The theme of the Congress was “Collaboration to Promote Best Audit Practice”. SAI heads committed to share best practices as a means of improving audits in the region and some SAIs agreed to embark on a Cooperative Audit¹⁵ on a topic to be mutually agreed after the Conference. There are several benefits to engaging in a cooperative audits which includes facilitation of mutual sharing and learning, capacity building, networking, and identification of best practices.

140. Attention was again paid to securing independence of audit offices and becoming compliant with ISSAI 10 which sets out the core principles on SAI Independence as an essential requirement for proper public sector auditing. A number of speakers spoke on the challenges facing audit offices in implementing the United Nations resolution requiring greater independence for public sector audit institutions.

141. The IDI gave a presentation on its plans for the adoption and/or implementation of the revised International Auditing Standards.

142. Apart from participating in the above discussions, I had a main task of seeking agreement for changes made to the CAROSAI Charter. This was one of the core tasks for the CAROSAI Operational Plan 2012 – 15. At the end of the Congress work was still ongoing to update the Charter.

¹⁴ IDI is INTOSAI’s capacity building division

¹⁵ Cooperative audits are audits where two or more audit institutions are involved.

ACKNOWLEDGEMENT AND APPRECIATION

We take this opportunity to convey our 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 information, clarification or other assistance provided during the conduct of the various audit assignments.

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

Finally, thanks is extended to my staff for their hard work and invaluable contribution toward the department's output. I solicit your continued support as we seek continued improvement of skills, techniques, knowledge and the services offered to our clientele.



Brades, Montserrat
8 August 2014

Florence A Lee, MSc, BSc, CPA
Auditor General

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

We have examined the Statement of Assets and Liabilities of the Government of Montserrat as at 31 March 2013 and the Annual Abstract of Revenue and Expenditure together with relevant subsidiary Statements, as required by Section 41(1) of the Public Finance (Management and Accountability) Act 2008 for the year then ended.

MANAGEMENT RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

BASIS OF QUALIFIED OPINION

a) Investments - We do not agree with the treatment as outlined in Note 9 "Fixed Deposit – British American Insurance". Although an agreement was reached to deal with some policy-holders, I could not find any definitive statement that this annuity investment would be repaid to GOM, neither could I find any information regarding the quantum or timeline of repayment. Further, an investment of \$60,000 in Montserrat Mills (Note 10) does not appear to be recoverable since the company has been out of existence for a long time. These two investments total \$2,916,716 and represent 11.32% of net assets and hence affect the fair presentation of the accounts.

b) Advances. This line-item contains several sub-accounts. We could not determine the collectability of several amounts as some individuals have died, have left the country, entity out of existence for a long time or collection appears to be statute barred. The fair values could not therefore be established for assets representing 13.3% of net assets.

c) Miscellaneous Deposits. This line-item would normally represent liabilities to the Government. In a review of the balances the Accountant General found a number of accounts

with debit balances apparently representing assets. The fact that assets were hidden in deposits intimates a misclassification of transactions but, more importantly, the existence of the asset could not be established. As such we could not establish the fair presentation of this account which represented 26% of total liabilities.

QUALIFIED OPINION

In our opinion, except for the effects of the incorrect treatment of investments, the inclusion of uncollectible amounts in advances, the misclassification of transactions and non-existence of assets included in Miscellaneous Deposits, the Annual Abstract of Assets and Liabilities and the Annual Abstract of Revenues and Expenditures presents fairly, in all material respects, the financial position and operations of the Consolidated Fund of Montserrat for the year ending 31 March 2013.

OTHER MATTERS

My Report dated 8 August 2014, accompanies the Annual Accounts. It contains observations and comments on breaches of controls or non-compliance with the legal authorities that I feel should be brought to the attention of those charged with governance and the Legislative Assembly.

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

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

APPENDICES

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APPENDIX 1
GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Statement Of Assets And Liabilities As At 31 March 2013
(with comparative figures for March 31, 2012)

| ASSETS | 2013 | 2012 |
|---------------------------------------|--------------------|-------------------|
| CASH LOCAL | 2,612,506 | 5,539,123 |
| OPERATING ACCOUNT - ECCB | 85,271 | 51,308 |
| DEVELOPMENT CAPITAL FUND | 46,399,266 | 15,090,968 |
| CROWN AGENTS # 2 ACCOUNT | 3,413,717 | 3,436,952 |
| FISCAL RESERVE – A/C # 1 TRANCHE ECCB | 5,694,317 | 5,627,100 |
| FIXED DEPOSIT - CLICO | 550,000 | 550,000 |
| FIXED DEPOSIT – BRITISH AMERICAN | 2,856,716 | 2,856,716 |
| INVESTMENT MONTSERRAT MILLS | 60,000 | 60,000 |
| EQUITY BOM - # 2/SFR-OR-M | 2,108,400 | 2,108,400 |
| INVESTMENT CLICO | 0 | 435,632 |
| SUB TOTAL | 63,780,193 | 35,756,199 |
| ADVANCES | | |
| PERSONAL | 636,955 | 676,508 |
| IMPERSONAL | 78,621 | 78,621 |
| OUTSTANDING IMPREST | 437,674 | 333,150 |
| OTHER GOVERNMENTS & ADMINISTRATIONS | 1,276,266 | 1,282,470 |
| CDB STUDENT LOANS | 1,003,119 | 1,003,119 |
| SALARY CLEARING A/C | 0 | 0 |
| POSTMASTER CLEARANCE | -492,642 | -492,933 |
| DEVELOPMENT FUND RECEIVABLE | -40,957,315 | -11,679,322 |
| SUB TOTAL | -38,017,322 | -8,798,387 |
| TOTAL ASSETS | 25,762,871 | 26,957,813 |

Government of Montserrat Annual Accounts for the year ended March 31, 2013

GOVERNMENT OF MONTSERRAT**CONSOLIDATED REVENUE FUND****Statements of Assets and Liabilities as at March 31, 2013****(with comparative figures for March 31, 2012)****LIABILITIES AND THE CONSOLIDATED FUND**

| | 2013 | 2012 |
|---------------------------------|------------------|------------------|
| MISCELLANEOUS DEPOSITS | 6,692,521 | 6,109,214 |
| INDUSTRIAL INVESTMENTS DEPOSITS | 50,543 | 50,543 |
| SPECIAL FUNDS | 569,719 | 568,773 |
| SUB – TOTAL | 7,312,782 | 6,728,530 |

CONSOLIDATED FUND

| | | |
|--------------------------------------|-------------------|-------------------|
| BALANCE AT START OF YEAR | 20,229,283 | 19,955,898 |
| REVENUE FOR THE YEAR | 98,009,725 | 114,700,659 |
| EXPENDITURE FOR THE YEAR | 98,906,144 | 113,721,782 |
| SURPLUS | -896,418 | 978,877 |
| TRANSFER OF LOCAL COSTS | -882,775 | -633,139 |
| WRITE OFF ASSET – INDUSTRIAL DEPOSIT | 0 | -72,353 |
| TOTAL CONSOLIDATED FUND | 18,450,089 | 20,229,283 |
| TOTALS | 25,762,871 | 26,957,813 |

Accountant General, Montserrat

CASHFLOW STATEMENT 2013
(with comparative figures for 2012)

| Cash Flows from Operating Activities | Notes | 2013 | 2012 |
|---|--------------|-------------------|-------------------|
| Tax Revenues | 18 | 36,878,840 | 36,214,363 |
| Non Tax Revenues | 19 | 5,559,273 | 5,546,585 |
| Budget and Grants | 20 | 56,571,612 | 72,939,711 |
| Recurrent Expenditure | 21 | -98,906,144 | -113,721,782 |
| Local Project Expenditure | 22 | -882,775 | -633,139 |
| <i>Net Cash Flows from Operating Activities</i> | | -1,779,194 | 345,738 |
| Cash Flows from Investing Activities | | | |
| <i>Net Cash Flows from Investing Activities</i> | 13 | 435,632 | 0 |
| Cash Flows from Financing Activities | | | |
| Decrease in Advances | | 29,218,935 | 3,748,905 |
| Increase in Deposits | | 584,252 | -1,957,700 |
| <i>Net Cash Flows from Financing</i> | | 29,803,187 | 1,791,205 |
| Net Cash Flows | | 28,459,625 | 2,136,944 |
| Cash and cash equivalents at start of period | | 29,745,452 | 27,608,508 |
| Cash and cash equivalents at end of period | | 58,205,077 | 29,745,452 |

Acting Accountant General
Montserrat

Government of Montserrat Annual Accounts for year ended 31 March 2013

Statement of Cash Receipts and Payments for the Government of Montserrat
For the Year Ending March 31st, 2013

| Receipts | Notes | Amounts | Third Party Payments |
|---|--------------|-----------------------|-----------------------------|
| Tax Revenue | | | |
| Taxes in Income, Profits and Capital Gain | 23 | 15,161,943.07 | |
| Taxes on Property | 24 | 871,714.90 | |
| Taxes on Domestic Goods & Services | 25 | 1,452,937.71 | |
| Licences | 26 | 2,002,417.11 | |
| Taxes on International Trade & Transactions | 27 | 17,389,827.10 | |
| Total Tax Revenue | | 36,878,839.89 | |
| Non-Tax Revenue | 28 | 1,748,071.02 | |
| Rent, Interest and Dividends | 29 | 263,128.49 | |
| Budgetary aid (rec) | 20 | 55,571,612.26 | |
| Other Receipts (reimb and other & ECCB) | 30 | 3,548,073.46 | |
| Capital receipts | 31 | 221,531.00 | 38,037 |
| Grants - Capital | 32 | 86,638,429.78 | |
| Receipt from investment | 13 | 435,631.66 | |
| Other | 33 | 362,722.50 | 111,100 |
| Total receipts | | 185,668,031.06 | 149,137 |
| Payments | 21 | | |
| Personal Emoluments | | 42,240,496.00 | |
| Pensions, Gratuities and Other Benefits | | 11,467,508.92 | |
| Goods & Services | | 13,869,282.43 | 111,100 |
| Transfers & Subsidies | | 22,708,013.67 | |
| Social Services | | 4,221,522.26 | |
| Other Expenditure | | 3,681,382.59 | |
| Debt | | 717,938.93 | |
| Locally Funded Projects | | 882,775.00 | |
| Capital Projects Payments | 10 | 57,360,428.23 | 38,037 |
| Other (net) | 34 | 59,057.95 | |
| Total Payments | | 157,208,405.98 | 149,137 |
| Net Cashflow Increase/(Decrease) | | 28,459,625.08 | |
| Cashflow at beginning of year | | 29,745,451.92 | |
| Cashflow at end of year | | 58,205,077.00 | |

CONSOLIDATED FUND – April 2012 to March 2013
Consolidated Statement of Comparison of Budget and Actual Amounts
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

| | Original Budget | Final Budget | Actual 2013 | Budget Variance | Actual 2012 |
|--------------------------------------|----------------------------|---------------------|--------------------|----------------------------|--------------------|
| Cash Inflows | | | | | |
| Taxation | 38,366,300 | 38,366,300 | 36,878,840 | 1,487,460 | 36,214,362 |
| Non-tax | 2,092,800 | 2,092,800 | 1,748,071 | 344,729 | 2,617,956 |
| Other receipts | 4,381,700 | 4,381,700 | 4,831,087 | -449,387 | 2,928,630 |
| Grants/Budgetary Aid | 55,780,000 | 55,780,000 | 55,571,612 | 208,388 | 72,939,711 |
| Development Grants | 0 | 86,638,421 | 86,638,421 | 0 | 34,526,679 |
| Total Receipts | 100,620,800 | 187,259,221 | 185,668,031 | 1,591,190 | 149,227,338 |
| Cash Outflows | | | | | |
| Personal Emoluments | 46,411,000 | 44,721,400 | 42,240,496 | 2,480,904 | 42,804,812 |
| Pension, Gratuities & Other Benefits | 11,604,200 | 11,471,100 | 11,467,509 | 3,591 | 29,365,383 |
| Goods & Services | 13,963,200 | 14,935,700 | 13,869,282 | 1,066,418 | 13,673,188 |
| Transfers and Subsidies | 21,063,000 | 22,976,400 | 22,708,014 | 268,386 | 19,328,698 |
| Social Services | 3,641,000 | 4,237,400 | 4,221,522 | 15,878 | 3,877,080 |
| Other Expenditures | 3,574,800 | 4,034,200 | 3,681,383 | 352,817 | 3,943,669 |
| Debt | 1,064,000 | 1,065,000 | 717,939 | 347,061 | 728,952 |
| Capital Expenditure | 25,461,900 | 68,531,398 | 57,360,428 | 11,170,970 | 30,646,626 |
| Locally Funded Projects | 500,000 | 500,000 | 882,775 | -382,775 | 633,139 |
| Total Outflows | 127,283,100 | 172,472,598 | 157,149,348 | 15,323,250 | 145,001,547 |

CONSOLIDATED REVENUE FUND – 2013
Annual Abstract of Receipts and Payments

| | ESTIMATE | TOTAL AUTHORISED | ACTUAL REVENUE | SURPLUS (SHORT FALL) |
|---|--------------------|-----------------------------|---------------------------|---------------------------------|
| CONSOLIDATED FUND REVENUE:- | | | | |
| 1A. TAX REVENUE | | | | |
| Taxes on Income, Profits and Capital Gains | 18,422,700 | 18,422,700 | 15,161,943 | -3,260,757 |
| Taxes on Property | 1,248,100 | 1,248,100 | 871,715 | -376,385 |
| Taxes on Domestic Goods and Services | 1,210,300 | 1,210,300 | 1,452,938 | 242,638 |
| Licences | 2,748,600 | 2,748,600 | 2,002,417 | -746,183 |
| Taxes on International Trade & Transactions | 15,422,000 | 15,422,000 | 17,389,827 | 1,967,827 |
| TOTAL TAX REVENUE | 39,051,700 | 39,051,700 | 36,878,840 | -2,172,860 |
| 1B – NON-TAX REVENUE | | | | |
| Fee, Fines & Permits | 1,393,800 | 1,393,800 | 1,748,071 | 354,271 |
| Rents, Interest and Dividends | 634,000 | 634,000 | 263,128 | -370,872 |
| ECCB Profits | 0 | 0 | 64,318 | 64,318 |
| Reimbursements | 35,000 | 35,000 | 45,880 | 10,880 |
| Budgets and Grants | 55,780,000 | 55,780,000 | 55,571,612 | -208,388 |
| Other Revenue | 4,426,700 | 4,426,700 | 3,437,876 | -988,824 |
| TOTAL NON-TAX REVENUE | 62,269,500 | 62,269,500 | 61,130,885 | -1,138,615 |
| TOTAL REVENUE | 101,321,200 | 101,321,200 | 98,009,725 | -3,311,475 |

Ag Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended March 31, 2013

CONSOLIDATED REVENUE FUND – April 2012 to March 2013
Annual Abstract of Receipts and Payments

| CONSOLIDATED FUND EXPENDITURE:- | ESTIMATE | TOTAL AUTHORISED | ACTUAL EXPENDITURE | (EXCESS) SAVINGS |
|---|--------------------|-----------------------------|-------------------------------|-----------------------------|
| 05 POLICE & FIRE | 6,145,900 | 6,145,900 | 5,951,364 | 194,536 |
| 07 LEGAL | 1,578,400 | 1,427,400 | 1,257,016 | 170,384 |
| 08 MAGISTRATES COURT | 340,700 | 340,700 | 294,643 | 46,057 |
| 09 SUPREME COURT | 571,600 | 571,600 | 482,693 | 88,907 |
| 10 LEGISLATURE | 2,736,200 | 2,146,200 | 1,737,831 | 408,369 |
| 12 OFFICE OF THE DEPUTY GOVERNOR | 26,238,900 | 25,741,900 | 25,053,213 | 688,687 |
| 13 DEPARTMENT OF PUBLIC PROSECUTION | 683,500 | 560,000 | 456,607 | 103,393 |
| 15 OFFICE OF THE PREMIER | 5,100,000 | 6,662,500 | 6,576,793 | 85,707 |
| 17 CABINET SECRETARIAT | 4,970,600 | 4,557,200 | 3,897,859 | 659,341 |
| 20 MINISTRY OF FINANCE & ECONOMIS MAHAGEMENT | 9,012,500 | 10,212,500 | 9,310,742 | 901,758 |
| 30 MIN. OF AGRI., LANDS, HSG & ENVIR. | 5,792,900 | 5,792,900 | 5,298,458 | 494,442 |
| 35 MIN. OF COMMS & WORKS | 13,658,500 | 14,317,500 | 13,985,114 | 332,386 |
| 40 MIN. OF EDUCATION | 8,441,600 | 9,144,200 | 8,910,272 | 233,928 |
| 45 MIN. OF HEALTH & COMM. SERVIC | 16,049,900 | 15,820,700 | 15,693,539 | 127,161 |
| TOTAL | 101,321,200 | 103,441,200 | 98,906,144 | 4,535,056 |

Government of Montserrat Annual Accounts for year ended March 31, 2013

CONSOLIDATED REVENUE FUND – 2013
ABSTRACT OF EXPENDITURE BY TYPE

| CONSOLIDATED FUND EXPENDITURE:- | ESTIMATE | TOTAL AUTHORISED | ACTUAL EXPENDITURE | (EXCESS) SAVINGS |
|--|-------------------|-----------------------------|-------------------------------|-----------------------------|
| 2A Personal Emoluments | 46,411,000 | 44,721,400 | 42,240,496 | 2,480,904 |
| 2B Pension, Gratuities & Other Benefits | 11,604,200 | 11,471,100 | 11,467,509 | 3,591 |
| 2C Goods & Services | 13,963,200 | 14,935,700 | 13,869,282 | 1,066,418 |
| 2D Transfers & Subsidies | 21,063,000 | 22,976,400 | 22,708,014 | 268,386 |
| 2E Social Services | 3,641,000 | 4,237,400 | 4,221,522 | 15,878 |
| 2F Other Expenditure | 3,574,800 | 4,034,200 | 3,681,383 | 352,817 |
| 2G Debt | 1,064,000 | 1,065,000 | 717,939 | 347,061 |
| TOTAL | 97,592,400 | 103,441,200 | 98,906,145 | 4,535,055 |

Government of Montserrat Annual Accounts for period ended March 31, 2013

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2013
(with comparative figures for March 31, 2012)

| <u>ASSETS</u> | | 2013 | | 2012 |
|-------------------------------|--------------|-------------------|-----------|-------------------|
| BRITISH DEVELOPMENT AID | | | | |
| CLAIMS OUTSTANDING (1) | | 0 | | 2,249,630 |
| DONOR AGENCIES | | | | |
| EXPENDITURE OUTSTANDING (2) | | 2,415,953 | | 2,462,430 |
| CONSOLIDATED FUNDS RECEIVABLE | | 40,957,315 | | 11,679,320 |
| TOTAL ASSETS | | 43,373,268 | | 16,391,380 |
| | | | | |
| <u>LIABILITIES</u> | | | | |
| DEPOSITS WITHIN THE | | | | |
| DEVELOPMENT FUND (3) | | 19,132,684 | | 12,555,379 |
| LOCAL FUNDS (4) | | 699,952 | | 699,952 |
| BRITISH DEVELOPMENT CLAIMS | | | | |
| DEPOSITS | | 20,404,584 | | |
| CONSOLIDATED CAPITAL FUND | (26,141,944) | | (744,003) | |
| ADD: REVENUE OVER | | | | |
| EXPENDITURE | 29,277,993 | 3,136,049 | 3,880,052 | 3,136,049 |
| TOTAL LIABILITIES | | 43,373,268 | | 16,391,380 |

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, 2013

DEVELOPMENT EXPENDITURE – 2013
Annual Abstract of Receipts and Payments (Cont'd)

| | ESTIMATE | TOTAL AUTHORISED | ACTUAL EXPENDITURE | EXCESS (SAVINGS) |
|---|-------------------|-----------------------------|-------------------------------|-----------------------------|
| 12/120 OFFICE OF THE DEPUTY GOVERNOR | 2,720,000 | 6,886,250 | 3,607,878 | 3,278,372 |
| 17/170 CABINET SECRETARIAT | 0 | 9,491,800 | 9,441,800 | 50,000 |
| 20/200 MIN. OF FINANCE & ECONOMIC DEV'T | 9,721,400 | 35,925,878 | 23,130,688 | 12,795,190 |
| 30/300 AGRI. ,HOUSING, LAND & ENVIRONMENT | 520,000 | 1,132,795 | 262,350 | 870,445 |
| 35/350 COMMS & WORKS | 10,000,500 | 23,964,950 | 19,803,858 | 4,161,092 |
| 40/400 EDUCATION | 2,500,000 | 2,583,575 | 1,096,541 | 1,487,034 |
| 45/450 HEALTH AND COMM. | 0 | 78,700 | 17,313 | 61,387 |
| TOTALS | 25,461,900 | 80,063,948 | 57,360,428 | 22,703,520 |

Acting Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the period ended March 31, 2013

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
March 31, 2013**

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 are disclosed on the Detailed Statements of Revenue and Expenditure. All other transactions lead to the acquisition or disposal of financial claims or to the creation or discharge of financial obligations and are disclosed on a net basis in the Statement of Assets and Liabilities.

C. BASIS OF PREPARATION

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

The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Treasury Consolidated

Fund while taking into consideration the Government's legal and regulatory framework in relation to public finances.

The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2012 to March 2013) as the financial statements.

The original budget was approved by the Legislative Assembly in March 2012. This budget was amended by subsequent supplementary budgets during the fiscal year in accordance with the relevant Supplementary Acts passed by the Legislative Assembly.

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

Government Ministries and Departments

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

The **reporting currency** is Eastern Caribbean (EC) Dollars.

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.

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 for the period ending March 31, 2013. 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 for the period ending March 31, 2013. 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.

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

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

| MULTILATERAL AGENCIES | |
|------------------------------|-------------|
| EU | 18,054,840 |
| BILATERAL AGENCIES | |
| CDB | 100,346 |
| DFID | 122,954,879 |
| OTEP | 25,547 |
| DARWIN | 177,800 |
| UNICEF | 13,846 |
| TOTAL | 119,507,219 |

D. NOTES

3. Cash Local

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

4. Operating Account ECCB

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

5. Development Capital Fund

Development Capital Fund represents the balance as at 31 March 2013 for the Capital Programme bank account held at the Bank of Montserrat.

6. Crown Agent #2 Account

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

7. 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.

8. Clico Investment Fund

Clico Investment was formally stated in the accounts as Barclays Deposit which represented funds invested from insurance company deposits. The funds from this asset were subsequently invested into Colonial Life Insurance Company.

9. Fixed Deposit – British American

This amount represents the balance on an investment in British American Insurance Company. There has been no movement in this account and no interest has been paid on this investment since 2009. The Governments of the ECCU have put in place the “Annuity Relief Programme” which has so far been launched in two phases. A further phase is expected to deal with other classes of policy holders but confirmation is awaited from the Government of the ECCU as to which category of Policy Holder this will apply to, or when the next phase will be launched. It is evident that some mechanism is in place

for the recovery of the BAICO investment in terms of the capital invested and unpaid interest; hence the value carried in the accounts.

10. Capital (Payments)

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

11. Investment Montserrat Mills

This represents a deposit with the Government Savings Bank. Funds will be transferred to TCF in due course.

12. Equity Bank of Montserrat

These represent Government owned shares held at the Bank of Montserrat Ltd.

13. Investment – CLICO

The residual balance on this investment was received in the last quarter of the financial year.

14. Advances – Personal

Personal Advances represent balances 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. Detailed statements are attached to these accounts.

Impersonal Advances

This comprises mainly of amounts issued to Government Departments for executing special projects.

Outstanding Imprests

Outstanding Imprests consist of cash floats issued at the beginning of the year issued 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. Detailed statements are attached to these accounts.

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. A schedule giving details of the loans is attached to these accounts.

Salary Clearing Account

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

Postmaster Clearance Account

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

Development Fund Receivable/Payable

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

15. Miscellaneous Deposits

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

16. Industrial Deposits

This account has been brought forward for a number of years without any changes to the balance. The records now indicate that there is no obligation on the part of GOM to settle this amount with a third party. As such this will be removed from the accounts on the authority of Cabinet.

17. Special Funds

These are accounts held on behalf of Government organizations.

18. Tax Revenues

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

| | |
|---|-------------------|
| - Tax Revenue | |
| Taxes on Income, Profits and Capital Gains | 15,161,943 |
| Taxes on Property | 871,715 |
| Taxes on Domestic Goods & Services | 1,452,938 |
| Licences | 2,002,417 |
| Taxes on International Trade & Transactions | 17,389,827 |
| Total Tax Revenue | 36,876,840 |

19. Non-Tax Revenue

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

| | |
|-------------------------------|------------------|
| Misc Revenue | 1,748,071 |
| Rents, Interest and Dividends | 263,128 |
| ECCB Profits | 64,318 |
| Reimbursements | 45,880 |
| Other Revenue | 3,437,876 |
| Total | 5,559,273 |

20. Budget and Grants

This major revenue component of the annual recurrent budget represents amounts received from the DFID in aid to meet recurrent expenditure.

21. Recurrent Expenditure

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

| | |
|--|-------------------|
| Personal Emoluments | 42,240,496 |
| Pension, Gratuities and Other Benefits | 11,467,509 |
| Goods & Services | 13,869,282 |
| Transfers and Subsidies | 22,708,014 |
| Social Services | 4,221,522 |
| Other Expenditure | 3,681,383 |
| Debt | 717,939 |
| Total Recurrent Expenditure | 98,906,145 |

22. Development Expenditure

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

23. Taxes on Income, Profits, and Capital Gains

These are taxes administered by the Inland Revenue Department to include Corporate Income Tax, Personal Income Tax and Withholding Tax.

| Taxes on Income, Profits and Capital Gains | |
|--|------------------|
| Corporate Income Tax | 2,854,024 |
| Personal Income Tax | 1,874,406 |
| Withholding Tax | 433,704 |
| | 5,162,134 |

24. Taxes on Property

This represents the collection of taxes levied on the market value of mainly residential and commercial properties.

25. Taxes on Goods and Services

Taxes on Goods and serves include the following:

| Taxes on Domestic Goods & Services | |
|------------------------------------|------------------|
| Hotel Occupancy Tax | 33,671 |
| Bank Interest Levy | 446,712 |
| Insurance Company levy | 286,918 |
| Stamp Duty | 312,066 |
| Embarkation Tax | 373,571 |
| Student Permit Fees | 0 |
| Total | 1,452,938 |

26. Licences

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

| Licences | |
|---------------------------|------------------|
| Universities & Colleges | 14,781 |
| Landholding Licences | 194,107 |
| Driver's licences | 328,840 |
| Firearm's Licences | 4,360 |
| Liquor & Still Licence | 65,550 |
| Motor Vehicle Licence | 1,000,956 |
| Telecommunication Licence | 384,393 |
| Trade Licence | 9,359 |
| Other Licences | 70 |
| Total | 2,002,417 |

27. Taxes on International Trade Transactions

| Taxes on Internal Trade and Transactions | |
|---|-------------------|
| Import Duties | 5,840,471 |
| Customs Service Tax | 397,669 |
| International Communication Levy | 288,998 |
| Consumption Tax | 10,602,319 |
| Customs Processing Fee | 260,369 |
| Total | 17,389,827 |

28. Non-Tax Revenue

In the Statement of Cash Receipts and Payments “non-tax” revenue excludes reimbursements, interests and ECCB profits.

| Non Tax Revenue | Amount |
|---------------------------------|---------------|
| Advertising | 9,356 |
| Advertising & Broadcasting fees | 158,008 |
| Aircraft Landing Fees | 6,492 |
| Audit Fees | 9,000 |
| Cemetery Dues | 230 |
| Certificates of Birth etc. | 1,145 |
| Commission on Money Orders | 808 |
| Company Registration | 266,106 |
| Customs Fine | 1,000 |
| Customs Officers Fees | 103,528 |
| Electricity Inspection Fees | 17,050 |
| Fines on Govt. Officers | 200 |

| | |
|------------------------------|------------------|
| High Court Fees | 9,500 |
| Immigration Fees | 103,837 |
| Magistrate Court | 39,818 |
| Naturalization Fees | 153,610 |
| Real Estate Agents Regis. | 9,000 |
| Registration of Titles | 74,922 |
| Trade Marks & Patents | 55,697 |
| Work Permit Fees | 188,075 |
| Planning Application Fees | 21,475 |
| Security Charge | 87,270 |
| PWD Laboratory | 144,840 |
| Emergency Certificates | 150 |
| Sand Mining | 12,778 |
| Internet Domain Management | 179,942 |
| Scenic Flights | 64,085 |
| Other Fees Fines and Permits | 15 |
| Total | 1,748,071 |

29. Rents Interests and Dividends

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

| | |
|--------------------------------------|-------------------|
| Rents, Interest and Dividends | |
| Bank of Montserrat Interest (CDB) | 127,048.80 |
| Concessions Rental - Airport | 16,850.00 |
| Other Interest | 2,899.37 |
| Personal Advances | 38,330.32 |
| Royalties - Quarries | 78,000.00 |
| Total | 263,128.49 |

30. Other Receipts

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

| | |
|--------------------------------|---------|
| Other Revenue | |
| Port Auth. Prin. - 01/SFR(OCR) | 383,913 |
| Fisheries Receipts | 1,035 |
| Hire of Agriculture Equipment | 9,240 |

| | |
|--------------------------------------|------------------|
| Hospital Receipts | 398,557 |
| Navigational Charge | 39,125 |
| Nursery School Receipts | 113,105 |
| Parcel Post | 3,410 |
| Plant Propagation | 16,895 |
| Sale of Condemned Stores | 18,600 |
| Sale of Government Lands | 51,681 |
| Sale of Maps etc. | 8,226 |
| Sale of Trees | 7,010 |
| School Bus Receipts | 50,478 |
| School Feeding | 21,555 |
| Stamp Sales | 171,845 |
| Petty Receipts | 80,771 |
| Gain on remittances | 78,745 |
| Sale of Laws etc | 1,739 |
| Revenue from re-saleable Stock | 54,506 |
| Revenue From Hot Mix Plant Operation | 11,140 |
| Revenue from Mechanical Spares | 40,427 |
| Revenue from Plant & Workshop | 1,733,533 |
| Other Receipts | 142,342 |
| Total | 3,437,876 |

31. Capital Receipts

This receipt represents the proceeds from the sale of the OECS Building in Canada.

32. Capital Grants

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

33. Other Receipts

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

34. Other Payments

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

Appendix 2

DFID PROJECTS IN OPERATION AS AT 31 MARCH 2013

(Funds denominated in C\$)

| Project Name | Project # | Committed Total Project Cost as at 1 April 2012 | Commitments during year (2012/13) | Total Committed Project Cost as at 31 March 2013 | Cash received as at 1 April 2012 | Cash received during year (2012/13) | LifeTime Cash Received | Cash spent as at 1 April 2012 | Cash spent during year (2012/13) | Cash spend over project life time | Balance carried forward |
|---|-----------|---|-----------------------------------|--|----------------------------------|-------------------------------------|------------------------|-------------------------------|----------------------------------|-----------------------------------|-------------------------|
| ADMINISTRATION/ODG | | | | | | | | | | | |
| ACTS (Training) | 1211003A | | 0 | 0 | -1918330 | | -1918330 | 1901960 | 159756 | 2061716 | 143386 |
| PSR II* | 1210001A | 9019500 | 0 | 9019500 | -2380612 | -999995 | -3380607 | 2320234 | 821,199 | 3141433 | -239174 |
| Capacity Development Fund* | 1211002A | 2800000 | 0 | 2800000 | -600000 | -249995 | -849995 | 508904 | 585727 | 1094631 | 244636 |
| Disaster Preparedness Repairs | 1212004A | | 0 | 0 | | -2491498 | -2491498 | 474721 | 2041196 | 2515917 | 24419 |
| ACTS - Regional | 0304013A | | 0 | 0 | -3186466 | | -3186466 | 3923057 | | 3923057 | 736591 |
| CABINET SECRETARIAT | | | | | | | | | | | |
| CLICO/BAICO | 1712001A | | | | | - 53,764 | - 53,764 | | 53800 | 53800 | 36 |
| MINISTRY OF FINANCE & ECONOMIC DEV'T | | | | | | | | | | | |
| Small Capital Projects/ Asset Replacement Scheme* | 2109062 | 1900000 | 0 | 1900000 | -1979000 | | -1979000 | 1773452 | 156127 | 1929579 | -49421 |
| Gov't accommodation* | 2109061A | 12582074 | | 12582074 | -7220000 | -2493931 | -9713931 | 6364669 | 1622350 | 7987019 | -1726911.99 |
| Private sector dev't | 2102065A | 5453700 | 0 | 5453700 | -3571706.8 | - 1,446,872 | -5018578.8 | 1855034 | 2375225 | 4230258.92 | -788320 |
| Tourism development Pro 2 | 2104067A | 9135050 | | 9135050 | -10000000 | | -10000000 | 3786000 | | 3786000 | -6214000 |
| Tourism development Pro 3** | 2109069A | | | 0 | 0 | 0 | 0 | 5024250 | | 5024250 | 5024249.5 |
| MDC | 2106073A | 8659600 | 0 | 8659600 | -5954708.54 | - 2,877,151 | - 8,831,859 | 6092396 | 5838000 | 11930396 | 3098536 |
| Development Economist* | 2106072A | 681500 | 0 | 681500 | -729000 | | -729000 | 688425 | | 688425 | -40575 |

| | | | | | | | | | | | |
|--|-----------------------|----------|---|----------|-----------|--------------|-------------|-----------|----------|------------|-------------|
| Lookout Land Acquisition | 2106078A | | | | | -9439115 | -9439115 | | 9643695 | 9643695 | 204580 |
| Asset Replacement Scheme | 2107084 | | | 0 | -5290922 | | -5290922 | 7059368 | | 7059368 | 1768446 |
| Support for Economic Dev't Planning* | 2109095A | 460000 | 0 | 460000 | -377000 | | -377000 | 470160 | | 470160 | 93160 |
| Hurricane Earl Rehabilitation | 2112023A | 2133859 | | 2133859 | | | | 791971.41 | 50000 | 841971 | 841971 |
| Census 2012 | 2112033A | 745000 | | 745000 | -754000 | -167995 | -921995 | 731807.2 | 32753 | 764560 | -157435 |
| Technical Support | 2012034A | | | | | | | | 495090 | 495090 | 495090 |
| AGRICULTURE | | | | | | | | | | | |
| Lookout 2:Service Lots/Dev't of Service Lots - Lookout | 3001041A | 1719000 | 0 | 1719000 | 0 | | 0 | 35022 | 0 | 35022 | 35022 |
| Technical Assistance Housing | 3006050A | 235600 | 0 | 235600 | -100000 | | -100000 | 144446.07 | | 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 |
| MCW | | | | | | | | | | | |
| Little Bay Infrastructure Phase 1 | 3500013A/ 3502024A | 800000 | 0 | 800000 | -10234300 | 0 | -10234300 | 12326605 | | 12326605 | 2092305 |
| Restructuring PWD workshop* | 3508072A | 6672850 | 0 | 6672850 | -4136250 | -1599995 | -5736245 | 3858021 | 307122 | 4165142.12 | -1571103 |
| Support for Public Works Strategic Dev't | 3510076A | 1764000 | 0 | 1764000 | -600000 | -846353.61 | -1446353.61 | 439995 | 310730 | 750724.6 | -695629 |
| Integration of Renewables into Small | 3510077A | 200000 | 0 | 200000 | -207190 | | -207190 | 114197 | | 114196.84 | -92993 |
| Access Transport Coordinator | 3509073A | 1339800 | 0 | 1339800 | -900000 | -298174.3 | -1198174.3 | 744323 | 370435 | 1114758 | -83416 |
| Road Refurbishment Proj. – A01 Salem to St John's | 3509074A | 20317000 | | 20317000 | -10127500 | -10868162.85 | -20995662.9 | 7911874 | 7099861 | 15011734.9 | -5983928 |
| Little Bay Interim Works | 3510075A | 3800000 | 0 | 3800000 | -3800000 | | -3800000 | 4811778 | | 4811778 | 1011778 |
| Geothermal exploration | | 4200000 | 0 | 4200000 | -1000000 | -30384729.03 | -31384729 | 595264 | 10104700 | 10699963.6 | -20684765.4 |

| | | | | | | | | | | | |
|-------------------------------------|------------------------------------|----------|---|----------|-------------|----------|-----------|----------|---------|------------|------------|
| Ghaut Replacement Project | 3511077A | 2800000 | | 2800000 | | | | 1185559 | 1611011 | 2796570 | 2796570.24 |
| EDUCATION | | | | | | | | | | | |
| Education Change Manager | 4008031A | 1132403 | 0 | 1132403 | -1105075 | | -1105075 | 1105667 | | 1105667 | 592 |
| Education Infrastructure | 4008032A | 7167654 | | 7167654 | -1876654 | -1499995 | -3376649 | 2842835 | 1032963 | 3875798 | 499149 |
| HEALTH | | | | | | | | | | | |
| Health Dev't Plan | 4504040A | | | 0 | -1878964 | | -1878964 | 2115025 | | 2115025 | 236061 |
| Housing for the Mentally Challenged | 4502036A/ 4502036B/ 4502036C | 12387520 | | 12387520 | -9839579.11 | -1665541 | -11505120 | 11248822 | 17313 | 11266135.2 | -238985 |

APPENDIX 3
MINISTRIES/DEPARTMENTS
SUBMISSION OF DEPARTMENTAL RETURNS FOR FISCAL YEAR 2012/13

| Ministry/Department | Accounts to be submitted by Accounting Officers | | | | |
|--|---|----------------------------|----------------------|-----------------------|--------|
| | Appropriation Accounts | Outstanding Commitments | Revenues Received | Arrears Of revenue | Assets |
| Police: <ul style="list-style-type: none"> • Fire Service • Police • Financial Crimes Unit | | | | | |
| Legal Department | | | | | |
| Magistrate Court | | | | | |
| Supreme Court | | | | | |
| Legislature: <ul style="list-style-type: none"> • Strategic Management • Commissions Secretariat | | | | | |
| Office of Deputy Governor: <ul style="list-style-type: none"> • Deputy Governor's Office • Human Resource Management Unit • Governor's Office • Prison Department • Defence Force • Disaster Management Coordination Authority | | | | | |
| Department of Public Prosecution | | | | | |
| Office of the Premier: <ul style="list-style-type: none"> • Strategic Management • Radio Montserrat • Trade Department | | | | | |

| Ministry/Department | Accounts to be submitted by Accounting Officers | | | | |
|---|---|----------------------------|----------------------|-----------------------|--------|
| | Appropriation Accounts | Outstanding Commitments | Revenues Received | Arrears Of revenue | Assets |
| Ministry of Agriculture, Lands, Housing & Env.: <ul style="list-style-type: none"> • Strategic Management • Department of Agriculture • Physical Planning Department • Lands and Survey • Housing Unit • Department of the Environment | | | | | |
| Ministry of Communication and Works: <ul style="list-style-type: none"> • Strategic Management • Public Works Department • Mechanical Workshop • Airport • Labour Department | | | | | |
| Ministry of Education, <ul style="list-style-type: none"> • Strategic Management • Primary Education • Secondary Education • Library • Sports | | | | | |
| Ministry of Health: <ul style="list-style-type: none"> • Strategic Management • Primary Healthcare (hospital) • Secondary Healthcare • Community Services Department | | | | √ | |

Blank = no returns received
√ = return received

**APPENDIX 4
(extract from)**

2010 NO.2474

THE MONTSERRAT CONSTITUTION ORDER 2010

**PART VIII
FINANCE**

Financial control and accounts

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

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

Auditor-General

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

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

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

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

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

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

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

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

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

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

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

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

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

Position and remuneration of Auditor General

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

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

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

Functions of Auditor General

103. (1) The Auditor General shall audit and report on the public accounts of Montserrat and of all public offices, including the courts, the central and local government administrations, universities and higher education institutions, and any public corporations or other bodies or organisations established by an Act of the Legislature, and may conduct financial and value for money audits in respect of any project involving public funds.

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

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

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

National Audit Office

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

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

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

Judith Simpson
Clerk of the Privy Council

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

