



---

**REPORT OF THE AUDITOR GENERAL**

**ON THE**

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

**FOR THE**

**FISCAL YEAR ENDED 31 MARCH 2017**

## TABLE OF CONTENTS

ABBREVIATIONS USED .....	iii
VISION, MISSION AND GOAL.....	iv
AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE .....	v
EXECUTIVE SUMMARY .....	x
CHAPTER 1.....	1
1.0 FINANCIAL STATEMENTS FOR APRIL 2016 - MARCH 2017 .....	1
CHAPTER 2.....	14
2.0 OTHER FINANCIAL AUDITS.....	14
CHAPTER 3.....	17
3.0 MINISTRIES/DEPARTMENTS.....	17
CHAPTER 4.....	26
4.0 PERFORMANCE/SPECIAL AUDITS.....	26
CHAPTER 5.....	30
5.0 IT AUDIT .....	30
AUDITOR GENERAL'S REPORT.....	32
APPENDICES .....	33

## ABBREVIATIONS USED

BOM	Bank of Montserrat
BNTF	Basic Needs Trust Fund
CDB	Caribbean Development Bank
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
DFID	Department for International Development
DITES	Department for Information and e-Government Services
ECCB	Eastern Caribbean Central Bank
EU	European Union
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
HRMU	Human Resource Management Unit
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
IRD	Inland Revenue Department
MOFEM	Ministry of Finance and Economic Management
MCSA	Montserrat Civil Service Association
MFSC	Montserrat Financial Services Commission
MICA	Montserrat Info-Communication Authority
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MSSF	Montserrat Social Security Fund
MVO	Montserrat Volcano Observatory
MUL	Montserrat Utilities Limited
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PFMAA	Public Finance Management and Accountability Act
PFMAR	Public Finance Management and Accountability Regulations
SAI	Supreme Audit Institution
SMEs	Small and Medium Enterprises

## **VISION, MISSION AND GOAL**

### **VISION STATEMENT**

The Office of the Auditor General (OAG) plays a crucial role in ensuring that public monies are spent wisely. Our vision is therefore.



### **MISSION STATEMENT**

“The OAG is the national authority on public sector auditing issues and is focused on assessing performance and promoting accountability, transparency and improved stewardship in managing public resources by conducting independent and objective reviews of the accounts and operations of central government and statutory agencies; providing advice; and submitting timely Reports to Accounting Officers and the Legislative Assembly”.

### **THE GOAL**

Our goal is “to promote staff development, enhance productivity, and maintain a high standard of auditing and accounting in the public sector, thereby contributing to the general efficiency and effectiveness of public finance management”.

## AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE

### 1.0 Introduction

1. Starting this year we have decided to produce a stand-alone report entitled "OAG Integrated Annual Report" which contains the activities of the office for the fiscal year. We have however decided to provide a synopsis of this report for completeness of this document. The full report can be found at <http://oag.gov.ms> under Publications.

#### 1.1 Governance Arrangements

2. Preliminary work plans are shared with the Public Accounts Committee (PAC) and its input is sought of other areas that could be included. For audit work, I report to the Legislative Assembly, through the Ministry of Finance and the Clerk of Council's Office. I also report to the Governor/Deputy Governor for administrative matters. Internally, the Deputy Auditor General and the Audit Managers assist me in managing the department.

#### 1.2 Legal Environment

3. The functions of the Auditor General, and by extension that of her office, are enshrined in Section 103 of the Montserrat Constitution Order 2010. It states in part that 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 established by an Act of Parliament. This is supported by the Public Finance Management and Accountability Act which outlines the accounts to be audited by the Auditor General.

4. The Constitution also allows the Auditor General to conduct value for money audits where the economy, efficiency and effectiveness of government systems, operations, and transactions are assessed.

### 2.0 Strategic Plan Progress

5. Our Key Strategies for the 2016/17 financial year were:

- a) **To work with PAC and other stakeholders to secure independence of the Audit Office.** Although all the relevant information was provided to the relevant authorities, the matter was not completed during the fiscal year.
- b) **To strengthen the accountability, transparency and delivery of public service by improving the quality and quantum of audit services.** In an effort to improve the quality of the audit service we focused on improving our audit skills by engaging in various capacity building initiatives. These include through mentorship, in-house training, web-based training,

participation in regional training workshops/attachments and general in-service programmes. Additionally, we have expanded our audit products to include Environment Audits and begun the fieldwork on one audit.

- c) **To monitor implementation of recommendations and prepare required documents to facilitate follow-up and eliminate systemic problem<sup>1</sup>.** To this end we have devised a report to monitor and track implementation of recommendations.

### 3.0 Financial Management

6. Approved expenditure budget for the 2016/17 fiscal year was EC\$1,258,000. During the year \$190,000 was withdrawn from the department leaving a Revised Estimate of \$1,068,000. Actual expenditure amounted to \$896,273.30.

7. Compensation of employees and acquisition of goods and services continue to be our major expenditure categories utilizing 74% and 24% of the budget, respectively.

### 4.0 Challenges during year

8. We encountered many challenges during the year which includes the following:

- Insufficient staff for the first half of the year
- Frequent network failures
- Electricity blackouts
- Accommodation issues and
- Untimely feedback from auditees

### 5.0 Work Performance

9. Despite the challenges we were able to complete works as detailed below.

Type of Audit	Target	Completed	In Progress
Financial			
• Public Accounts	3 sets	3 sets	-
• Statutory Agencies	8	3	5
• Private	4	2	1
Performance	4	1	1
IT	4	1	1
Environment	1	0	1
Compliance	8	3	3
Special Audit	0	1	-

<sup>1</sup> See Programme Performance Information, Budget Estimates for 2015/16 to 2017/18, page 50.

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

10. We continued to follow-up on the implementation of major recommendations provided to Ministries and Departments to improve systems and practices and the Government's governance and accountability mechanisms. We found that, as at 30<sup>th</sup> September 2017, 20% were fully implemented, 44% were in progress while 36% were not implemented. See Appendix 4 for recommendations.

11. Again, I am concerned with the rate of implementation of these recommendations and urge Accounting Officers to take this aspect of their responsibilities seriously.

## **7.0 Acknowledgement and Appreciation**

12. I am grateful for all assistance provided to my staff during the conduct of the various audit assignments and thus extend heartfelt 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

13. Thanks is also extended to the various stakeholders who provided financial and other technical assistance that allowed us to undertake various capacity development initiatives. These initiatives were integral to us improving our skills and allowed us to deliver higher quality audit products. These stakeholders include the GOM, its Learning and Development Unit, DFID, IDI, CAROSAI, and its member organizations.

14. None of the audit work could have been achieved without the indelible assistance of my staff who are responsible for conducting many aspects of the audit assignments. I take this opportunity to say thank you for your hard work and dedication despite the many challenges encountered during this fiscal year.

A handwritten signature in blue ink, appearing to read 'Florence A Lee', with a stylized flourish at the end.

Florence A Lee, MSc, BSc, CPA  
Auditor General  
Brades, Montserrat  
31 January 2018





**INTENTIONALLY LEFT BLANK**

**REPORT OF THE AUDITOR GENERAL  
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE  
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES  
FOR THE YEAR ENDING 31 MARCH 2017**

**EXECUTIVE SUMMARY**

**Constitutional and Legal Basis for Audit**

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

**Scope of Audit**

2. This Report contains the findings of audits of the Statements mandated to be presented by the Accountant General and some of the accounts and transactions of Accounting Officers and Receivers of Revenue for the 2016/17 fiscal year. Information of the audit status of statutory agencies and Government companies is provided where necessary.

**Criteria and Standards Used**

3. The Public Finance Management and Accountability Act (PFMAA) 2008, and the Public Finance Management and Accountability Regulations (PFMAR) were the main criterion used to conduct this audit. INTOSAI Auditing Standards were the main guidelines used to conduct the audits.

**Observations of Financial Statements**

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

*a) Audit Opinion*

5. We have issued an unqualified audit opinion for the Statement of Assets and Liabilities as at 31 March 2017 and the Annual Abstract of Revenues and Expenditures together with relevant subsidiary statements mandated to be presented under the Public Finance Management and Accountability Act 2008.

*b) Subsidiary Statements not presented*

6. Schedule 1 of the PFMAA mandates that a Statement of Stores and Other Assets be prepared and presented for audit. This statement has not been presented although I am aware that some work has been done to prepare this. In light of the plan to move toward the accrual basis of accounting by fiscal year 2021, and that stores and other assets will play a critical part in determining assets, it is imperative that efforts be made to present this statement.

7. The Schedule to the Act also requires a Statement of Networth of Statutory Bodies to be prepared and presented. This was not done. Again, it is important that efforts be made to prepare this statement.

*c) Write-off of dead accounts in Development Fund Assets and Liability Statement required.*

8. This statement contains balances for 'inactive/dead' projects with outstanding debit and credit balances from the accounts. Some of these projects have been on the books from since the 1990s, and have been overspent, with no likely prospect of recovery of funds. Other projects have credit balances but the cash has already been spent. They distort the monies available for spending. We have been recommending their removal for some time now but although the Treasury Department committed to seeking relevant write-offs, there has been no significant change in these balances. **We are again recommending that the relevant write off requests be prepared and presented to Parliament for its consideration as per the Public Finance Management and Accountability Act 2008.**

*d) Repayment of loan from Development Fund Bank Account required*

9. In 2014, GOM borrowed monies from the Development Fund Bank Account and lent it to the now defunct Government Savings Bank to assist it in meeting payments to depositors. \$4.5M remains outstanding to date. **We are recommending that GOM make effort to repay this loan.**

*e) Inefficiencies in Revenue Collection and Payment of Returns at Inland Revenue Department (IRD)*

10. The Inland Revenue Department collected, on average, 40% on Local Recurrent Revenue over the past six years and is to be commended for this. However, our compliance audit concluded that, on several occasions, the IRD did not operate in compliance with its governing legislation. It did not therefore operate as efficiently as it could have and this affected the amount of revenue that could have been collected.

11. In a separate performance audit on Payment Systems and Payment Methods within the Montserrat Public Sector, interviewees reported protracted delays in receiving annual assessments (received up to 7 years after year of income to which they

relate) and tax refunds. This has significant negative consequences for management of the Public Service as the correct amount of tax may not be collected – some entities may cease operations before assessments are prepared – and delays in the payment of tax refunds may lead to reputational risks and increased costs of operations.

**12. We recommend that greater effort be made to improve systems and/or legislation so that greater compliance with governing laws and efficiency of operations can be obtained.**

*f) Non-compliance with policy directives re recruitment of staff from overseas*

13. GOM has recruited some persons from abroad to enable it to fill some specialist positions within the Montserrat Public Service. Executive Council now renamed Cabinet provided policy directives for the payment packages to be paid. Our review revealed that in addition to payment packages agreed by Cabinet per diems and hotel bills for up to one week are being paid on the recruit's behalf. We have not seen any documented policy to support this. **There is need for GOM to relook this policy bringing it in line with current practice or otherwise.**

14. A refundable settlement grant of one month's salary was offered to staff recruited from abroad with repayment due should the officer terminate his/her employment within one year of taking up office. There were two occasions where staff left before the year was up but the settlement grant was not repaid.

15. There is a policy directive for the payment of housing allowance to some pay grades. The ceiling set is \$1,500 for pay scales of R9 and above while \$1,000 is set for grades below R9. Teachers on a specialised recruitment programme are allowed \$800. There are many occasions where the ceilings have been breached.

**16. We are recommending that Accounting Officers take steps to adhere to the policy directives or that GOM review and regularize this entire recruitment strategy. Additionally, the Human Resource Management Unit (HRMU) should ensure that persons recruiting staff on its behalf are knowledgeable of and adhere to the limits set.**

## **Financial Performance**

17. Budgeted Recurrent Revenue for the year under review was \$126,492,800. Actual revenue collected amounted to \$123,980,732 giving a shortfall of \$2,512,068. This shortfall was due primarily to under-collection of budgetary aid.

18. The Appropriations Act, Ordinance #3 of 2016 authorized recurrent expenditure of \$127,152,800. Actual expenditure was \$121,388,686 resulting in an under spend of \$5.76M or a 4.7% decrease in expenditures when compared to the original budget.

## Cash Position of Government

19. The cash balances at the end of the 2015/16 and 2016/17 fiscal years are provided below.

Description	Balances (EC\$) 31 March 2016	Balances (EC\$) 31 March 2017
Consolidated Fund	16,379,395	19,985,316
Development Capital Fund	28,582,647	20,092,802
<b>TOTAL</b>	<b>44,962,042</b>	<b>40,078,118</b>

## Arrears of Revenue

20. At close of the fiscal year, Arrears of Revenue stood at \$13,475,734.

## Other Financial audits

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

## Compliance Audits

22. Several compliance audits were conducted either as standalone audits or as part of the financial statement audits. The conclusion to these audits was that there is need for improvement in compliance with laws, regulations and policy directives. We also found that there was an overall need to strengthen the internal controls and monitoring systems. Moreover, we found that sufficient effort was not being undertaken to correct systemic weaknesses that have been highlighted in previous years. See Chapter 3 for more on these audits.

## Performance and Special Audits

23. One performance audit on Payment Methods and Payment Systems within the Montserrat Public Sector was completed. It was concluded that current status of the MPS's payment-methods is extremely outdated, very expensive to maintain, and neither efficient nor effective, (a) whereas bureaucratic processes incur total costs up to 50% of the revenues collected in some instances, and (b) whereas the GOM's recurrent local revenues remain less than 40% of its recurrent local expenditures, more than 20 years since the initiation of the era of aid-dependency in the post-volcanic crisis of year 1995.

24. The current payment-system, procedures and practices make little use of 21st-century technologies and tools, and they systematically underutilise many of the functionalities embedded within already installed hardware and software. In turn, this means that GOM is getting a very low return on investment for the many millions of

dollars spent during the past two decades on infrastructure and, in particular, (1) electronic information and communication, and (2) payment-methods and payment-systems.

25. Overall, it is not serving the public nearly as well as it could be doing, and it is certainly not advancing the country towards the GOM's published Vision for 2008 to 2020, where-in information and communications technologies (ICT) become one of the central pillars of the new Montserratian economy and a pivotal enabler of private-sector development. These tools and technologies are especially vital for economic growth and employment through (a) the nurturing and transformation of incipient microenterprises, (b) the launch and export-readiness of innovative products and services, and (c) the strategic local, regional and international expansions of established small and medium enterprises (SMEs).

26. A synopsis of the findings and recommendations can be found in Chapter 4 of this Report.

### **IT Audit**

27. One IT Audit on Business Continuity Planning within DITES was conducted. This follow-up review is to determine if DITES has been compliant and implemented any of the recommendations outlined in the initial performance audit.

28. It was concluded that DITES has been non-compliant with the recommendations outlined in the initial performance study conducted in 2007. It does not have a Business Continuity Plan or Disaster Recovery Plan, which has been tested, updated, and disseminated to the staff. See Chapter 5 for further details.

## **CHAPTER 1**

### **1.0 FINANCIAL STATEMENTS FOR APRIL 2016 - MARCH 2017**

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

1. We audited the Public Accounts for Montserrat for the period April 2016 – March 2017 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 are the accounts mandated to be presented by the Treasury.

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

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

#### **1.2 Methodology**

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

#### **1.3 Auditing Standards used**

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

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

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

##### *a) Audit Opinion*

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

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

7. Table 1 below highlights movements in cash assets and liabilities over the period 1 April 2016 – 31 March 2017. See Appendix 1 for a detailed statement, as presented by the Accountant General.

**TABLE 1**  
**CONSOLIDATED FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**

	2017	2016	Increase/ (Decrease)
<b>Assets</b>			
Cash	19,985,316	16,379,395	3,605,919
Development Capital Fund	20,092,802	28,582,647	-8,489,845
Investments	11,860,811	11,860,811	0
Advances	5,065,610	5,087,200	-21,590
<b>Total</b>	<b>57,004,539</b>	<b>61,910,053</b>	<b>-4,905,514</b>
<b>Taxpayer's Equity</b>			
Deposits	20,167,790	29,402,525	-9,234,735
Consolidated Fund	36,836,749	32,507,528	4,329,221
<b>Total</b>	<b>57,004,539</b>	<b>61,910,053</b>	<b>-4,905,514</b>

8. **Cash.** Included in this total is \$1,831,379 belonging to three bank accounts that are now being brought to account. These accounts relate to
- Volcano Relief Fund
  - CDB Loan Repayment Account
  - EU Savings Account.

9. For further information on these accounts see Notes 7-10 of the financial statements.

10. **Advances.** Within this category is an outstanding amount of \$4.5M which is owed to the Development Fund Bank Account.

11. **Deposits.** Included under this heading is the Development Fund Receivable account which has shown a reduction of \$7.79M. Miscellaneous Deposits has also seen a reduction of \$1.06M.

## 1.6 Movements on the Consolidated Fund

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



<b><u>Expenditure</u></b>	<b><u>Authorized</u></b>	<b><u>Actual</u></b>
Personal Emoluments, Wages & Allowances	44,314,000	42,344,430
Benefits	12,268,400	12,198,589
Services	<u>70,570,400</u>	<u>66,845,667</u>
Sub-Total	127,152,800	121,388,686
Less: <b>Revenue</b>	<u>126,492,800</u>	<u>123,980,732</u>
Surplus/(Deficit*)	<u>(660,000)</u>	<u>2,592,042</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2016		32,507,728
Fund Adjustment		2,082,461
Surplus for the year		2,592,048
Funding of Local Projects		<u>(345,288)</u>
Balance c/f 31 March 2017		<u>36,836,750</u>

\*Mathematical error when balancing original budget.

### 1.6.1 Recurrent Revenue

13. Budgeted Recurrent Revenue for fiscal year 2016/17 was \$126,492,800. Actual revenue collected amounted to \$123,980,732 giving a shortfall of \$2,512,068. This shortfall was due primarily to under-collection of budgetary aid.

### 1.6.2 Revenue Surpluses and Shortfalls

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

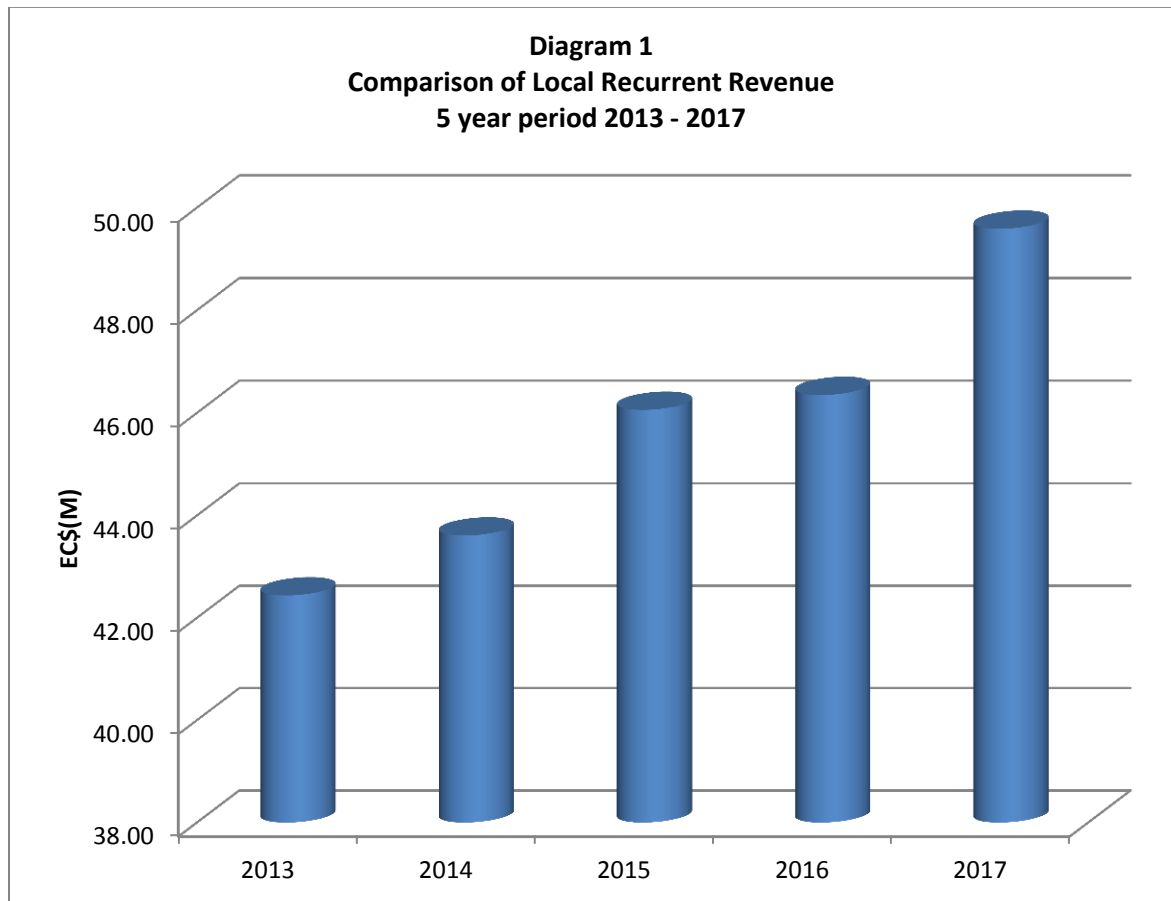
**TABLE 2**  
**REVENUE SURPLUSES AND SHORTFALLS**

<b>SOURCE OF REVENUE</b>	<b>BUDGETED</b>	<b>ACTUAL</b>	<b>SURPLUS</b>	<b>SHORTFALL</b>
Taxes on Income, Profit & Capital Gains	16,347,000	18,102,858	1,755,858	0
Taxes on Property	920,000	692,308	0	227,692
Taxes on Domestic Goods & Services	2,041,600	2,470,854	429,254	0
Licences	2,932,700	2,603,401	0	329,288
Taxes on International Trade & Transaction	18,767,500	19,588,063	820,563	0
Arrears of Taxes	940,000	619,362	0	320,638
Fees, Fines and Permits	2,000,500	1,845,414	0	155,086
Rents, Interest and Dividends	884,700	788,235	0	96,465
ECCB Profits	0	0	0	0
Reimbursements	115,000	469,392	354,382	0
Other Revenue	2,318,900	2,407,410	88,510	0
Budgets and Grants	79,224,900	74,393,435	0	4,831,465
<b>TOTAL</b>	<b>126,492,800</b>	<b>123,980,732</b>	<b>3,448,567</b>	<b>5,960,634</b>
<b>Net Shortfall</b>				<b>2,512,068</b>

### 1.6.3 Total Recurrent Local Revenue

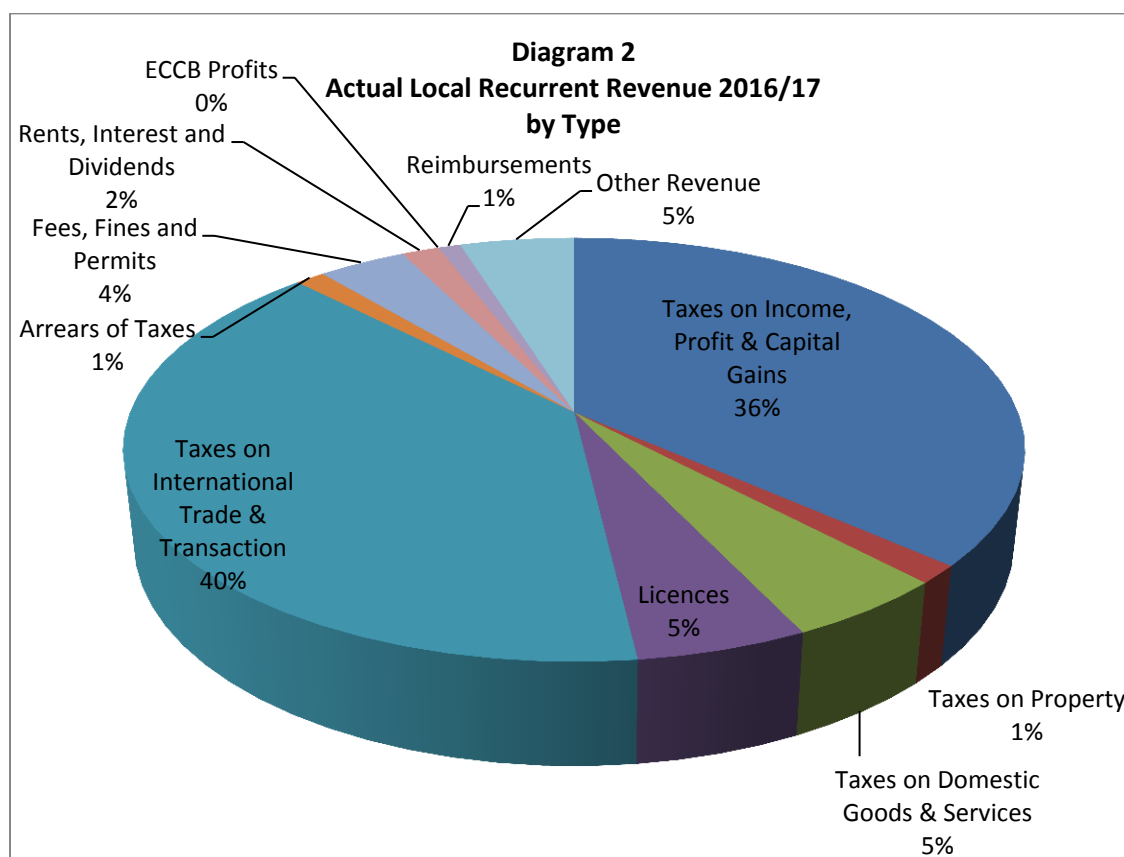
15. Recurrent Local Revenue was projected at \$47,267,900. Actual revenue collected amounted to \$49,587,297, resulting in an increase of \$2,319,397.

16. Diagram 1 below shows the movement in Local Recurrent Revenue over the past five years.



17. For the fiscal year under review Actual Tax Revenue collected was \$44.07M whilst Non-Tax Revenue amounted to \$5.51M.

18. Diagram 2 shows revenue collections by percentage and major revenue collection departments for the 2016/17 fiscal year.



#### 1.6.4 Special Budgetary Assistance

19. Approved special budgetary assistance of \$79,224,800. Actual collection was & 74,393,435 leaving a shortfall of \$6,831,465.

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

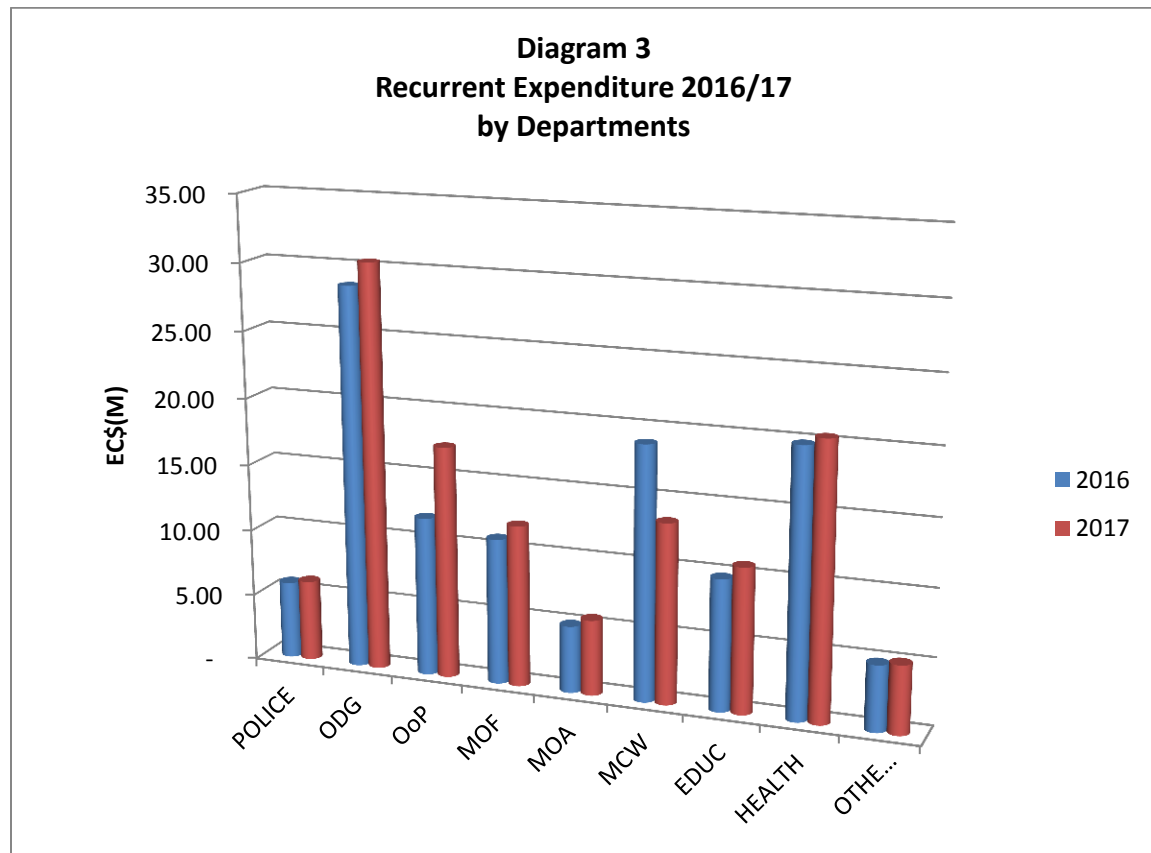
**TABLE 3**  
**BUDGETARY AID 2016/17**

Date	Particulars	Receipt #	£	EC\$
31/5/2016	1st tranche financial aid	008564	7,144,028	28,083,175.44
5/8/2016	Budgetary Aide Qtr2	010332	7,086,773	25,100,640.76
2/12/2016	Budgetary Aid - 3rd tranche	015021	6,300,199	21,209,619.26
	Total Budgetary Aid		<b>20,531,000</b>	<b>74,393,435.46</b>

#### 1.6.5 Recurrent Expenditure

21. The Appropriations Act, Ordinance #3 of 2016 authorized recurrent expenditure of \$127,152,800. Actual expenditure was \$121,388,686 resulting in an under spend of \$5.76M or a 4.7% decrease in expenditures when compared to the original budget.

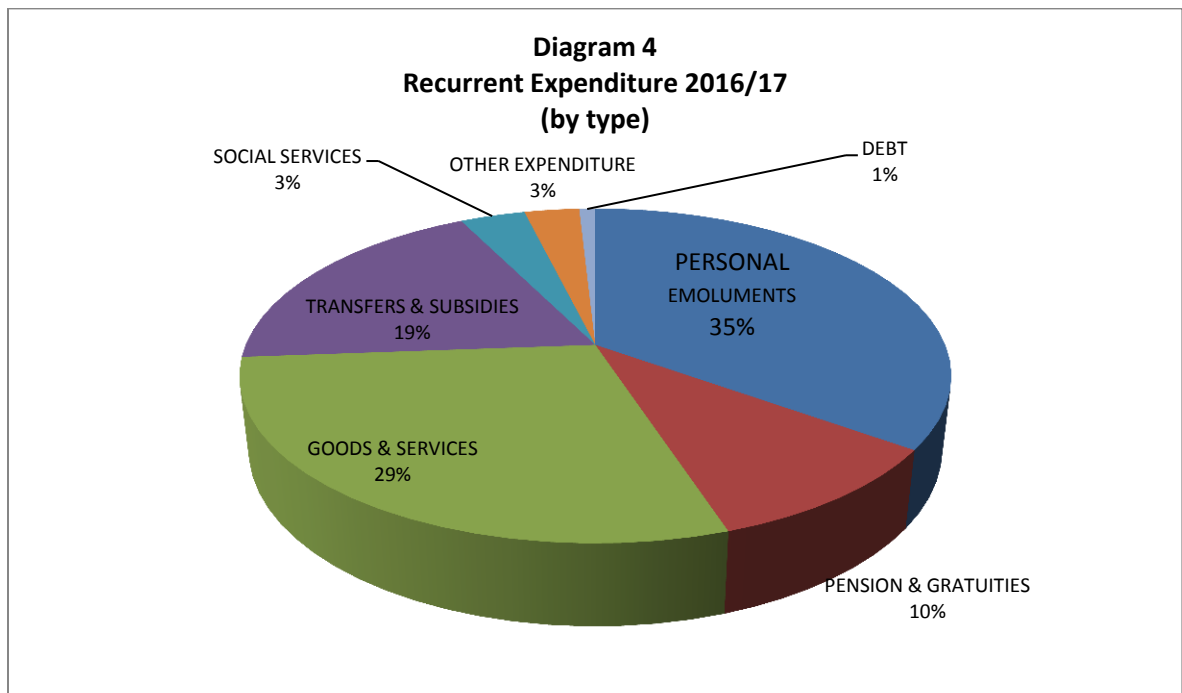
22. Diagram 3 below provides a pictorial view of actual Recurrent Expenditure by Ministries and Departments. Those Ministries/Departments that do not form a part of any Ministry, except for Police, are grouped under Others<sup>2</sup>. They are primarily non-ministerial departments.



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

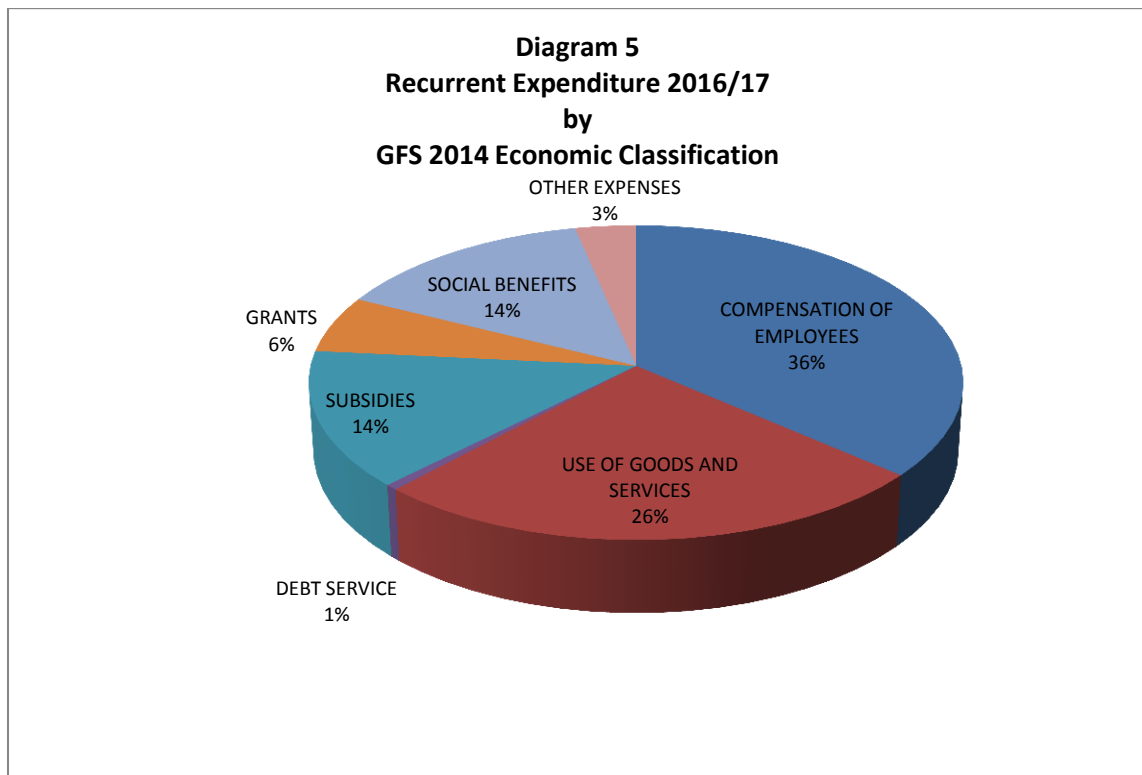
24. Diagram 4 below shows expenditure by classified by type and gives relative percentages used per classification.

<sup>2</sup> These departments include the Legal Department, Magistrate Court, Supreme Court, Legislature, Public Prosecution and Cabinet Secretariat

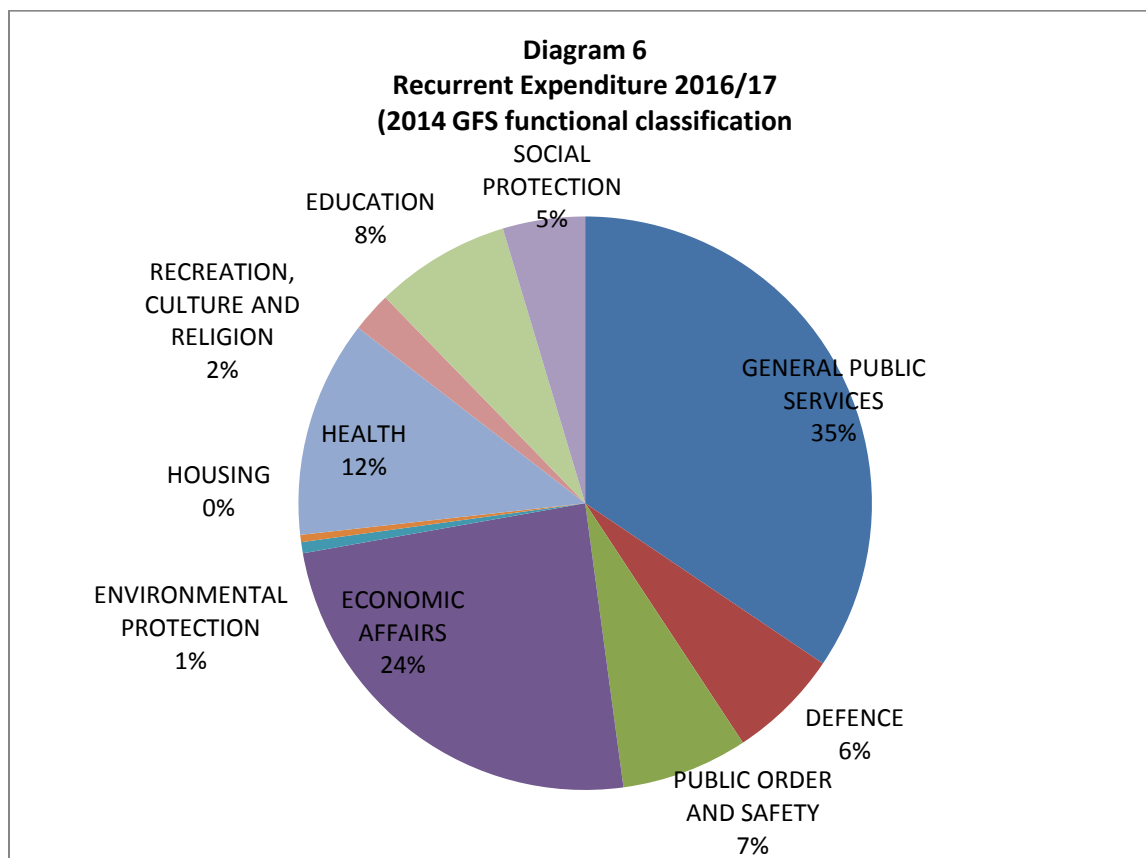


#### 1.6.6 Expenditure by GFS 2014 Classification

25. Diagram 5 below classifies expenditure in accordance with the 2014 GFS classifications.



26. Diagram 6 below provides a breakdown of 2016/17 expenditures according to the functional classification.



## 1.7 Development Fund

### 1.7.1 Statement of Assets and Liabilities

ASSETS		2016		2017
British Development Aid Claims Outstdg (1)				3,063,006
Donor Agencies Expenditure Outstdg (2)		2,393,149		2,409,853
Local Funds (4)				
Consolidated Fund Receivable		25,121,240		17,325,324
<b>TOTAL ASSETS</b>		<b>27,514,389</b>		<b>22,798,184</b>
<b>LIABILITIES</b>				
Deposits Within The Development Fund (3)		20,843,885		18,970,719
Local Funds (4)		699,952		2,891,416
British Dev't Claim Deposits		2,834,499		
Consolidated Capital Fund	968,091		10,931,965	
Add Revenue Over Expenditure	2,167,959	3,136,049	-7,795,915	3,136,049
		<b>27,514,389</b>		<b>22,798,183</b>

27. In several prior reports, I have cited the need for the removal of 'inactive/dead' projects with outstanding debit and credit balances from the accounts. Some of these projects have been on the books from since the 1990s, and have been overspent, with no likely prospect of recovery. Other projects have credit balances but the cash has already been spent. They distort the monies available for spending. Although the Treasury Department committed to seeking relevant write-off, there has been no significant change in these balances. **I am again recommending that the relevant write off requests be prepared and presented to Parliament for its consideration as per the Public Finance Management and Accountability Act 2008.**

### 1.7.2 Capital Expenditure

28. Table 4 below provides a view of authorized expenditure and recorded results for the Development Fund, by funding agency.

**TABLE 4**  
**Comparison of Development Fund Estimates and Record Results 2016/17**

<b>Development Fund Expenditure</b>	<b>Authorized</b>	<b>Actual</b>	<b>Variance</b>
LOCAL	1,193,300	390,124	803,176
CDB	115,100	112,996	2,104
DFID	24,746,800	14,315,764	10,431,036
EU	13,645,960	2,979,792	10,666,168
UNDP	51,000	93,132	-42,132
UNICEF	22,000	18,277	3,723
RSPB	50,800	21,141	29,659
<b>TOTAL</b>	<b>39,824,960</b>	<b>17,931,226</b>	<b>21,893,734</b>

29. Projected capital expenditure as authorized by the Legislative Assembly amounted to \$38,715,300. Three Supplementary Estimates valuing \$1,109,660 was also approved bringing the revised and authorized appropriation to \$39,824,960.

30. Table 5 presents a pictorial view of development funds spent by departments over the reporting period.

**TABLE 5**  
**Development Expenditure 2016/17 (by Departments)**

<b>Ministry/Department</b>	<b>Authorized</b>	<b>Actual</b>	<b>% Used</b>
Office of the Deputy Governor	2,480,800	936,674	37.8%
Office of the Premier	5,057,200	909,997	18.0%
Ministry of Finance	14,941,460	8,271,551	55.4^
Ministry of Agriculture	2,992,900	863,974	28.9%
Ministry of Communications & Works	13,709,400	6,790,624	49.5%
Ministry of Education	250,000	138,130	55.3%
Ministry of Health	393,200	18,277	4.8%
<b>Total</b>	<b>39,824,960</b>	<b>17,931,226</b>	<b>45%</b>

## 1.8 Other Statements

### 1.8.1 Statement of Cash Flows

31. The Statement of Cash Flows<sup>3</sup> shows the movement of cash throughout the accounting period and allows analysis of this movements into operating, investing, and operating activities. Cash flows for the reporting period are provided below.

Activities	Balance as at 31 March 2017	Balance as at 31 March 2016
Operating	2,226,178	5,792,616
Investing	15,742	3,899
Financing	-7,125,844	1,878,041
Net Cash for year	<b>-4,883,924</b>	<b>7,674,556</b>
Balance b/f	44,062,942	37,287,486
Balance c/f	<b>40,078,118</b>	<b>44,962,042</b>

32. The cash position of the GOM can be further broken down as follows:

Description	Balances (EC\$) 31 March 2016	Balances (EC\$) 31 March 2017
Consolidated Fund	16,379,395	19,985,316
Development Capital Fund	28,582,647	20,092,802
<b>TOTAL</b>	<b>44,962,042</b>	<b>40,078,118</b>

### 1.8.2 Statement of Public Debt

33. **External Debt** - This statement focuses on guaranteed external obligations to the Caribbean Development Bank. At close of the fiscal year Total External Public Debt amounted to \$8,512,921.

34. Principal repayment on external debt was recorded as \$500,177 being 1% of actual local recurrent revenue.

35. Interest payments for the year on external debt amounted to \$116,794 being 0.24% of actual local recurrent revenue for the year.

36. Interest capitalized on Loan 18/SFR – Second Power Project – amounted to \$83,127.

37. Overdue charges of \$965 were paid on the public debt.

38. No new external debt was undertaken during this reporting period.

---

<sup>3</sup> One cash flow statement is prepared to cover flows through the Consolidated and Development Funds.



39. **Domestic Debt** – These are balances that are owed to local institutions and at the end of the fiscal year outstanding amounts totaled \$2,871,369. A summary of outstanding sums are broken down in Table 6 below.

Table 6  
Summary of Domestic Debt as at 31 March 2017.

Institution	Particulars	Balance Outstanding as at 1 April 2016	Principal Paid during year	Interest Paid during year	Balance Outstanding as at 31 March 2017
MSSF	PIU Market Project	110,375	Ni	Nil	110,375
MSSF	PIU Housing Project <sup>4</sup>	1,538,268	157,777	51,769	1,380,497
MUL	MONLEC Generating Set	1,665,571	166,557	56,109	1,380,497
	Total	<b>3,314,214</b>	<b>324,334</b>	<b>107,878</b>	<b>2,871,369</b>

40. In 2013, \$110,375 was loaned to the Project Implementation Unit (PIU) to facilitate the purchase of a generator for the public market. The monies were loaned at a 6.5% interest rate. No payment has been made on this loan to date.

41. In 2013, GOM entered an agreement with the Montserrat Social Security Fund (MSSF) and the Bank of Montserrat (BOM) to build 20 houses for sale in Davy Hill with the MSSF agreeing to provide the funding for construction at an annual rate of 3.5%<sup>5</sup>. Although occupied, the outright sale of these houses did not go according to plan and GOM found itself having to repay the balances on monies owed for construction. Payment on this loan only began in March 2016.

42. According to correspondence from the Ministry of Finance dated 29 May 2016, GOM and MUL entered a loan agreement in 2006 for the procurement of a new generating unit to improve electricity services on island. MOFEM agreed to begin servicing this outstanding loan of \$1,665,571.20 at an interest rate of 3.5% per annum with payments being made over a 10 year period.

### 1.8.3 Statement of Arrears of Revenue

43. Arrears of Revenue at end of the fiscal year was \$13,475.734 and are itemized as follows: -

**TABLE 7**  
**ARREARS OF REVENUE**

Executing Agency	Arrears at 31 March 2016	Arrears at 31 March 2017
Ministry of Communications and Works:	0	0
PWD Laboratory	7,180	0
Resaleable Stock	18,606	0
Revenue Plant & Workshop	135,343	0
00 Mechanical Spares	36,423	0
Aircraft Landing Fees	4,227	0
Navigational Charges	4,726	388,766

<sup>4</sup> This is more commonly known as the Davy Hill Housing Project.

<sup>5</sup> Note 9 - MSSF Financial Statements for financial year ending 31 December 2015

Concessional Rental - Airport	13,218	2,400
Scenic flights	138,758	0
Cable TV Licences	0	269,875
Telecom Licence	8,650	1,490
Other Licence	0	225
Inland Revenue:-	0	0
Income Tax	5,166,407	5,851,424
Company Tax	5,058,474	2,987,517
Property Tax	3,450,096	3,600,897
Broadcasting Services (Radio M/rat)	0	0
Advertising Receipts	9,714	0
Customs	0	0
Import Duty		9,681
Consumption Tax		30,901
Customs Officer Fees	4,380	7,035
Treasury:	0	0
Trade Licences	8,600	14,400
General Post Office	0	0
Money Order Reimbursements	0	30,656
Ministry of Health and Community Service	0	0
Hospital Receipts	257,520	280,467
Ministry of Agriculture	0	0
Royalties - Sandmining	0	0
Lease of Government Lands	27,900	0
Sale of Government Lands	0	0
<b>Total</b>	<b>14,350,222</b>	<b>13,475,734</b>

#### 1.8.4 Statement of Contingent Liability

44. This refers to liability for outstanding payments to depositors of the now defunct Government Savings Bank and possible litigation of activities by a number of Ministries/Departments. Contingent Liabilities at the end of the fiscal year amounted to \$4.47M.

#### 1.8.5 Statement of Commitments Outstanding

45. At the close of the fiscal year 8 entities reported outstanding commitments valuing \$157,439.

#### 1.8.6 Statement of Stores and Other Assets

46. The PFMAA mandates the preparation and presentation of the captioned statement and I am aware that some work has been done to determine the quantum of stores and also to provide a valuation. It is my understanding that this work has not been finalized and, as such, the statement was not presented for review. In light of the plan to move to an accrual basis of accounting by 2021, and that stores will inevitably be included as a significant part of the assets, **it is imperative that efforts be made to present this statement.**

### **1.8.7 Statement of Net Worth of Statutory Bodies**

47. The PFMAA determined this statement as one to be prepared and submitted for audit. It was however not prepared. **We are recommending that efforts be made to collate the information and present the statement as required by the Schedule to the PFMAA.**

## **CHAPTER 2**

### **2.0 OTHER FINANCIAL AUDITS**

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

48. The 2015 and 2016 Montserrat Land Development Authority Financial Statement for the Corporate Division were audited and were awaiting final adjustments by management.

49. Our audit revealed that lands in the unsafe zone were still being carried in the accounts at their pre-volcanic values despite the fact that many of these properties are inaccessible. Management of the Montserrat Land Development Authority together with GOM needs to take a decision to write off/revalue lands in the unsafe zone which has been made inaccessible by pass volcanic activity. This is in keeping with IAS 36 – Impairment of Assets.

50. The Financial Statements for Property Management for period ending 31 March 2012 was tabled in the Legislative Assembly on 7 March 2017.

51. The 2013 - 2016 Financial Statements were audited and were awaiting final adjustments by management.

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

52. The Deputy Director has advised that the 2016 Financial Statements are currently being audited.

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

53. I have been advised that the 2016 Financial Statements have been audited and are awaiting sign off by the Board of Directors.

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

54. The Auditor General's Report on the Audit of the Public Accounts of Montserrat for the year ending 31 March 2016 was tabled in the Legislative Assembly on 2 May 2017.

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

55. The 2011 - 2013 Accounts were audited and are awaiting final adjustments by management.

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

56. The Chairman has advised that the 2016 Financial Statements were submitted to the Ministry of Finance for onward submission to the Legislative Assembly.

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

57. The 2015 Financial Statements were tabled in the Legislative Assembly on 7 March 2017. I have been advised that the 2016 Financial Statements have been audited and is currently awaiting sign off by the Board of Directors.

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

58. The 2013 Accounts were tabled in the Legislative Assembly on 20 December 2016 while the 2014 and 2015 Accounts were tabled on the 7 March 2017

59. The Financial Controller has advised that the 2016 Financial Statements are currently being audited.

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

60. When the Government Savings Bank was wound up in 2014 a decision was taken to borrow \$8,500,000 from the Development Fund bank account to meet payments to depositors until investment funds were recovered. After three years \$4,500,000 still remain outstanding but, according to Note 14 of the Public Accounts, repayment of this amount is secured against GSB's shareholding in the Bank of Montserrat.

61. Given that the GSB is now defunct we are recommending that

- a) GOM take steps to sell GSB's shares in BOM or
- b) Transfer the shares to GOM and
- c) Take steps to repay the outstanding sums to the Development Fund Bank Account.

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

64. MICA's Financial Statements for the periods 31 March 2012 - 2014 were submitted to Ministry of Finance for onward submission to the Legislative Assembly.

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

65. The 2015 and 2016 BNTF accounts were tabled in the Legislative Assembly on 2 May 2017. I have been advised that 2017 Accounts are awaiting audit.

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

66. The 2009 - 2014 Financial Statements were submitted to the Ministry of Finance for onward submission to the Legislative Assembly for tabling.

67. Section 18.2 of the Volcano monitoring contract provides that all intellectual property issuing from the works shall be the property of the Government of Montserrat and the Montserrat Volcano Observatory. There is strong evidence of the existence of intellectual property, however valuation of this item have not been undertaken, hence no disclosure in the accounts.

68. We are recommending that steps be taken to comply with this mandate and the relevant valuation be conducted.

## **2.13 Bank of Montserrat Limited (BOML)**

69. The Accountant has advised that the 2017 Financial Statements are currently being audited.

## CHAPTER 3

### 3.0 MINISTRIES/DEPARTMENTS

70. This chapter highlights the concerns raised during the audit of Ministries/Departments. It focuses mainly on non-compliance with laws, regulations, departmental policies and/or weaknesses in internal controls.

#### 3.1 Cross Cutting Issues

71. **Non-submission of delegated authority/signatories.** Section 9(6) of the PFMA states that “An Accounting Officer shall...state in writing the extent to which the powers conferred and duties imposed on him, may be exercised or performed on his behalf by any public officer under his control. The submission of signatories for certification and/or authorization is normally submitted on an annual basis or where there are personnel changes during the year. We have noted several occasions where the relevant signatories are not submitted to the OAG prior to the conduct of our audit and hence constitutes a breach of the regulations and Treasury Department directives. **We recommend that Accounting Officers pay greater attention to compliance with his control measure.**

72. **Approvals above limit.** The submission of delegated authority referred to above allows Accounting Officers to place limits to which an officer can certify or approve expenditure. We have noted occasions where these limits were exceeded. Such breaches occurred in the following Ministries/Departments.

- Ministry of Finance
- Office of the Deputy Governor

73. **Over-expenditure.** During the audit of expenditures we encountered many occasions where expenditure limits as authorized by the Legislative Council were over-expended, These over-expenditures are also reflected in the draft 2017 Public Accounts supplied by the Treasury Department and are provided below.

Vote	Head	Sub-head	Particulars	Total Authorised	Actual Expenditure	Excess
05	051	210	Personal Emoluments	954,800	999,616	(44,816)
10	103	246	Printing & Binding	2,000	3,500	(1,500)
12	120	234	Rental of Assets	393,300	397,247	(5,947)
12	122	232	Maintenance Services	32,000	35,156	(3,156)
12	125	228	Supplies & Materials	6,800	7,249	(449)
15	150	210	Personal Emoluments	760,300	796,914	(36,614)
15	150	216	Allowances	233,2800	252,883	(19,083)
15	152	234	Rental of Assets	139,200	171,800	(32,600)
15	155	210	Personal Emoluments	483,200	511,434	(28,234)
15	155	216	Allowances	78,200	86,640	8,440

74. **Clearing over-expenditure without the issuance of an appropriate warrant.** After the receipt of the accounts for auditing adjustments were made in SMARTSTREAM, apparently by the Ministry of Finance, to remove these over-expenditures. However, in accordance with Sections 17 and 18, any monies withdrawn from the Consolidated Fund, shall be authorized by the Minister. We did not receive any signed warrant from the Minister to authorize these movements of funds. **We recommend that no adjustments be made to the appropriations unless an appropriately signed off warrant be obtained from the Minister.**

### **3.2 Non-Submission of Department Appropriation Accounts**

75. Section 41 (b) of the PFMAA states that “each accounting officer shall within three months prepare and submit to the Minister and the Auditor General, with a copy to the Accountant General, in respect of the financial year and in respect of the votes, revenues, resources and monies for which the accounting officer is responsible, the accounts and information set out in paragraph 2 of the Schedule to this Act.

76. Paragraph 2 of the Schedule requires Accounting Officers to submit the following:

- a) An Appropriation Account showing services for which monies were expended;
- b) A Statement of Commitments Outstanding for the supply of goods and services;
- c) A Statement of Revenues Received for each source of revenue’
- d) A Statement of Arrears of Revenue
- e) A Statement of Performance providing each class of output
- f) A list of all outstanding commitments;
- g) Any other statement the Accountant General may from time to time require.

77. With respect to the financial year ended 31 March 2017, the Returns outlined above were only submitted to our offices by 2 entities within the statutory deadline of 30 June 2017.

### **3.3 Misclassification of Expenditure.**

78. We continue to encounter misclassification of expenditure although there has been some reduction in the number of instances.

### **3.4 Inland Revenue Department**

79. As part of the Office of the Auditor General’s Annual Audit Programme a compliance audit was conducted of the Inland Revenue Department. The audit was conducted in accordance with the International Standards of Supreme Audit



80. The audit was conducted in accordance with policies, standards and procedures as set out in the following documents.

- Income & Corporation Tax Act, Chapter 17.01, Revised Laws of Montserrat
- Property Tax Act, Chapter 17.16, Revised Laws of Montserrat
- Insurance Levy Act, Chapter 17.14, Revised Laws of Montserrat

### **3.4.1 Findings**

#### **3.4.1.1 Income Tax**

81. An examination of the Income Tax Assessment books showed that some assessments were not filed. Two assessments for two different persons were given the same number. There were cases in which taxpayers were issued with payable and refundable assessments simultaneously. The payable assessments were still outstanding after the refund was received. In other cases refundable assessments were issued sometime after a payable assessment was issued and remained outstanding. There were also cases where refunds were used to offset taxes owed by the taxpayer.

82. It is customary for the Treasury Department to send a printed receipt to the Inland Revenue Department. In some cases we did not see the receipt and the taxpayer's file showed arrears. An inspection in SmartStream showed the payments were made.

83. A number of files could not be located for audit examination. .

#### **3.4.1.2 Withholding Tax**

84. There was a case of underpayment of EC\$5,099.20 for Withholding Tax. The invoice was quoted in pounds but the revenue was calculated ignoring the fact that the invoice amount should have been converted to Eastern Caribbean Dollars. The amount deducted was represented as Eastern Caribbean Dollars.

85. Some receipts could not be verified as there were no supporting documents to show how much Withholding Tax should be paid.

#### **3.4.1.3 Property Tax**

86. In the area of Property Tax a number of files were not presented for examination because the officers could not locate them.

87. In some instances payment for taxes on several properties were issued with one receipt. This receipt was then copied and placed on different files.

88. In a few cases receipts issued by the bank were illegible.

89. Exemption for new houses and commercial buildings according to Sections 12 (3) and 12 A(2) respectively of the Property Tax Act require a Certificate signed by the Chief Valuation Officer. The required certificates were not seen on the files. The reason given for this is that there is no Chief Valuation Officer as required by law.

#### 3.4.1.4 Insurance Company Levy

89. In reviewing Insurance Levy it was observed that although some companies were making payments they were not paying the correct rate of 4% as required by the Insurance Levy Act. Other companies returned payments but no premium information submitted as required by the Act. It could not be verified whether those payments were correct. Some companies did not return any payments during the period under review.

### 3.4.2 Recommendations

#### 3.4.2.1 Income Tax

90. All assessments must be filed. The numbering of assessments should be diligently done to avoid duplication of numbers.

91. Officers responsible for issuing assessments should examine the taxpayer's file to ensure there are no outstanding taxes when refunds are issued. A follow-up mechanism should be put in place to collect receipts for persons whose arrears were deducted from refunds.

92. A system should be put in place to track the movement of files

#### 3.4.2.2 Withholding Tax

93. It should be ensured that payments are recorded accurately. Additionally, efforts should be made to recover this amount.

94. Persons paying Withholding Taxes to the Treasury should have proper documentation from the Inland Revenue Department to ensure the correct amounts are paid.

#### 3.4.2.3 Property Tax

95. A system should be implemented to track the files after they are taken from the file room.

96. Payment for each property should be issued with a receipt to accommodate proper recording.

97. The Inland Revenue Department and Treasury should collaborate to communicate to the bank the problem of illegible receipts. The exemption certificates should be filed as required by the Act and all effort should be taken to ensure that the position of Chief Valuation Officer is regularized..

#### 3.4.2.4 Insurance Company Levy

98. The insurance companies should be reminded of their obligations under the Insurance Levy Act. Where they fail to comply they should be penalized according to the measures stipulated in the Act.

### 3.4.3 Audit Conclusion

99. Based on the audit work performed, we found that, because of the significance of the matters noted above, Inland Revenue Department is not in compliance, in all material respects, with the Acts aforementioned.

## 3.5 Supreme Court/Registry

100. We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4100 Compliance Audit Guidelines - For Compliance Audits Performed Separately from the Audit of Financial Statements.

101. The operations and records of this Department were examined for compliance with relevant sections of the following regulations and legislations:

- Public Finance (Management and Accountability) Regulations 2009
- Revised Laws of Montserrat 2013 (Acts re: Registration of Births and Deaths, Marriage)

### 3.5.1 Findings

#### 3.5.1.1 Revenue Collection

102. A number of receipt books were not audited because the cashbook for Trademarks could not be located.

#### 3.5.1.2 Births, Deaths, Marriages

103. One entry in the Death Register had a different surname than what was recorded on the Certificate of Cause of Death. The Registrar advised that

occasionally there are discrepancies which are corrected from the passport of the deceased. However a copy of the document is not kept at the office.

### **3.5.2 Recommendations**

#### **3.5.2.1 Revenue Collection**

**104. The Trademarks cashbook should be located so the receipt books can be examined.**

#### **3.5.2.2 Births, Deaths, Marriages**

**105. A copy of the document used to clarify the information submitted on the Certificate of Cause of Death should be attached to the Certificate for future reference.**

### **3.5.3 Audit Conclusion**

106. Based on the audit work performed, we found that, the Supreme Court Registry is not in compliance, in all material respects, with the Regulations aforementioned.

## **3.6 Glendon Hospital**

107. As part of the Office of the Auditor General's Annual Audit Programme we conducted a compliance audit of the Glendon Hospital. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 400 Fundamental Principles of Compliance Auditing.

### **3.6.1 Findings**

#### **3.6.1.1 Revenue Collection**

108. Several receipts were not entered in the cashbook and consequently the monies collected on these receipts were not paid into Treasury. There were also amounts in the cashbook which differed from the amounts recorded on the corresponding receipts resulting in excess cash being paid into the Treasury on three occasions.

#### **3.6.1.2 Stores Management**

109. Some stores issues and receipts were not recorded in the ledger. This resulted in items being significantly less or more during the physical count.

### **3.6.2 Recommendations**

#### **3.6.2.1 Revenue Collection**

**110. It is recommended that monies collected from all sections are accounted for each time payments are made to Treasury to avoid losing track of sequencing receipts. This would also ensure that all monies collected are paid into Treasury in a timely manner. Another officer can verify the cashbook entries and sign off before paying in money into Treasury to eliminate differences between receipts and cashbook.**

### 3.6.2.2 Stores Management

**111. The issue information should be transferred from the stores issue vouchers to the ledger as soon as possible after the transaction to ensure accuracy. Receipts must be recorded promptly. Bin cards should be reintroduced at item location to record issues. It is the duty of the storekeeper to reconcile the bin card and ledger balances periodically.**

### 3.6.3 Audit Conclusion

112. Based on the audit performed, we found that, except for the instances of non-compliance noted above, the Glendon Hospital is in compliance, in all material respects with the regulations.

## 3.7 Payments to persons recruited from abroad

113. GOM has recruited some persons from abroad to enable it to fill some specialist positions within the Montserrat Public Service. Executive Council now renamed Cabinet provided policy directives for the payment packages to be paid to such persons via Exco Decision 158/03. This is inclusive defrayal of cost of shipping personal effects; a one-off payment of a settlement grant of one (1) month's salary; and inducement allowance of up to 25% increase in salary.

114. Our review revealed that recruits are being paid one (1) month salary as settlement grant and the normal salary for the month as per policy directives. In addition to this hotel bills for up to one week is being paid on the recruit's behalf. We have not seen any documented policy to support this. **There is need for GOM to relook this policy.**

115. As a condition to the settlement grant, Executive Council directed that this is refundable should the recruit resign within one year. We noted 2 staff resigned office within the year but the settlement grant was not repaid.

116. GOM also has a policy to pay housing allowances for said persons with amounts being paid according to their placement on the salary scale. As per EXCO Decision 95/06 the gross quantum of Housing Allowance should be EC\$1,500 per month for salary point R9 and above whilst \$1,000 per month was to be paid to salary points below R9. Additionally, Cabinet Decision<sup>6</sup> 466/2016 agreed, in principle; a Housing Allowance of \$800 per month for each teacher recruited through a "Head Hunting Mission for Teachers".

117. Our review revealed the policy directives are not being followed in that persons recruited during the reporting period were, on many occasions, paid housing

---

<sup>6</sup> Executive Council was renamed Cabinet after the enactment of the revised Montserrat Constitution Order 2010

allowances above the limits set for their pay scale. **The Human Resource Management Unit should ensure that persons recruiting staff on its behalf are knowledgeable of and adhere to the limits set.**

### **3.8 Overall view of compliance**

118. Given the findings detailed throughout this chapter we found that there is need for improvement in compliance with laws, regulations and policy directives. We also found that there was an overall need to strengthen the internal controls and monitoring systems. Moreover, we found that sufficient effort was not being undertaken to correct systemic weaknesses that have been highlighted in previous years.

## CHAPTER 4

### 4.0 PERFORMANCE/SPECIAL AUDITS

#### 4.1 Payment Methods and Payment Systems within the Montserrat Public Service

##### Why We Performed This Audit

119. **Predominance of Government.** In Montserrat, the public sector is much larger as a percentage of the workforce and as a percentage of Gross Domestic Product (GDP) than it is the case in most other countries in Caribbean and Latin America. Hence, public procurement, generally, and payment-methods, particularly, both play a pivotal role in either catalysing economic development or impeding national progress.

120. **Late payments.** Over the past several years, numerous complaints have arisen from various stakeholders, including focus-groups such as the Montserrat Chamber of Commerce (MCC), pertaining to (a) the tardiness of Government of Montserrat (GOM)/Montserrat Public Service (MPS) payments to suppliers and to contractors, as well as (b) issues experienced within the general population with respect to tax-payments and, more so, with regard to timeliness of tax-refunds and/or corrections of payment-errors (e.g., over-payment of taxes, fees, or duties). Any inefficiencies in payments have ramifications for the entire country, not least of all the sustained development of flourishing small businesses and vibrant job-creating micro-enterprises, whose existence is imperilled by deficient cash-flows, and whose revenues often depend wholly or principally upon a public-sector clientele, either directly through the central Government or indirectly through State-owned agencies and statutory corporations and their various contractors and suppliers.

##### 4.1.1 Audit Findings

121. **Late payments; dissatisfied suppliers.** Despite the passage of four years since the initial year-2013 high-level meetings with members of the Core Management Team of the Government of Montserrat, as well as the inputs from the focus-groups, all available evidence suggests that very little has changed for the better in terms of suppliers' level of satisfaction with the public-sector's timeliness of disbursements for goods and services received by the GOM. Moreover, several Permanent Secretaries admitted experiencing repeated instances that private-sector suppliers were unwilling even to do business with the GOM, owing to a history of protracted payments from GOM and the resulting impact on their cash-flows.

122. **Most persons prefer online payments.** The overwhelming majority of interviewees is in favour of using online payments, electronic banking channels, and debit-cards or credit-cards for both in-person and online payments.



123. **E-Government has started but not widely used.** Some aspects of the public service are already facilitating electronic payments and/or online channels: for example,

- (a) The Montserrat Online Visa Application (MOVA) (<https://www.immigration.ms>) service is totally online and with e-payments [13];
- (b) The inter-island ferry-service has a functioning website ([www.ferry.ms](http://www.ferry.ms)) that facilitates both (i) online reservations and (ii) credit-card payments, but, most surprisingly, not for payments at the cashiers in person at the Little Bay Port; and
- (c) There is a comprehensive electronic geographical information system (GIS) for Montserrat, under the aegis of the Physical Planning Unit in the Ministry of Agriculture, Trade, Lands, Housing & the Environment, which offers both Internet-accessibility and online fee-payments capabilities ([www.landinfo.gov.ms](http://www.landinfo.gov.ms)). However, despite its impressive history, and despite the many functionalities of the Montserrat GIS itself, the website is not currently working as of April, 2017.

127. **Paper remains dominant.** Notwithstanding the wide availability and usage of social media, websites, electronic banking, smart phones, mobile devices, and wireless Internet-connections in Montserrat, most of the units of the MPS remain stuck in manual processes and offline modus operandi, neither permitting online filing of information (contrary to the Income Tax Act, for instance), nor allowing electronic payments (contrary to the Electronic Payments Act, for instance). All of the points of entry to the country continue in a local-currency mode and perpetuate manual transactions, paper-based processes, and a cash-only paradigm, all of which are greatly impeding the flow of travel, of commerce, and of transactions. This is costly and inconvenient to Montserratians and to thousands of visitors alike. It also makes the local economy uncompetitive with neighbouring islands.

128. **Status quo is very costly.** The cost of manual processes and of cash-handling is extremely high versus all other payment-methods, encompassing (a) labour-costs, (b) handling costs, (c) insurance-risks, (d) duplication of efforts, (e) time-costs, (f) paper and stationery costs, (g) printing costs, (h) transportation-costs, (i) storage-costs, and (k) all of the attendant risks and inconveniences that each of these variables imposes both on the GOM itself and on all of its stakeholders and tax-payers.

129. **Retarded economic growth.** The adverse impact of reputational risk is severe in such cases, because, among other effects, inefficiencies in the GOM's payment systems limit the pool of willing suppliers when tenders or quotations are being sought for public-sector procurement. Hence, the GOM further risks paying

significantly more than necessary for the goods and the services that it does obtain. This is a further disincentive to micro-enterprise and small business development on the island and stymies overall economic progress whereas local procurement is ideal in most circumstances.

#### **4.1.2 Recommendations**

130. **Install card-payments at all ports.** Install wired or wireless electronic device-readers at all ports of entry immediately, facilitating trade, travel, and tourism, while also raising the modern profile of the country in line with the expectations of sophisticated consumers, business-persons, returning Montserratians, and prospective investors. This deserves to be treated as a matter of utmost priority and urgency for reducing the Government's current costs, and for improving both the effectiveness of revenue-collections and the satisfaction of stakeholders.

131. **Accept card-payments Government-wide.** Concurrently with paragraph 11 above, install wired or wireless electronic device-readers at all client-facing Ministries/ Departments, and units of the MPS over the next 3 weeks to 3 months. Among its several advantages, this essential payments-infrastructure [a] will encourage the highest level of compliance, [b] will ensure the promptest collection of revenues of all forms, and [c] will significantly reduce the cost, the time, the risks incurred, and the efforts currently expended in the area of collections, together with the related administration, accounting, and reporting.

132. **Make e-Government the default.** Within 3 to 6 months, create a central e-Government portal for all of the public-sector entities that issue or receive payments of any kind. This could be either (a) an enhancement of one of the existing e-Government websites (e.g., [www.ferry.ms](http://www.ferry.ms) or the MOVA), or (b) an entirely new and comprehensive e-portal to which content and functionalities from all other GOM websites could be migrated for simplicity, for the convenience of users, and for large annual and recurring cost-savings (e.g., hosting fees, updates, maintenance, security, and network administration) to GOM directly. This will produce several immediate benefits: e.g., (a) create synergies, (b) encourage inter-departmental co-operation, (c) speed collections, (d) increase compliance rates, (e) ensure real time accounting and reporting for the prompt actions of all key decision-makers, (f) reduce the costs of the current archaic modes of manual processes and cash only methods of payment, and (g) consolidate cash-management for even greater cost savings by the Treasury.

133. With effective website-management to ensure that all content is correct, complete and current, and with search-engine optimisation (SEO), this e-Government portal can be a powerful revenue-generating and value-creating multifaceted interface to market the country's products, services, culture, history, venues, events and festivals, starting with those provided directly by the GOM or through any of its affiliates and partners, including those that receive GOM aid, grants, investments, or subventions of any kind.

### 4.1.3 Audit Opinion

134. The current status of the MPS's payment-methods is extremely outdated, very expensive to maintain, and neither efficient nor effective, (a) whereas bureaucratic processes incur total costs up to 50% of the revenues collected in some instances, and (b) whereas the GOM's recurrent local revenues remain less than 40% of its recurrent local expenditures, more than 20 years since the initiation of the era of aid-dependency in the post-volcanic crisis of year 1995.

135. The current payment-system, procedures and practices make little use of 21st-century technologies and tools, and they systematically underutilise many of the functionalities embedded within already installed hardware and software. In turn, this means that GOM is getting a very low return on investment for the many millions of dollars spent during the past two decades on infrastructure and, in particular, (1) electronic information and communication, and (2) payment-methods and payment-systems.

136. Overall, it is not serving the public nearly as well as it could be doing, and it is certainly not advancing the country towards the GOM's published Vision for 2008 to 2020, wherein information and communications technologies (ICT) become one of the central pillars of the new Montserratian economy and a pivotal enabler of private-sector development. These tools and technologies are especially vital for economic growth and employment through (a) the nurturing and transformation of incipient microenterprises, (b) the launch and export-readiness of innovative products and services, and (c) the strategic local, regional and international expansions of established small and medium enterprises (SMEs).

### 4.1.4 General

137. For full details of this audit, please visit our website at <http://oag.gov.ms> under Publications.

## **CHAPTER 5**

### **5.0 IT AUDIT**

#### **5.1 Business Continuity Planning: Follow-up Report**

138. The Department of Information Technology & e-Services (DITES) is responsible for the procurement, implementation, support, and maintenance of all information and communication technologies infrastructure, equipment, and applications within the Government of Montserrat's enterprise network infrastructure.

139. In July 2007, the Office of the Auditor General (OAG) conducted a pilot performance IT audit to investigate the unexpected system failure of the government server. As a result, data for most of the Government departments on both the H: and G: drives, was lost.

140. This follow-up review is to determine if DITES have been compliant and implemented any of the recommendations outlined in the initial performance audit.

##### **5.1.1 Audit Findings**

141. DITES has been non-compliant with the recommendations outlined in the initial performance study conducted in 2007. They do not have a BCP or DRP, which has been tested, updated, and disseminated to the staff.

##### **5.1.2 Recommendations**

142. The same recommendations from the initial performance study stands, as follows:

- 1) Appoint Disaster Recovery Board
- 2) Conduct Risk Assessment and Business Impact Analysis
- 3) Preparation of the BC/DR Plan
  - a. Telephone Tree
  - b. Ability to Recover Data and Systems
  - c. Tests and Drills of Disaster Procedures
  - d. Procedures Allowing Effective Communication
  - e. Documentation
  - f. Emergency Procedures
  - g. Backup of Key Personnel Positions

##### **5.1.3 Audit Opinion**

143. The Office of the Auditor General has determined that DITES have been non-compliant and they need to adopt, and/or put into effect, any of the recommendations outlined above.

#### 5.1.4 General

144. To gain a better understanding of this review, you are encouraged to view the full report which can be found on our website at <http://oag.gov.ms> under Publications.

**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 2017 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.

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

**OPINION**

In our opinion, the Annual Abstract of Assets and Liabilities and the Annual Abstract of Revenues and Expenditures presents fairly, in all material respects, the financial position and operations of the Consolidated Fund of Montserrat for the years ending 31 March 2017.

**OTHER MATTERS**

My Report dated 29 December 2017, accompanies the Annual Accounts. It contains observations and comments on breaches of controls or non-compliance with the legal authorities that I feel should be brought to the attention of those charged with governance and the Legislative Assembly.

A handwritten signature in blue ink, appearing to read 'F. Lee', with a stylized flourish at the end.

FLORENCE A LEE, CPA, BSc, MSc  
AUDITOR GENERAL  
OFFICE OF THE AUDITOR GENERAL  
MONTSERRAT, WEST INDIES  
31 January 2018

## **APPENDICES**

Appendix 1	Consolidated Fund Financial Statements 2016/17	33
Appendix 2	Audit provisions – Montserrat Constitution Order 2010	53
Appendix 3	Status of Audit Recommendations	56
Appendix 4	Organisation Chart	66

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

**Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2017**

(with comparative figures for March 31, 2016)

<b>FINANCIAL ASSETS</b>		<b>2016</b>	<b>2017</b>
Consolidated Fund Accounts	2	8,093,837	9,980,322
Operating Account ECCB	3	238,614	285,478
Development Capital Fund Account	4	28,582,647	20,092,802
Crown Agents # 2 Account	5	2,502,538	2,327,988
Fiscal Reserve - A/C # 1 Tranche ECCB	6	5,544,407	5,560,149
Volcano Relief Bank Accounts	7	0	253,022
CDB Loan Payment Account	8	0	1,464,868
EU Savings Account RBC	9	0	113,489
Equity –Bank of Montserrat	10	11,860,811	11,860,811
Personal Advances	11	428,068	358,702
Outstanding Imprest	12	34,852	75,527
Advances to Other Governments & Administration	13	124,280	131,381
Other Advances	14	<u>4,500,000</u>	<u>4,500,000</u>
<b>TOTAL ASSETS</b>		<b><u>61,910,053</u></b>	<b><u>57,004,539</u></b>



**GOVERNMENT OF MONTSERRAT**  
**CONSOLIDATED REVENUE FUND**

**Statements of Assets and Liabilities as at March 31, 2017**  
(with comparative figures for March 31, 2016)

		2016	2017
<b>LIABILITIES</b>			
Miscellaneous Deposits	15	3,734,500	2,672,299
Postmaster Clearance	16	536,439	159,059
Development Fund Payable	17	25,121,240	17,325,325
Special Funds	18	<u>10,346</u>	<u>11,106</u>
<b>TOTAL LIABILITIES</b>		29,402,525	20,167,790
<b>THE CONSOLIDATED FUND</b>			
Balance at the start of the Year		26,309,990	32,507,528
Prior Year Adjustment	19	401,023	2,082,461
Revenue (recurrent) for the Year	122,279,783	123,980,735	
Expenditure (recurrent) for the Year	<u>115,810,023</u>	<u>121,388,686</u>	
Surplus/(Deficit)		6,469,760	2,592,048
Transfer to Local Costs	20	<u>(673,245)</u>	<u>(345,288)</u>
<b>TOTAL CONSOLIDATED FUND</b>		<u>32,507,528</u>	<u>36,836,750</u>
<b>TOTAL</b>		<u><b>61,910,053</b></u>	<u><b>57,004,539</b></u>

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

*Accountant General, Montserrat*

**CASH FLOW STATEMENT as at March 31, 2017**  
**(with comparative figures for March 31, 2016)**

<b>Cash Flows from Operating Activities</b>		<b>2016</b>	<b>2017</b>
Tax Revenues	21	40,107,060	44,076,848
Non Tax Revenues	23	6,239,566	5,494,709
Budget and Grants	24	75,929,259	74,393,435
Recurrent Expenditure	25	(115,810,023)	(121,388,686)
Contribution to Local Projects	20	(673,245)	(345,288)
Previous Years' Charge	21		(4,841)
<b>Net Cash flows from Operating Activities</b>		<b>5,792,616</b>	<b>2,226,178</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net cash flows from Investing activities</b>	26	<b>3,899 -</b>	<b>15,742</b>
<b>Cash Flows from Financing Activities</b>			
	27		
(Increase)/Decrease in Advances		2,299,208	21,590
Increase/(Decrease) in deposits		(822,190)	(9,234,735)
Adjustments for:	16		
Advances and deposits		302,055	421,067
Effect of exchange rate changes on cash and cash equivalents		33,926	165,145
Other (Net)		65,041	1,831,379
<b>Net Cash flows from financing activities</b>	26	<b>1,878,041</b>	<b>(7,125,844)</b>
<b>Net cash flows</b>		<b>7,674,556</b>	<b>(4,883,924)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>37,287,486</b>	<b>44,962,042</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>44,962,042</b>	<b>40,078,118</b>

*Accountant General, Montserrat*

# Statement of Cash Receipts and Payments for the Government of Montserrat

As at March 31st, 2017

	Notes		Third Party Payments	Third Party Payments
<b>Receipts</b>				
<b>Tax Revenue</b>		2016		2017
Taxes on Income, Profits and Capital Gains		16,690,696		18,722,222
Taxes on Property		691,588		692,308
Taxes on Domestic Goods & Services		1,569,455		2,470,855
Licences		2,632,371		2,603,401
Taxes on Int. Trade & Transactions		18,522,949		19,588,063
<b>Total Tax Revenue</b>	22	<b>40,107,060</b>		<b>44,076,848</b>
<b>Non Tax Revenue</b>				
Rents Interest and Dividends	23	902,107		788,235
External Assistance - Budgetary Aid	24	79,929,259		74,393,435
External Assistance – Development Grants	29	26,930,297		8,790,023
Fees, Fines and Permits	23	1,912,285		1,845,415
Other Receipts	23	3,318,874		2,706,392
Capital Receipts		106,300		170,410
Receipt from Investment		3,899		0
Other Receipts and Transfers	23			2,831,379
<b>Total Receipts</b>		<b>149,210,080</b>		<b>135,602,137</b>
<b>Payments</b>				
Personal Emoluments	25	41,779,332		42,344,430
Pension, Gratuities and Other Benefits	25	12,072,642		12,198,589
Goods & Services	25	29,928,885		35,082,945
Transfers and Subsidies	25	23,052,071		22,795,899
Social Services	25	4,480,059		4,291,381
Other Expenditure	25	3,860,230		3,619,375
Debt	25	636,803		1,056,068
Locally funded projects	20	673,245		345,288
Previous Year's Charge		-		4,841
Capital Expenditure (Development Fund)	29	6,723,002		6,839,378
Capital Expenditure (Development Fund)	29	18,039,336		10,746,560
Advance and Deposits (net))	27	190,951		996,163
<b>Total Payments</b>		<b>141,436,556</b>		<b>140,320,916</b>
Cash flow Increase/(Decrease)		7,773,524		(4,718,780)
Exchange rate adjustments	19	(33,926)		(165,145)
Other		(65,041)		
		<b>7,674,556</b>		<b>(4,883,924)</b>
<b>Cash at the Beginning of the Year</b>		<b>37,287,486</b>		<b>44,962,042</b>
<b>Cash at the end of the year</b>		<b>44,962,042</b>		<b>40,078,118</b>

**CONSOLIDATED FUND - April 2016 to March 2017**

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

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

**(Economic Classification of Payments)**

		Original Budget	Final Budget	Actual 2017	Budget Variance <sup>7</sup>	Actual 2016
	<b>Notes</b>					
<b>Cash Inflows</b>						
Taxation	19	41,948,800	41,948,800	44,076,848	2,128,048	40,107,060
Non Tax	20	2,885,200	2,885,200	3,103,042	217,842	4,143,204
Other receipts	20	2,433,900	2,433,900	2,407,409	(26,491)	2,100,260
Grants						
Budgetary Aid /	21	79,224,900	79,224,900	74,393,435	(4,831,465)	75,929,250
Development Grants	29	38,715,300	54,395,071	10,135,311	(28,579,989)	26,930,297
<b>Total Receipts</b>	<b>1</b>	<b>165,208,100</b>	<b>180,887,871</b>	<b>134,116,046</b>	<b>(31,092,054)</b>	<b>149,210,080</b>
<b>Cash Outflows</b>						
Personal Emoluments	22	47,561,900	44,314,000	42,344,430	2,480,904	41,779,332
Pension, Gratuities and Other						
Benefits		11,455,700	12,268,400	12,198,589	3,591	12,072,942
Goods & Services	22	35,309,600	38,140,000	35,082,945	1,066,418	29,928,885
Transfers and Subsidies	22	23,683,000	23,099,900	22,795,899	268,386	23,052,071
Social Services	22	4,061,300	4,317,300	4,291,381	15,878	4,480,059
Other Expenditure	22	4,002,600	3,934,500	3,619,375	352,817	3,860,230
Debt	22	1,078,700	1,078,700	1,056,068	347,061	636,803
Capital Expenditures	29	37,491,200	39,835,460	17,585,938	19,905,262	24,089,092
Locally Funded Projects	18	1,224,100	1,381,100	345,288	878,812	673,245
<b>Total Outflows</b>	<b>1</b>	<b>165,868,100</b>	<b>168,369,360</b>	<b>139,319,913</b>	<b>26,548,187</b>	<b>140,572,360</b>

<sup>7</sup> Original minus Actual

**CONSOLIDATED FUND - April 2016 to March 2017**

**Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL REVENUE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>1A - Tax Revenue</b>				
110: Taxes on Income, Profits and Capital Gains	16,347,000	16,347,000	18,102,859	1,755,859
115: Taxes on Property	920,000	920,000	692,308	(227,692)
120: Taxes on Domestic Goods & Services	2,041,600	2,041,600	2,470,855	429,255
122: Licences	2,932,700	2,932,700	2,603,401	(329,299)
125: Taxes on Int'l Trade & Transactions	18,767,500	18,767,500	19,588,063	820,563
129: Arrears of Taxes	940,000	940,000	619,363	(320,637)
<b>Total Tax Revenue</b>	<b>41,948,800</b>	<b>41,948,800</b>	<b>44,076,848</b>	<b>2,128,048</b>
<b>1B: Non Tax Revenue</b>				
130: Fees, Fines and Permits	2,000,500	2,000,500	1,845,415	(155,085)
135: Rents, Interest and Dividends	884,700	884,700	788,235	(96,465)
140: ECCB Profits	-	-	-	-
145: Reimbursements	115,000	115,000	469,393	354,393
150: Budget and Grants	79,224,900	79,224,900	74,393,435	(4,831,465)
160: Other Revenue	2,318,900	2,318,900	2,407,409	88,509
<b>Total Non Tax Revenue</b>	<b>84,544,000</b>	<b>84,544,000</b>	<b>79,903,886</b>	<b>(4,640,114)</b>
<b>TOTAL RECURRENT REVENUE</b>	<b>126,492,800</b>	<b>126,492,800</b>	<b>123,980,735</b>	<b>(2,512,065)</b>

Development Revenue

02. British Dev. Aid Grants – Local	8,418,259
07. C.D.B Loans	174,168
10. Local	1,345,288
12. UNDP	105,260
17. UNICEF	58,288
34. RSPB	34,048
<b>Total</b>	<b>10,101,263</b>

*Accountant General, Montserrat*

**CONSOLIDATED FUND - April 2016 to March 2017**

**Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>CONSOLIDATED FUND EXPENDITURE:-</b>				
05 Police & Fire	6,266,700	6,201,400	6,050,120	151,280
07 Legal	1,739,100	1,451,100	1,268,822	182,278
08 Magistrates Court	339,200	339,200	269,530	69,670
09 Supreme Court	712,900	712,900	653,774	59,126
10 Legislature	1,473,400	1,595,400	1,505,968	89,432
11 Office of the Auditor General	1,258,000	1,068,000	896,273	171,727
12 Office of the Deputy Governor	31,957,900	32,384,600	30,386,153	1,998,447
13 Office of the DPP	649,200	649,200	522,240	126,960
15 Office of the Premier	17,244,600	17,769,900	17,364,161	405,739
20 Ministry of Finance	12,661,800	12,511,800	12,057,788	454,012
30 Min. of Agriculture, Lands, Housing etc.	6,418,100	6,298,100	5,654,702	643,398
35 Min. of Communications & Works	14,224,300	13,903,600	13,443,292	460,308
40 Ministry of Education	10,877,300	10,987,300	10,839,753	147,547
45 Min. of Health & Community Services	21,350,300	21,280,300	20,476,111	804,189
<b>TOTAL CONS. FUND EXPENDITURE</b>	<b>127,152,800</b>	<b>127,152,800</b>	<b>121,388,686</b>	<b>5,765,114</b>
<b>DEVELOPMENTEXPENDITURE</b>				
VOTE 12/120 - OFFICE OF THE DEPUTY GOVERNOR	2,480,800	2,480,800	938,674	1,542,126
VOTE 15/150 – OFFICE OF THE PREMIER	4,719,900	5,057,200	909,997	4,147,203
VOTE 20/200 – MIN. OF FIN & ECON DEV	15,034,800	14,941,460	8,271,551	6,669,909
VOTE 30/300 – MIN. OF AGRIC LANDS HOUSING	2,942,100	2,992,900	863,974	2,128,926
VOTE 35/350 – MIN. OF COMMS & WORKS	13,144,500	13,709,400	6,790,624	6,918,776
VOTE 40/400 - MIN. OF EDUCATION	-	250,000	138,130	111,870
VOTE 45/450 - MIN OF HEALTH, COM SERVICES	393,200	393,200	18,277	374,923
<b>TOTAL DEVELOPMENT EXPENDITURE</b>	<b>38,715,300</b>	<b>39,874,960</b>	<b>17,931,226</b>	<b>21,893,733</b>

**GOVERNMENT OF MONTSERRAT**  
**DEVELOPMENT FUND**  
**STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2017**  
**(with comparative figures for March 31, 2016)**

	<b>2016</b>	<b>2017</b>
BRITISH DEVELOPMENT AID CLAIMS OUTSTANDING (1)		3,063,006
DONOR AGENCIES EXPENDITURE OUTSTDG (2)	2,393,149	2,409,854
LOCAL FUNDS (4)		
CONSOLIDATED FUND PAYABLE (22 221 71001)	25,121,240	17,325,324
<b>TOTAL ASSETS</b>	<b>27,514,389</b>	<b>22,798,184</b>
<b>LIABILITIES</b>		
DEPOSITS WITHIN THE DEVELOPMENT FUND (3)	20,843,885	16,970,718
LOCAL FUNDS (4)	699,952	2,691,416
British development Claim Deposits	2,834,499	
Consolidated Capital Fund (22 221 71002)	968,091	10,931,965
<b>ADD REVENUE OVER EXPENDITURE</b>	2,167,959	-7,795,915
<b>TOTAL LIABILITIES</b>	<b>27,514,389</b>	<b>22,798,184</b>

**NOTES TO BALANCE SHEET**

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

**GOVERNMENT OF MONTSERRAT  
CONSOLIDATED REVENUE FUND**

*Notes to the Financial Statements  
Financial Year Ending March 31, 2017*

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

**Note 1. Accounting Policies**

***Basis of preparation***

*The basis of preparation of the Financial Statements is largely governed by the provisions of the PFMAA. These statements are also compliant with the Cash Basis of IPSAS (Part1). In previous Accounts the main area of departure from IPSAS was the non-consolidation of the Financial Statements of other entities controlled by the GoM, in particular Statutory However, this is no longer a requirement under IPSAS.*

*The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Consolidated Fund. Consideration is however given to 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 2016 to March 2017) as the Financial Statements.*

*The original budget was approved by the Legislative Assembly on March 21st 2016. The original Approved Budget for the fiscal year 2016-17 was \$165,868,100 (Recurrent \$127,152,800; Capital \$38,715,300). This budget was amended by subsequent supplementary budgets during the fiscal year in accordance with the relevant Supplementary Acts passed by the Legislative Assembly mainly to cover expenditure for the By-Election that was held during the financial year and to defray outstanding overseas pension payments. Other adjustments to the Supply Votes include a sum of \$525,300 which was required under Vote 15 - Office of the Premier for additional funds to meet the expenses of the Tourism Division and \$110,000 under Ministry of Education to put the necessary electronic infrastructure in place for the introduction of online exams at the Montserrat Secondary School.*

***Reporting entity***

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



*The Annual Statements of the Public Accounts shows the financial performance of the Government of Montserrat for the financial year ended 31st March 2017 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury Department, operates a centralised treasury function that collects moneys and administers expenditure payments for all Ministries and Departments of Government.*

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

### **Government Ministries and Departments**

**05 Police & Fire**

**07 Legal**

**08 Magistrates Court**

**09 Supreme Court**

**10 Legislature**

**11 Office of the Auditor General**

**12. Office of the Deputy Governor**

**13 Department of Public Prosecution**

**15 Office of The Premier**

**20 Ministry of Finance and Economic Management**

**30 Ministry of Agriculture, Lands, Housing etc.**

**35 Ministry of Communication & Works**

**40 Ministry of Education Youth Affairs and Sports**

**45 Min. of Health & Community Services**

### **GoM Statutory Bodies and State Owned Entities (SOEs)**

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

Financial Services Commission

Montserrat Social Security Fund

Montserrat Land Development Authority

Montserrat Port Authority

Montserrat Philatelic Bureau

Montserrat Community College

Montserrat Tourist Board (*Repealed 25/07/2014 by S.R .O 40*)

Montserrat Utilities Limited

Montserrat Volcano Observatory

Bank of Montserrat Ltd.

Montserrat National Trust

Montserrat Info-Communication Authority

Montserrat Arts Council

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

### **Reporting currency**

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

### **Foreign Currency Transactions**

*Transactions in foreign currency other than the Eastern Caribbean Dollar are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2017, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating income in the year realized. Losses on exchange are treated as operating loss in the year realized. These are offset against the surplus.*

### **Refunds of Previous Year Expenditures**

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

### **Payments by Third Parties**

*All payments made by Third Parties are made by third parties which are not part of this economic entity. The GoM benefits from goods and services purchased as a result of cash payments made by Third Parties during the reporting period. The payments made by the Third Parties do not constitute cash receipts. They are disclosed in the Third Party Payments column in the Consolidated Statement of Cash Receipts and Payments pursuant to IPSAS 1.3.24. (See annex for purpose of settlement)*

### **External Assistance**

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

MULTILATERAL AGENCIES	
BRITISH DEVELOPMENT AID/DFID	82,811,694
UNDP	105,260
UNICEF	58,288
JNCC	12,141
TOTAL	82,987,383

**Note 2. The Consolidated Fund**

*This line item represents the balance of the Consolidated Fund (TCF) bank accounts held at the Bank of Montserrat and the Royal Bank of Canada. Funds are held in these accounts for the purpose of collecting revenue and making payments on behalf of all GoM Ministries and Departments. The balance also includes subsidiary accounts held at the Royal Bank of Canada and the Bank of Montserrat to facilitate online visa payments and the payment of property taxes. The sum of these accounts is netted against balance on GOM's Corporate Credit Card.*

**Note 3. Operating Account - ECCB**

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

**Note 4. Development Capital Fund**

*Development Capital Fund represents the balance on account held at the Bank of Montserrat to finance Development Programs. This account forms part of the Consolidated Fund as prescribed by the PFMAA.*

**Note 5. Crown Agents #2 Account**

*The Government of Montserrat holds several accounts at Crown Agents in the UK in Pound Sterling and US dollar. The amount in the accounts represents the value in the local currency after the deduction of losses on the rate of foreign exchange. GOM recorded a loss of EC\$165,145 attributed to the fall of the pound following the UK's Brexit decision in 2016.*

**Note 6. Fiscal Reserve - A/C 1 Tranche**

*Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB on behalf of the Government of Montserrat. This account was set up following an agreement with ECCB and Participating Governments in order to encourage fiscal discipline among participating members. This account is also be*

*used to disburse or settle any profit or loss distribution. During the financial year a total EC\$15,742.06 was posted to the account as interest, however no share of the profits recorded by the Bank was distributed during the year.*

**Note 7. Volcano Relief Account**

*This bank account has been in existence for a number of years under the authority of the Volcano Relief Fund Act 2003 to finance specific causes in an emergency triggered by volcanic events. This account represents an asset of the GOM which has now been brought on the ledger for purpose of reporting accounts held by GOM.*

**Note 8. CDB Loan Payment Account**

*This bank account was set up to facilitate the repayment of loans issued under the CDB soft loan program administered by the Bank of Montserrat. This account represents an asset of the GOM which has now been brought on the ledger for purpose of reporting accounts held by GOM.*

**Note 9. EU Savings Account**

*This bank account has been active for a number of years and was set up to receive withholding tax receipts from EU countries on the basis of an exchange of information tax agreement. This account represents an asset of the GOM which has now been brought on the ledger for purpose of reporting accounts held by GOM.*

**Note 10. Equity BOM**

*This line item represents Government owned shares held at the Bank of Montserrat Ltd. During the 2013/14 financial year BOM launched an Additional Public Offer (APO) for the re-capitalization of the bank. As a result of this restructuring initiative the number of shares beneficially held by GOM has increased from 67,124 to 2,013,720 through a Stock Split ( each original par value share converted to 10 \$5 book value shares) and a Bonus Share issue ( each new \$5 share was given an additional 2 Bonus Shares).*

**Note 11. Personal Advances**

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

**Note 12. Impersonal Advances and Outstanding Advances**

*The amount denotes outstanding travel and department imprests which should have been retired on or before the end of the financial year. The Impersonal Advances were written down in the accounts at the end of the financial year. The list of the Outstanding Advances is provided in the Statement of Advances accordance with the PFMAA; the amount indicated in the Statement of Asset and Liabilities denotes the sum that is deemed to be collectible.*

**Note 13. Advances to Other Government Administrations**

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

**Note 14. Other Advances**

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

**Note 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. (See attached schedule)*

**Note 16. Postmaster Clearance Account**

*Postmaster Clearance Account is the Postmaster contra account held by GoM. This ledger account has been used to settle and reconcile receipts and payment that are due to the General Post Office. The Accounts have been carrying the balance on this account as a "negative" asset which essentially is a liability that netted the assets total in the Statement. Hence the line item has been repositioned on the Statement under Liabilities to aid the understanding of the Statement and to show the gross figures for both assets and liabilities.*

**Note 17. Development Fund Receivable/Payable**

*This line item in the Statement of Assets and Liabilities represents the Consolidated Fund's holding as it relates to the Development Fund which is accounted for separately in the Public Accounts in accordance with the PFMAA. The net position at the end of the fiscal year shows that deposits in the Development Fund exceeds project expenditure; hence the reported amount is notionally due to the Development Fund. The Accounts have been carrying the balance on this account as a "negative" asset, which essentially was a liability that netted the assets total in the Statement.*

*Hence the line item has been repositioned on the Statement under Liabilities to aid the understanding of the Statement and to correctly show the gross amounts for both assets and liabilities.*

**Note 18. Special Funds**

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

**Note 19. Fund Adjustments**

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

**Note 20. Contribution to Local Projects**

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

**Note 21. Previous Years' Charge**

*This is an extraordinary expense related to bank debits that cannot be charged to one specific Unit or Department. This expense is funded from the previous year's surplus.*

**Note 22. Tax Revenues**

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

**Schedule of Tax Revenue**

Tax Revenue	
Taxes on Income, Profits and Capital Gains	18,102,859
Taxes on Property	692,308
Taxes on Domestic Goods & Services	2,470,855
Licences	2,603,401
Taxes on International Trade & Transactions	19,588,063
Arrears of Taxes	619,363
Total Tax Revenue	44,076,848
Arrears of Taxes	
Company Tax arrears	115,619
Income Tax Arrears	210,562
Property Tax Arrears	293,181
Arrears of Taxes	619,363

### ***Taxes on Income Profits and Capital Gains***

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

### ***Taxes on property***

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

### ***Taxes on Domestic Goods and Services***

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

### ***Licences***

*This is essentially an extension of the above category of taxes. One of the regulatory functions of GoM is to forbid ownership or the use of certain goods or the pursuit of certain activities unless certain permission is granted by the issuing of a licence at*

which point a payment is made for the granting or application of such a licence. This revenue stream includes licences such as: Firearms Licences, Liquor and Still Licence, Trade Licence etc. (See Statement of Detailed Recurrent Revenue)

### **Taxes on International Trade**

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

### **23. Non Tax Revenue**

In the Cash flow Statement “non tax revenue” broadly refers to all other revenue streams that are locally generated but not deemed to be tax revenue as detailed in Note 19. (See Statement of Detailed Recurrent Revenue)

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

#### *Rents, Interests and Dividends*

Revenue received from renting GoM properties or assets are accounted for under this line item. Dividends are also accounted for under this heading as a non-tax revenue.

#### *Other Receipts*

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

### **Note 24. Budget and Grants**

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

### **Note 25. Recurrent Expenditure**

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



## ***Pensions, Gratuities and Other Benefits***

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

## ***Goods and Services***

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

## ***Transfers and Subsidies***

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

<b>Transfers and Subsidies</b>	
Contributions to Regional and Int'l Institutions	4,875,617
Grants to Local Institutions	1,335,288
Subvention to Statutory Bodies	8,632,120
Subvention to Overseas Mission UK	334,442
Other Subventions	7,618,432
Total	22,795,899

## ***Debt***

*Debt refers to all liabilities that require payment or payments of interest and/or principal by the GoM. Government borrowing and debt servicing comprises the Plymouth 2nd Port Development Loan and the Consolidated Line of Credit (a loan used to provide student loans, business loans and agricultural developments and the Second Power Project that was disbursed during the 2017 FY. (See Statement of Public Debt).*

*Other liabilities as at the end of the reporting period include Montserrat Social Security Fund (MSSF) – Davy Hill Houses \$1,380,497 at 3.5% approved by Cabinet*

### **Social Services**

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

<b>Social Services</b>	
Old Age Benefit	1,301,075
Family and Children Benefit	-
Unemployment Benefit	79,152
Housing Benefit	339,117
Social Protection Other	2,355,689
Legal Aid	25,000
Child Health Programme	-
Nutrition & Health Education	145,982
Psychiatric Care	-
Health Promotion	45,365
Sexual Health	-
<b>Total</b>	<b>4,291,381</b>

### **Other Expenditure**

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

### **Total Recurrent Expenditure**

<b>Recurrent Expenditure</b>	
Personal Emoluments	42,344,430
Pension,Gratuities and Other Benefits	12,198,589
Goods & Services	35,082,945
Transfers and Subsidies	22,795,899
Social Services	4,291,381
Other Expenditure	3,619,375
Debt	1,056,068
<b>TOTAL</b>	<b>121,388,686</b>

**Note 26. Investing Activities**

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

**Note 27. Financing Activities**

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

**Note 28. Capital Receipts**

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

**Note 29. Capital and Revenue Expenditure**

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

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

**Note 30. Deposits and Advances**

*The amount represents the net sum for these BTL accounts (See Notes 11-18).*

**APPENDIX 2**  
**(extract from)**  
**2010 NO.2474 THE MONTSERRAT CONSTITUTION ORDER 2010**

**PART VIII**  
**FINANCE**

**Financial control and accounts**

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

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

**Auditor-General**

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

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

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

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

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

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

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

- (a) The Governor shall appoint a special tribunal which shall consist of a Chairman and not less than two other members; but the Chairman and at least half of the other members shall be persons who hold or have held office as a judge of a court having unlimited jurisdiction in civil and criminal matters in any part of the Commonwealth or Ireland or a court having jurisdiction in appeals from such a court;
  - (b) The special tribunal shall inquire into the matter and report on the facts thereof to the Governor and recommend whether or not the Auditor General should be removed from office.
- (4) If the special tribunal appointed in accordance with subsection (5) recommends to the Governor that the Auditor General should be removed from office then the Governor shall remove him or her from office.
- (5) If the question of removing the Auditor General from office has been referred to a special tribunal under subsection (5), the Governor, acting in his or her discretion, may suspend the Auditor General from the exercise of the functions of that office and such suspension shall cease to have effect if the special tribunal recommends to the Governor that the Auditor General should not be removed.
- (6) The Auditor General may resign his or her office by writing under his or her hand addressed to the Governor.

### **Position and remuneration of Auditor General**

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

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

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

### **Functions of Auditor General**

103. (1) The Auditor General shall audit and report on the public accounts of Montserrat and of all public offices, including the courts, the central and local government administrations, universities and higher education institutions, and any public corporations or other bodies or organisations established by an Act of the

Legislature, and may conduct financial and value for money audits in respect of any project involving public funds.

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

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

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

### **National Audit Office**

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

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

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

***Judith Simpson***  
**Clerk of the Privy Council**

**APPENDIX 3**  
**Status Of Audit Recommendations As Of September 30, 2017**

Reviews	Finding	Recommendation	Current Status	Actions Undertaken	Target Date & Response
Audit of Pensions and Retiring Benefits 2013-2016	During the audit we noted that the Office of the Deputy Governor did not have a pensions manual which sets the framework for computation of pensions, policies and procedures	We thus recommend that a procedures manual be produced to serve as a guide to the department in dealing with pensions and to monitor compliance			No Updated Response Received
Pensions Audit cont'd	There are several risks associated with the developer maintaining control over the software. Firstly, there is the risk of delays in processing applications when difficulties with the functionality of the software are encountered, Secondly, continuous upgrades may prove costly as this is a bespoke software, that is, it is not a software package where regular updates can be purchased off the shelf. Thirdly, there is a risk of continued availability of support or supplier failure that would lead to loss of software use and negatively impact the processing of pensions and retiring benefits.	We recommend that ODG should assess the feasibility of purchasing the software and maintaining it in-house			No Updated Response Received
<b>Performance Audit on Selected</b>	GoM does not have an approved outsourcing plan or	The introduction of an up-to-date outsourcing plan is advised in order	MoF – This is no longer seen as a	MoF – None	Response from <b>FS Mr Colin Owen</b>

<p><b>Outsourced Activities in the Montserrat Public Service</b></p> <p><b>September 2016</b></p>	<p>an outsourcing policy and procedures manual. Draft consultation for these 2 documents was completed in May 2008 by GIC Limited. There is no indication that these documents were approved by GoM and DFID after the Policy and Procedures was issued on 17 April 2008</p>	<p>to put forward proposals on which Government services could be further outsourced to the private sector, in the form of a three-year program, together with supporting information. The introduction of an Outsourcing Policy and Procedures Manual will set out the current policy, provide information on precedents and lessons to be learned; and to suggest procedures for the implementation of outsourcing.<sup>8</sup> Going forward there is the opportunity to strengthen and improve this area and ensure that adequate documentation is put in place.</p>	<p>priority areas and no further outsourcing is planned in the next three year budget cycle. No further work will be carried out in this area.</p>	<p>MoE – Regarding the recommendation for government-wide policies regarding outsourcing of services, we await leadership from the relevant department.</p>	<p>(18/08/2017)</p> <p>Response from <b>PS Education (Ag) Mr Glen Francis</b> (02/08/2017)</p>
	<p>Generally, we found that the outsourcing of the activities was not managed adequately despite cost savings reported and felt the procedures could have been more efficient. There is no one individual with overall responsibility for contract management across government, though our discussions indicated that at the top of the service there is a fairly good understanding of the importance of effective contract management</p>	<p>There is a need to improve upon the management of outsourced activities and contract management for the GoM. This may involve proposal requests, establishing budgets for potential outsourced activities and reviewing proposals that are submitted. Consideration for an individual to be hired to assist with contract management and report to Public Procurement Board. This person may also be responsible for approving proposals and monitoring progress and performance of those hired to provide services to Government.</p>	<p>MoF – See above.</p> <p>Contract Management is the responsibility of accounting officers who manage those contracts.</p>	<p>MoF - None</p>	<p>Response from <b>FS Mr Colin Owen</b> (18/08/2017)</p>

<sup>8</sup> Montserrat Outsourcing Policy & Procedures Version 2: 12 May 2008 by GIC Limited



	<p>Cabinet approved the outsourcing of Government's cleaning services to the prescribed Workers' Cleaning Cooperative effective 1 January, 2013.<sup>9</sup> This we found was in direct contravention of the named Procurement Regulation above as the requirements of Section 21 (1) was not met. Whilst this transition is continuously referred to as an outsourced activity it has not met the requirements or processes of outsourcing as outlined in the regulations.</p>	<p>The cleaning services must be reviewed and a decision be made on the way forward on whether Workers' Cleaning Cooperative (MCC) will continue to be a unit of ODG or operate as it was intended – an outsourced activity.</p>			No Updated Response Received
	<p>Cabinet decision 59/2014 dated 30 January 2014, states <b>"It was reiterated that no Government Officer should be the lead person managing the affairs of the Cooperative."</b> A government employee was appointed as General Manager of the MCC and despite subsequent directive made by Cabinet it was never retracted. Additionally, it was observed that ODG does not have a professional distance from the</p>	<p>There is the need to retract the appointment of a government employee as General Manager of the Worker's Cooperative as this is in contravention of the Cabinet Decision 59/2014 dated 30<sup>th</sup> January 2014.</p> <p>Ensure the implementation of an agreement between MCC and GOM that is the ODG</p>			No Updated Response Received

<sup>9</sup> Cabinet Decision 511/2012 dated 29<sup>th</sup> November 2012 – Outsourcing of Cleaning Services

	Cooperative as they provide technical assistance to the organization. At the time of this audit, there was no signed contract between MCC and the GoM that is the ODG.				
	We found limited evidence of a monitoring and assessment program for the outsourced activities.... Another essential component of any outsourcing activity is an effective performance measurement framework that assesses how well the program is achieving its objectives and intended outcomes as well as achieving value for money	There should be a culture of measuring performance of the service provider to ensure that performance in key result areas are monitored against targets, reported to appropriate management levels, and significant variances addressed	MoF – This is not the case	MoF – Recommendation implemented  MoE – Specifically regarding the lunch service the current contract is coming to an end shortly and the Ministry took the decision not to offer an extension. The service was put out to tender and the evaluation report has been submitted to the Central Tenders Board with a recommendation. In the meantime, we have strengthened our monitoring system by ensuring that regular meetings are held with relevant Ministry staff and the monitoring officer at each school. These meetings are expected to review service quality and monitoring procedures.	Response from <b>FS Mr Colin Owen</b> (18/08/2017)  Response from <b>PS Education (Ag) Mr Glen Francis</b> (02/08/2017)
	It was found that there have been instances where contractors provided services	The Procurement Division and other stakeholders should ensure all contracts and contract amendments	MoF – This is not the case.	MoF – Recommendation implemented	Response from <b>FS Mr Colin Owen</b> (18/08/2017)

	to the GoM without a valid contract....In our opinion, the risk that services were being rendered without a valid contract could have exposed the GoM to potential liabilities	are signed between the GoM and service providers in a timely manner in order to fully protect the interests of the Government.		MoE – With respect to the two services which were outsourced but managed from this Ministry a request for one additional staff has been made. This post which has been termed as a Contracts Officer was pitched at the level of an Assistant Secretary and the role is to monitor all contracts be it related to building construction, to maintenance or to service delivery within the Ministry. With this person on staff we should finally have the capacity to manage these outsourced services.	Response from <b>PS Education (Ag) Mr Glen Francis</b> (02/08/2017)
Report to those charged with governance on the Public Accounts 2016	<b>Adoption of Accrual Basis IPSAS.</b> Use of the cash basis IPSAS is but the first step toward preparing accounts that could be compared internationally based on the acceptable public sector accounting standards. However, the cash basis IPSAS provides limited information as it focuses on cash receipt, cash payments and cash balances only. It	We suggest that government make the adoption of Accrual Basis of IPSAS a policy priority; set a target date for adoption and include as Ministry of Finance's action plan to improve public financial management.	Ongoing	This is exactly what is happening, CARTAC providing support on scoping visits. We have adopted an Accruals Basis of accounting in line with IPSAS as a policy priority; which will include action plan to improve public financial management but this will be a long term commitment.  It must be noted that at the moment we are aiming for 2021, funding will be a	Hon Financial Secretary, Mr Colin Owen

	<p>does not recognize transactions already entered <b>into</b> but monies were not received or paid, or the existence of non-cash assets and liabilities. Adopting the accrual basis of accounting public sector accounting standards would allow government to improve the quantum and quality of financial information that can be produced on the face of the financial statements.</p>			<p>serious consideration and discussions will be held with DFID to provide technical support.</p> <p>Responsible Officer Financial Secretary</p>	
<p>Report to those charged with governance on the Public Accounts 2016</p>	<p><b><u>Accounting Standards to be used.</u></b> Currently, the Public Finance Management and Accountability Act (Sec 41(4)) only requires the accounts to be prepared in accordance with generally accepted accounting practice. There is no directive on the specific standards to be used</p> <p>A Schedule entitled "Provisions for Submission of Accounts" forms part of the requirements for preparation of accounts as determined by</p>	<p>There is a risk that the reporting framework is not compliant and cannot be measured against any international accounting financial reporting regime if these are not documented in the PFMAA.</p> <p>In light of the foregoing we recommend the following:</p> <p>➤ <b>The inclusion of the specific standards (International Accounting Standards – IPSAS) to be used in the Revised Public Finance Management and Accountability Act (we are aware that such a revision is currently ongoing);</b></p>	<p>Ongoing</p>	<p>As it stands GOM is fully compliant with the Public Finance Management and Accountability Act (Sec 41(4)) as the accounts are prepared in accordance with generally accepted accounting practice.</p> <p>We are happy to amend the disclosure notes to include the existence of non-cash assets (for 2016/17 Accounts).</p> <p>Responsible Officer Accounting General</p>	<p>Hon Financial Secretary, Mr Colin Owen</p>

	<p>the Public Finance Management and Accountability Act. The first requirement is for the preparation of a balance sheet showing the consolidated assets and liabilities of all public and other entities wholly funded through the Consolidated Fund. The IPSASB encourages the use of IPSAS as the financial reporting base under which the accounts are to be prepared. Therefore there is need for the harmonization between internationally recognized and national accounting standards.</p> <p>The preparation of asset and liabilities is inconsistent with accounts prepared under the cash-basis of accounting. Financial Accounts prepared under the cash basis of accounting require the mandatory preparation of a Statement of Cash receipt and payment; accounting policies and explanatory notes; and a comparison of the government's publicly available budget and actual amounts (budget execution statement), and explanations</p>	<p>➤ <b>Attention be paid to revising the documents to be submitted to enable compliance with international accounting standards</b></p>		<p><b>Ongoing</b></p> <p>The adoption of IPSAS is a real challenge for GOM, due to the resources required to implement IPSAS and the length of time to implement. The new Financial Secretary raised the issue on being appointed as he has considerable experience of implemented IPSAS at another Overseas Territory.</p> <p>Conversations have been held with CARTAC on the support that can be provided to GOM to take forward this issue. A scoping visit is due in April 2017 to establish if GOM is ready to move forward on the implementation programme. The action plan will span several years, at this time we would be looking at a partial implementation date of 2021.</p> <p>Updates will be provided to the Auditors on this matter.</p> <p>Responsible Officer Financial Secretary</p>	
--	--	--	--	--	--

	<p>of differences between budget and actual</p> <p>With regard to the disclosure of noncash assets, we note that under current reporting practices they are included in the accounts as part of recurrent expenditures. To enable greater accountability and transparency, these should be included by type of the asset, as part of the notes to the accounts.</p>				
<b>STATUS UPDATES OF PREVIOUSLY MENTIONED AUDIT RECOMMENDATIONS FOLLOW-UP</b>					
<p>Performance Audit on Attracting, Retaining and Managing Specialist Skilled Staff in the Montserrat Public Service</p> <p>April 2015</p>	<p>There are still a number of outdated manuals and necessary policies/strategies that require immediate attention. Main ones being the HRM Procedures Manual, An Orientation/Induction Program, Succession Planning Policy and a Develop a Comprehensive Training Strategy.</p>	<p>Expedite the revision of a HRM Procedures Manual.</p> <p>Implement a formal induction program for employees appointed to new positions.</p> <p>Develop a Comprehensive Training Strategy that sets the framework for the governance, design, development and delivery of all learning and development activities.</p> <p>Implement an effective Succession Planning Policy to ensure continuity in the event of retirement or</p>	<p>In progress</p> <p>Implemented</p> <p>} In progress</p> <p>In progress</p>	<p>Draft completed</p> <p>Induction &amp; Orientation to Government Training session commences (to be held twice once a quarter) – AS L&amp;D, CHRO</p> <p>Draft in progress – HRMU Senior Staff</p> <p>Continuous CHRO</p>	<p>Post of Director HRIS advertised with a deadline date of Nov 8, 2017 – CHRO and HR Recruitment Team</p>

	<p>expiration of a contract</p> <p>The Director of Learning and Development Division and a Senior Assistant Secretary post are vacant.</p> <p>On average it typically takes 8- 12 weeks to recruit a specialist skills staff. The activities that consumes the most time are slow responses from line ministries or departments and and delayed responses by HRMU at key stages of the process.</p> <p>In 2011 the GoM implemented a new information management system known as the Smartstream HRIS to maintain personal records of all MPS. This is an automated HR information tool that encompasses recruitment &amp; selection, training etc. This is not being fully utilized.</p> <p>HRMU does not conduct employee opinion surveys and there is little evidence that they systematically test the quality or effectiveness of their recruitment processes or</p>	<p>Immediate recruitment of a Director of Learning and Development Division and a SAS.</p> <p>Consider the implementation of a recruitment and retention policy</p> <p>Improve Resource Utilization</p> <p>Reduce the lengthy recruitment time by assessing and removing any unnecessary steps</p> <p>er longer term contracts for teaching and other critical profession.</p> <p>Continuation of the training and implementation of the HRIS to enable full utilization thereby achieving value for money.</p> <p>Conduct regular surveys to gather information that can be used to assist with the development of activities, ways to improve service delivery and ideas that will assist</p>	<p>}In Progress</p> <p>Implemented</p> <p>In Progress</p> <p>Implemented</p> <p>In progress</p> <p>In Progress</p> <p>In progress</p>	<p>Structure has been reviewed and vacant posts will be dealt with – CHRO Nov/Dec 2017</p> <p>CHRO</p> <p>This is being undertaken by new CHRO</p> <p>New process is being utilized - CHRO</p> <p>Teaching contracts are on a two year to three year basis. Length of nursing contracts are to be reviewed on completion of a review of contractual staff being placed on permanent employment after having served 4 years on contract – HRMU Senior Staff</p> <p>Post of Director HRIS advertised with a deadline date of Nov 8, 2017 – CHRO and HR Recruitment Team</p> <p>Completed (Undertaken through EEP) A new questionnaire has been completed and will be rolled</p>	
--	--	---	---	---	--

	<p>services provided to the public service of the general public.</p>	<p>with the strategic direction of HRMU plans.</p> <p>Consider having the Internal Audit Department conduct periodic performance assessments</p>	<p>In progress</p>	<p>out in 2018 with the implementation of the new HRIS. The questionnaire can be made available on the H Drive prior to official rollout – Ongoing</p> <p>Completed (Undertaken through EEP) A new questionnaire has been completed and will be rolled out in 2018 with the implementation of the new HRIS. The questionnaire can be made available on the H Drive prior to official rollout – Ongoing</p>	
--	---	--	--------------------	--	--



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

