



REPORT OF THE AUDITOR GENERAL

ON THE

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

FOR THE

FISCAL YEARS ENDED 31 DECEMBER 2005 & 2006



VISION STATEMENT

The Office of the Auditor General (OAG) plays a crucial role in ensuring that public monies are spent wisely. Our vision is therefore “to be a proactive Supreme Audit Institution (SAI) that helps the nation make good use of its resources”.

MISSION STATEMENT

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

THE GOAL

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

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ABBREVIATIONS USED

BOM	Bank of Montserrat
DFID	Department for International Development
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CFM	Citizen and Friends of Montserrat
ECCB	Eastern Caribbean Central Bank
GAAS	Generally Accepted Auditing Standards
GDP	Gross Domestic Product
GOM	Government of Montserrat
IASC	International Accounting Standards Committee
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
MASL	Montserrat Aviation Services Limited
MONLEC	Montserrat Electricity Services
MFSC	Montserrat Financial Services Commission
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPB	Montserrat Philatelic Bureau
MTB	Montserrat Tourist Board
MWA	Montserrat Water Authority
MVO	Montserrat Volcano Observatory
PAC	Public Accounts Committee
PFM	Public Finance Management
RISC	Regional Institutional Strengthening Committee
SSAP	Statement of Standard Accounting Practice
XCD	Eastern Caribbean Dollars

**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE FISCAL YEARS ENDING 31 DECEMBER 2005 AND 2006**

EXECUTIVE SUMMARY

Scope of the Audit Report to the Legislative Council

Section 19 of the Finance (Administration) Act 2001 requires this Audit Report to be submitted to the Minister responsible for Finance for presentation to the Legislative Council of Montserrat. However, in practice, the Report is tabled by the Financial Secretary. The Report summarizes the major matters arising from the examination and audit of the Public Accounts, Ministries/Departments and Statutory Agencies for the years ended 31 December 2005 and 2006.

Financial Administration and Management

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

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

4. We continue to encounter rising incidences of over-expenditures. For the fiscal year 2005, thirty-one subheads recorded expenditure in excess of appropriation, a 47.6% increase in over-expended subheads when compared with similar overspend in 2004. In 2006 three (3) Votes were overspent. The review also revealed that thirty-six (36) sub-heads were overspent across nineteen (19) departments. This is a troubling trend. In the absence of supplementary appropriation this excess expenditure is recorded in the Public Accounts without statutory authorization.

5. Because of the unauthorized expenditure on the Consolidated Fund and the inability to verify some revenue streams, the Audit Certificate has been given a qualified opinion.

Financial Performance

6. A comparison of recurrent revenue with recurrent expenditure revealed revenue surpluses of \$5.67M and \$5.52M in 2005 and 2006 respectively. These arose from a combination of increases in revenue and savings from reduced expenditures¹.

¹ These reduced expenditures arose primarily as a result of staff positions remaining unfilled at the end of the fiscal year.

7. In 2005, actual Local Recurrent Revenue amounted to \$35,604,719 exceeding projections by 8.74%. Local Recurrent Revenue was projected at \$35,313,400 for 2006. Of this amount, 99.6% was collected.

8. Actual Budgetary Aid increased by \$1,599,676 and 5,535,460 in 2005 and 2006, respectively. The increases were given to primarily meet subventions for transport subsidy; to make part payment on Social Security Contribution Arrears; ash related expenditure; and increased cost of Legislative Council sittings.

9. Savings on Recurrent Expenditure amounted to \$3,632,015 despite Ministry of Communications and Works vote being overspent by \$0.9M. In 2006, total gross savings amounted to \$3,637,665. Of this amount, 44.95% represented savings on Personnel Emoluments, 29.3% on Goods and Services, 21.04% on Transfers and Subsidies and 10.72% on debt.

10. Capital Revenues fell short of projections for the years being reviewed. Of the total projected revenues only 32% and 22.7% was actually received² in 2005 and 2006 respectively. However, these funds were partly supplemented by money from prior years which was held on the Development Fund Bank Account.

11. Capital Projects consumed expenditures of EC\$23,114,939 and EC\$18,882,878 for fiscal years 2005 and 2006 respectively. Expenditure incurred for 2005 was 48% of total authorized expenditure while that of 2006 represented 44%.

Cash Position of Government

12. At the end of the fiscal years being reviewed government bank accounts reflected positive balances of EC\$28,490,462 and EC\$17,283,669, respectively. A breakdown of bank balances in summarized form is shown below.

Description	Balances (EC\$)	
	2005	2006
Consolidated Fund	22,208,807	17,680,541
Development Capital Fund	6,281,655	(396,873)
TOTAL	28,490,462	17,283,669

Public Debt

13. At end of 2006 Total Public Debt amounted to EC\$34,155,077. This figure includes an outstanding payment to Social Security. Public Debt per capita which represents what each person is expected to contribute toward the repayment of the debt amounted to \$6,786.23 per person. However, the debt burden is shouldered by

² These percentages exclude revenues for locally funded projects. Such projects are funded directly from the Consolidated Fund and no monies are actually received.

the employed labour force. When this figure is taken into consideration the debt burden is measured at \$13,173.03 per person.

14. The external portion of the debt was reduced to EC\$11,755,077 at the end of 2006. Principal repayments for the period totaled EC\$1,003,328 and was utilizing less than 2% of actual local recurrent revenue for each of the years being reviewed.

15. Domestic debt stood at EC\$22.4M. This figure includes outstanding payment to the Social Security Fund of EC\$21.4M for retroactive contributions for government employees and Treasury Development Bonds of EC\$1M.

16. Debt servicing amounted to EC\$618,249.26 over the period being reviewed.

Key findings relating to Ministries/Departments/Statutory Agencies

17. We note an increase in the number of Ministries/Departments recording unauthorized expenditures on their Appropriation Accounts thus breaching the financial regulations. This is a troubling trend that needs to be addressed.

18. Revenue Collectors continue to submit their Arrears of Revenue statements after the 31 March deadline in breach of the regulations. This practice should cease with immediate effect.

19. The table below highlights the Arrears of Revenue as at the end of the fiscal years being reviewed.

Executing Agency	Arrears as at 31 December	
	2005	2006
Ministry of Agriculture, Lands, Housing & the Environment	572,732	579,157
Ministry of Communications and Works	40,987	79,388
Inland Revenue:-	0	0
Income Tax	15,949,255	16,601,125
Company Tax	3,713,173	4,477,487
Property Tax	2,207,730	2,367,386
Broadcasting Services (Radio Montserrat)	28,907	29,947
Customs	15,880	17,545
Treasury	718,684	723,359
Ministry of Health and Community Services	22,546	36,130
Development Unit	81,925	63,831
TOTAL	23,352,672	24,975,354

20. There were marginal increases in arrears of 5.66% and 6.95%. There is however a need to purge the arrears list for items deemed irrecoverable as their inclusion serves to distort the amount of arrears that is actually collectable. Additionally, the quantum of arrears is increasing suggesting a need for Accounting Officers to pay greater attention to collecting the outstanding sums owed to government.

21. As stated earlier several line-items are being overspent and this situation needs to be addressed. The over-expenditure is magnified in the Ministry of Communications and Works where, for a number of years, a number of the sub-units continue to over spend the total allocation leading to a total overspend on Vote 35, in 2005, for the third successive year. While the use of the \$10 Votes is cited as one of the underlying causes of the over-expenditure, we note that the over spend is extending to other line-items. The situation therefore needs to be urgently addressed.

22. Controls for revenue collection at the LookOut Community Centre needs to be strengthened. Our audit revealed that the Centre was being rented to individuals and non-profit organizations to hold private functions. Although fees were set within the Community Services Department, they were not sanctioned by Executive Council. There was no cash book to record monies received and the appointment system used did not give details of the time spent on the function making it difficult to monitor and assess revenue collection in this area.

23. As regards the statutory agencies, no financial statements for several of them were produced and submitted for tabling within the statutory deadlines.

24. Concern is being raised on the huge deficits on the accounts of the MLDA's Property Management accounts for 2005 and 2006. These deficits arose from a number of issues which include the substantial discounted rates given on the sale of houses, rents are set below market prices, some tenants are not paying rents, and administrative costs have significantly increased.

25. In 2005, GOM took a decision to divest itself of Montserrat Aviation Services Limited (MASL) due to rising operational cost and a dramatic down turn in revenues. In early 2006 a liquidator was identified to oversee the voluntary winding up of MASL. At the end of the review period, the process was still ongoing.

CHAPTER 1

1.0 INTRODUCTION

1.1 Reporting Authority

1. This Report, for the fiscal years 2005 and 2006, is submitted to the Honourable Minister of Finance, for onward transmission to the Legislative Council. It is pursuant to Section 26 (1) of the Audit Act 2001, No. 7 of 2001 and Section 17 (3) of the Finance (Administration) Act, No. 3 of 2001.

1.2 General Comments

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

1.3 Audit Mandate

3. The audit of the Annual Accounts of the Government of Montserrat for the fiscal year 2005 and 2006 was conducted in accordance with the provisions of the Audit Act 2001 and Section 17 (3) of the Finance (Administration) Act 2001. These pieces of legislation provide for the preparation and submission of annual statements by the Accountant General, and for examination and audit of those statements.

4. Section (8) of the Audit Act 2001 specifically requires the Auditor General and, by extension, the Office of the Auditor General, to inquire into, audit and report in an impartial manner, on the Public Accounts, and in the audit she shall make such examination as she may deem necessary to satisfy herself whether:-

- (a) accounts have been faithfully and properly maintained in accordance with Generally Accepted Accounting Standards [established by the International Accounting Standards Committee], and that all reasonable precautions have been taken to safeguard the collection and custody of public monies, and that these have been fully accounted for or paid, where so required by law, into the Consolidated Fund;
- (b) monies which have been appropriated and disbursed have been applied to the purposes for which they were appropriated, and that expenditure has been made only as authorized;
- (c) monies other than those which have been appropriated have been dealt with in accordance with proper authority;

- (d) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of cash, stamps, securities and public stores, and that the regulations, directions and instructions relating thereto have been duly observed;
- (e) sufficient, relevant and reliable audit evidence is obtained to support the issue of a professional audit opinion on the financial statements of the organizations subject to audit;
- (f) expenditure is achieving value-for-money;
- (g) adequate regulations, directions or instructions exist for the guidance of Accounting Officers and Accountable Officers, and are complied with;
- (h) proper returns have been submitted by Accounting Officers, in accordance with the Finance (Administration) Act 2001;
- (i) the accounts are in agreement with the books of accounts and returns.

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

1.4 Purpose of Audit Office

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

1.5 Reporting Process

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

1.6 Goals of Audit Report

8. The goal of a Public Finance Management (PFM) system is to support the achievement of aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public funds.³ Stakeholders therefore question whether these budgetary outcomes are achieved and seek to hold the Executive, Central Government agencies and public officials accountable for their actions and for the management of public funds entrusted to their care.

9. A critical objective of a good PFM system relates to the provision of Information that would allow dissemination to meet decision-making, control, management and reporting purposes. Another objective is that of Accountability and Transparency that facilitates external transparency and scrutiny of public finances. The timely flow of information coupled with good accountability and transparency practices therefore provide the groundwork whereby stakeholders can independently examine the stewardship of public officials and the overall operations of Central Government agencies.

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

1.7 Submission of Annual Accounts

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

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

- (a) a statement of assets and liabilities;
- (b) an annual abstract of revenue and expenditure by heads;
- (c) a comparative statement of actual and estimated revenue by sub-heads;
- (d) a comparative statement of actual and estimated expenditure by sub-heads

³ Revised Consultative Draft, October 21, 2004: PFM Performance Measurement Framework

- (e) a statement of balances on advance accounts analyzed under the various categories set out in section 30;
- (f) a statement of balances on deposit accounts;
- (g) a statement of outstanding loans made from the Consolidated Fund, by annual and aggregate receipts and payments;
- (h) a statement of public debt;
- (i) a statement of contingent liabilities;
- (j) a statement of investments showing the funds on behalf of which the investments were made;
- (k) a statement of arrears of revenue by subheads;
- (l) a statement of losses of cash and stores and of abandoned claims;
- (m) a statement of the Contingencies Fund Account;
- (n) other statements as the Legislative Council may from time to time require.

13. The first draft of both the 2005 and 2006 Annual Accounts were presented for audit well after the respective mandated deadlines⁴. To compound this, when they were eventually received, many of the statements contained material inaccuracies, others were incomplete and some of the required statements were not even presented. As the Accountant General has legislative responsibility for preparing the financial statements and for ensuring that information contained therein is accurate, the affected statements were returned to the Treasury Department for adjustments. There were lengthy delays in making requested adjustments and audit work could not resume. Consequently, the audited financial statements were presented for tabling extremely late.

14. Poor quality of records, the requirement for many adjustments to financial statements and late tabling of accounts undermines good governance, prevents timely managerial and ministerial accountability, and frustrates effective performance measurement. *It is therefore recommended that the Treasury Department, the Accountant General in particular, make special effort to improve management controls and hence ensure greater accuracy in financial reporting.*

1.8 Compliance with Financial Orders

15. There was generally acceptable compliance with the provisions of Financial Orders. However, increasing over-expended subheads, continuous miscoding of expenditure and lateness of financial reporting are significant breaches of Financial Orders. Greater efforts should be made to curb these tendencies and to improve compliance in these areas. Other exceptions to compliance will be referred to in subsequent paragraphs, under the respective Ministries/Departments.

⁴ The mandated deadline is six (6) months after the end of the fiscal year.

CHAPTER 2

2.0 FINANCIAL STATEMENTS FOR FISCAL YEAR 2005

2.1 Statement of Assets and Liabilities of the Consolidated Fund

17. The Consolidated Fund consists of all revenues and other monies raised or received for the purposes of the GOM, except revenues or other monies that are payable by or under any law into some other fund. Expenditure from the Consolidated Fund must be authorized by the Constitution of Montserrat, an appropriation ordinance, or any other law in force in Montserrat.

18. The following is a statement of the assets and liabilities as at 31 December 2005 grouped according to the nature of the item. A detailed statement, as presented by the Accountant General, is attached at Appendix 1. The statement records cash assets and liabilities only.

TABLE 1
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2005	2004	Increase/ (Decrease)
Assets			
Cash	22,208,807	17,176,572	5,032,235
Development Capital Fund	6,281,655	12,323,420	-6,041,765
Fixed Deposits	3,888,463	3,888,463	0
Investments	2,168,400	2,056,200	112,200
Advances	-2,632,411	-10,302,812	7,670,401
Total	31,914,914	28,290,143	6,773,071
Taxpayer's Equity			
Deposits	9,461,490	4,448,273	5,013,217
Consolidated Fund	22,453,424	20,693,570	1,759,854
Total	31,914,914	25,141,843	6,773,071

2.2 Movement of Assets and Liabilities

2.2.1 Assets

Cash

19. Total Cash relating to the operation of the General Fund increased by \$5,032,235. Included in this are balances relating to the following accounts:

- Cash Local. This recorded an increase of \$4,821,063 which was primarily due to the timing of additional budgetary aid.
- Operating Account ECCB recording a decrease of \$80,484.
- Fiscal Reserve – A/c 1 Tranche 1 ECCB recorded an increase of \$107,833.
- Crown Agents #2 Account recorded an increase of \$183,823 being interest on accounts.

Development Capital Fund

20. A decrease of \$6,041,765 was observed on the Development Capital Fund account indicating that the cash is being utilized as projects come on stream.

Fixed Deposits

21. No movement was observed on these accounts.

Advances

22. Personal advances increased by \$86,051. There was no movement on Impersonal Advances.

23. A marginal increase of \$4,934 was recorded on Outstanding Imprests. Further review revealed that Government Departments owed \$162,799 while Government Officers had outstanding imprests totaling \$477,726.

24. *Special attention should be paid toward reviewing this list and write-offs should be sought for non-operational departments and seemingly irrecoverable debts. Further, greater effort should be made to ensure that outstanding advances are kept to a minimum. Advances for overseas duties are to be retired immediately the officer returns to Montserrat⁵ in compliance with the regulations.*

25. Other Governments and Administrations recorded a significant increase of \$411,537 when compared with outstanding balance for the previous year.

26. There was a decrease of \$22,773 on the CDB Student Loans account. Once again we are recommending that *effort be made to write-off the accounts deemed uncollectible.*

27. The Postmaster Clearance account decreased by \$11,026 leaving a balance of (\$300,259).

28. The Development Fund Receivable account increased by \$11,227,538.

⁵ See General Orders 506

2.2.2 Liabilities

29. Miscellaneous Deposits increased by \$5,010,052 at end of fiscal year being reviewed. As stated in my 2004 Annual report these accounts facilitate Below-the-line activity that bypasses the normal Legislative Council authority for expenditures. They are thus being investigated to facilitate corrective action.

30. There was no movement on the Insurance Company Deposits and the Industrial Development Deposits accounts.

31. A marginal increase of \$3,165 was recorded on the Special Funds account.

2.3 **Public Finance Management (PFM) System Outturns**

32. These refer to the immediate results of the PFM system in terms of actual expenditures composition, revenues, and deficit, and are assessed by comparison to the original approved budget. The outturns provide a measure of realism of the budget and the extent to which the budget is an authoritative tool of government policy.

2.3.1 **Consolidated Fund**

33. Sections 7 & 8 of the Finance (Administration) Act 2001 states “that there shall be one revenue fund which shall be called the Consolidated Fund” and that “all revenues and other moneys raised or received for the purposes of the Government, shall be paid into and form part of the Consolidated Fund”. Recurrent Revenue for the year totaled \$84,565,895.

34. Section 9 of the Finance (Administration) Act 2001 authorizes the payment of moneys out of the Consolidated Fund “to meet expenditure which is chargeable upon it by the Constitution or any law”. Recurrent Expenditure for the year amounted to \$78,893,685.

35. Development revenue for the year amounted to \$11,683,457 whilst development expenditure totaled \$23,114,939.

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

<u>Expenditure</u>	<u>Authorized</u>	<u>Actual</u>
Consolidated Fund Services	10,746,600	9,626,798
Supply Services	<u>71,779,100</u>	<u>69,266,887</u>
Sub-Total	82,525,700	78,893,685
Less: Revenue	<u>80,105,100</u>	<u>84,565,895</u>
Surplus/(Deficit*)	<u>(2,420,600)</u>	<u>5,672,210</u>
<i>Consolidated Fund</i>		

Balance b/f 1 January 2005	20,693,569
Surplus for the year	5,672,210
Dividends capitalized	112,200
Funding of Local Projects	(4,024,556)
Balance c/f 31 December 2005	22,453,423

* Value of Contingencies Warrants raised during fiscal year.

2.3.2 Recurrent Revenue

37. Recurrent revenue was budgeted at \$80,105,100. Actual collections totaled \$84,565,685, an increase of \$4,460,585.

2.3.3 Revenue Surpluses and Shortfalls

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

TABLE 2
REVENUE SURPLUSES AND SHORTFALLS

<i>Recurrent Revenue Head</i>	<i><u>Budgeted</u></i>	<i><u>Actual</u></i>	<i><u>Surplus</u></i>	<i><u>Shortfalls</u></i>
	\$	\$	\$	\$
Taxes on Income, Profits & Gains	10,500,000	13,061,430	2,561,430	0
Taxes on Property	1,500,000	1,377,278	0	122,722
Taxes on Domestic Goods & Service	1,545,000	1,189,721	0	355,279
Licences	1,747,000	2,173,384	426,384	0
Taxes on Int'l Trade & Transactions	14,566,900	14,752,105	185,205	0
Fees, Fines and Permits	899,000	1,044,799	145,799	0
Rents, Interest & Dividends	1,058,000	632,420	0	425,580
ECCB Profits	200,000	0	0	200000
Reimbursements	72,000	60,594	0	11,406
Budget and Grants	47,361,500	48,961,176	1,599,676	0
Other Revenue	655,700	1,312,988	657,288	0
TOTAL	80,105,100	84,565,895	5,575,782	1,114,987
Net surplus			4,460,795	

2.3.4 Total Recurrent Local Revenue

39. Authorised Recurrent Local Revenue for the fiscal year was \$32,743,600. Actual Recurrent Local Revenue amounted to \$35,604,719 representing an increase of \$2,861,119 or 8.74% over the amount budgeted for the fiscal year.

40. See Table 3 below for a comparative summary of actual Recurrent Local Revenue collected during 2004 and 2005. A review of the figures indicates that Recurrent Local Revenue for 2005 increased by \$3,459,981 or 10.76% when compared to collections for 2004.

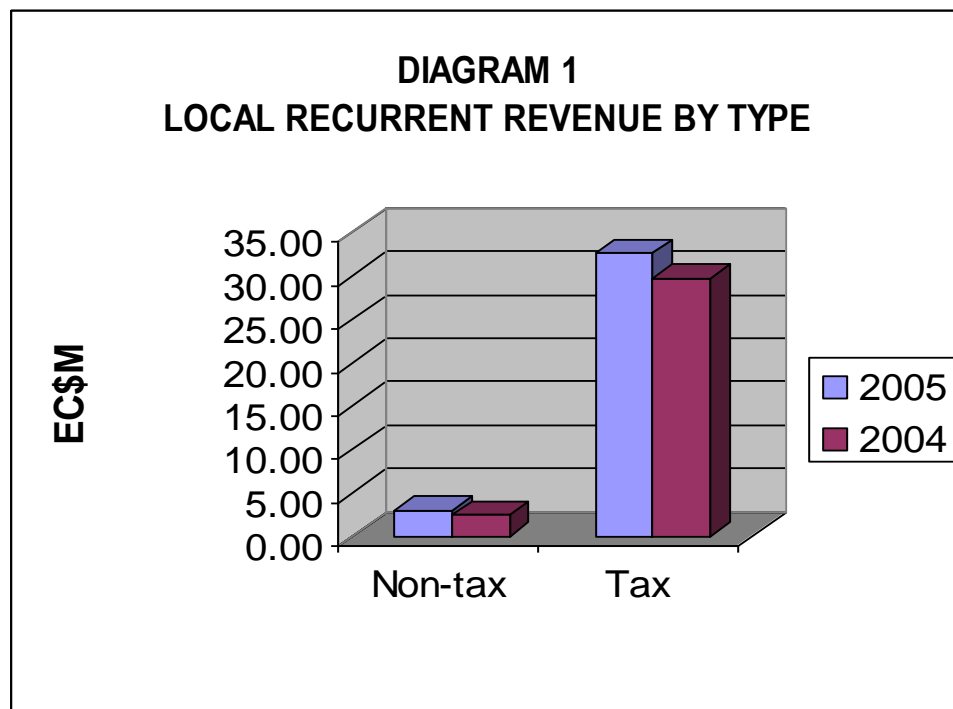
TABLE 3
COMPARATIVE LOCAL REVENUE SUMMARY

SOURCE OF REVENUE	ACTUAL 2005	ACTUAL 2004	INCREASE/ (DECREASE)
Taxes on Income, Profit & Capital Gains	13,061,430	12,029,110	1,032,320
Taxes on Property	1,377,278	973,902	403,376
Taxes on Domestic Goods & Services	1,189,721	1,337,387	-147,666
Licences	2,173,384	1,883,635	289,749
Taxes on International Trade & Transaction	14,752,105	13,435,446	1,316,659
Fees, Fines and Permits	1,044,799	884,771	160,028
Rents, Interest and Dividends	632,420	344,381	288,039
ECCB Profits	0	210,704	-210,704
Reimbursements	60,594	15,394	45,200
Other Revenue	1,312,988	1,030,008	282,980
TOTAL	35,604,719	32,144,738	3,459,981

41. Six (6) revenue heads recorded increases of over \$200,000 whilst one (1) recorded deficit greater than \$200,000 when compared with revenues collected in 2004.

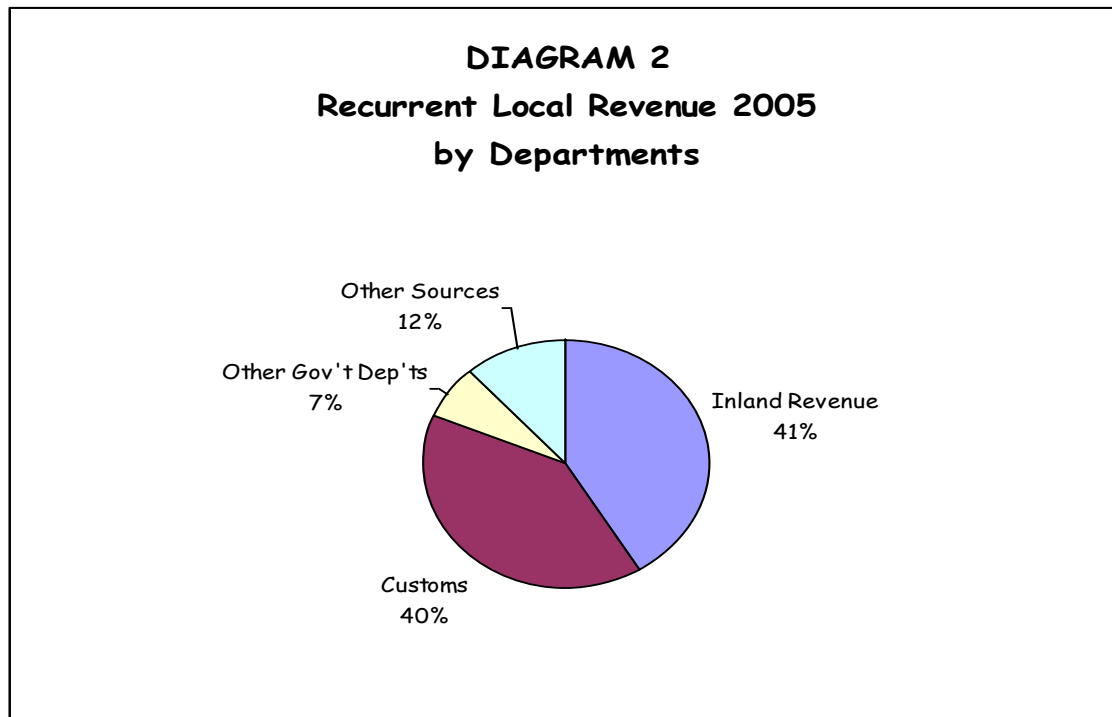
42. Tax Revenue for the fiscal year amounted to \$32,553,918 whilst Non-Tax amounted to \$3,050,801.

43. The Diagram 1 below compares actual revenue, by type, for the years 2004 and 2005.



44. Diagram 2 below illustrates the apportionment (by percentage) of revenue generated by various government departments. Revenue from other sources includes, but is not limited to, income received for Motor Vehicle Licences and Foreign Currency

Levy. These revenue heads each contributed greater than \$400,000 dollars towards the public purse.



45. The Inland Revenue and the Customs Departments continue to be our major revenue generating departments combining to collect \$28.99M or 81.4% of revenue collected in 2005.

2.3.5 Special Budgetary Assistance

46. Authorised Special Budgetary Assistance for 2005 was stated at \$47,361,500. Actual revenue for this subhead amounted to \$48,961,176 being \$1,599,676 more than budgeted. The additional sum was provided to meet increased costs of Utilities, Training, Vehicle Maintenance Services and Personal Emoluments.

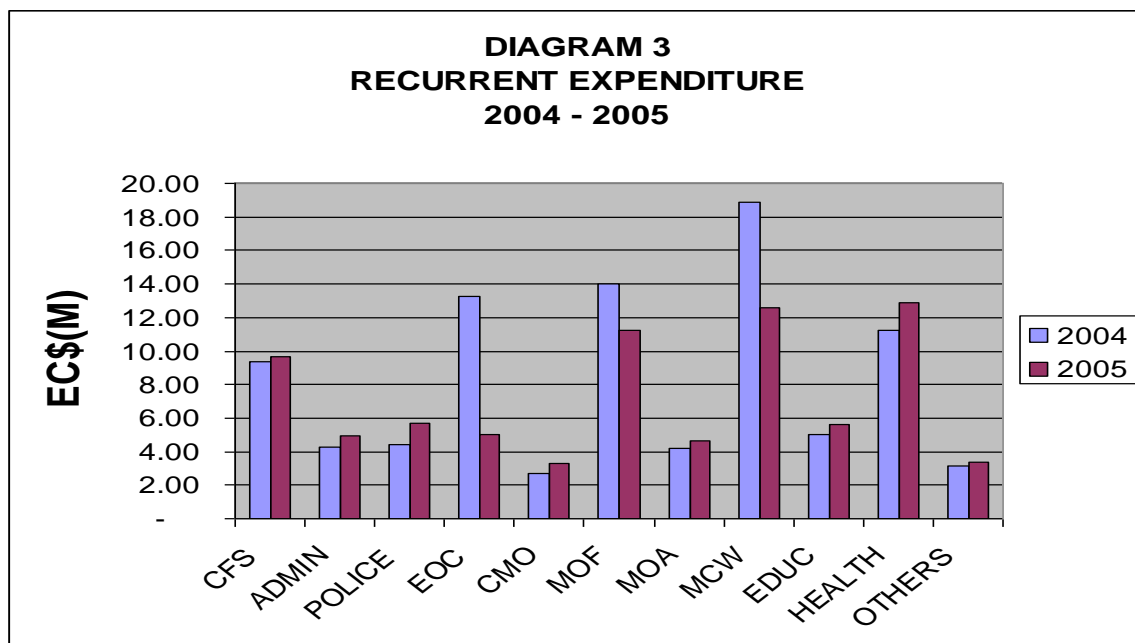
2.3.6 Recurrent Expenditure

47. The Appropriations Act 2005, Ordinance #2 of 2005, authorized expenditure amounting to \$80,105,100. Two (2) Supplementary Estimates valuing \$1,920,600 were issued to meet cost of expenditure as outlined in paragraph 57. An additional \$500,000 was added to meet statutory obligations under the Consolidated Fund Services.

48. At the end of fiscal year 2005 actual expenditure amounted to \$78,893,685, a decrease of \$11.55M when compared to expenditure for 2004.

49. Classifying costs by Ministries and Departments, we note that two departments recorded increased expenditure over \$1M when compared with actual expenditure in 2004. The Police Department recorded an increase of \$1.29M being increased cost of uniforms, training, utilities and personal emoluments. The Ministry of Health saw an increase of \$1.59M being increased cost of garbage collection, medical supplies and visiting advisors. The Emergency Operations Department, Ministry of Finance and Ministry of Communication and Works saw decreases of \$8.28M, \$2.74M and \$6.23M, respectively. These decreases were primarily due to reduced expenditures related to emergency efforts and subventions for external transportation.

50. Major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year under review as compared with 2004 are highlighted in the chart below. All Departments falling under the purview of the Ministry of Finance are grouped together, while other Departments not specifically listed are grouped under Others.



51. Analyzing expenditure by type, it was noted that the major categories were Personal Emoluments, Pension and Gratuities, Goods and Services, Transfers and Subsidies, and Other Expenditure. Personal Emoluments (that is salaries, wages and staff allowances) amounted to \$30,488,429, representing 38.64% of total recurrent expenditure for the year.

52. Pensions and Gratuities amounted to \$7,626,780 being 9.67% of expenditure for the year.

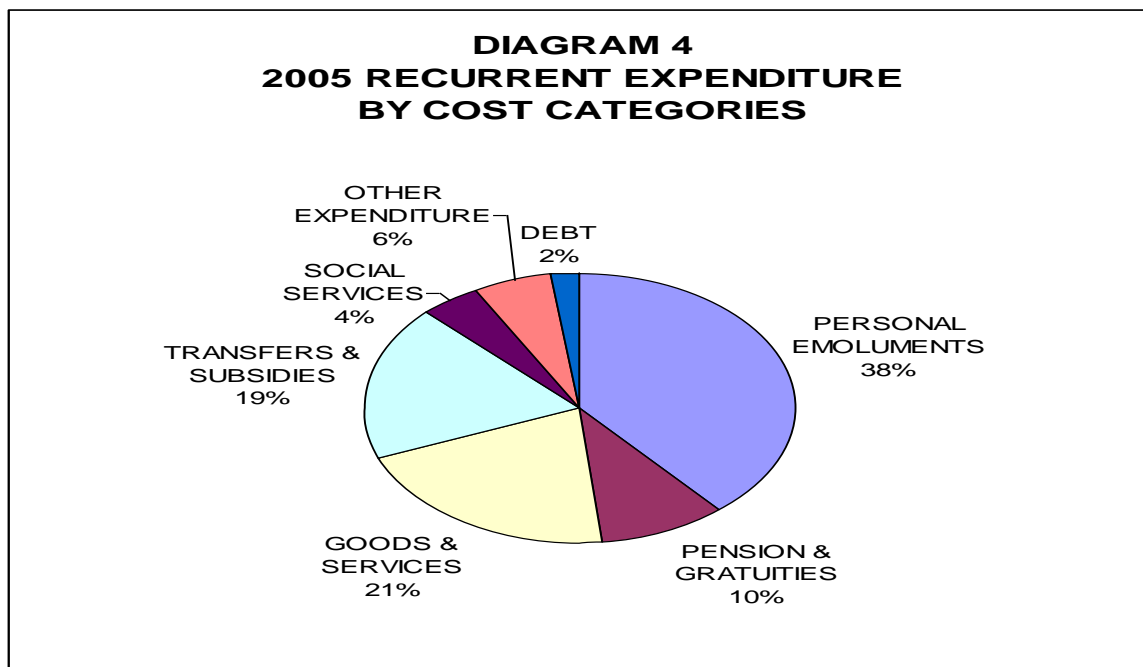
53. \$16,249,519 was spent on Goods and Services representing 20.6% of total expenditure for the fiscal year.

54. Total expenditure incurred for Transfers and Subsidies amounted to \$14,708,470 representing 18.6% of recurrent expenditure for 2005.

55. Expenditure incurred under the Other Expenditure sub-grouping amounted to \$4,954,601 representing 6.28% of total recurrent expenditure for the fiscal year.

56. Social Services and Debt Servicing complete the expenditure categories. Expenditure for Social Services amounted to \$3,396,808 being 4.3% of total expenditure. An analysis of expenditure on Debt Servicing is reported elsewhere in this report.

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



2.3.7 Expenditure Control

58. **Warrants.** Six (6) Virement Warrants were approved by the Ministry of Finance to allow ministries and departments to transfer funds from one subhead to another. Two (2) Supplementary Estimates were also issued.

59. **Reconciling Accounts.** Effective public administration is a crucial tenet of good governance. Quality service delivery, good fiduciary stewardship, management and effective monitoring of funds underpin effective public administration. Performing regular account reconciliations provides a means whereby a manager can monitor his/her budget to ensure funds are available for effective service delivery. Yet it appears

that some managers do not avail themselves of this useful control mechanism. Once again our audit revealed that a number of line-items were over-spent. This indicates that not enough attention is being paid to the reconciliation of accounts.

60. *Again we are highlighting the importance of this effective control mechanism and continue to recommend that Accounting Officers make a member of their staff responsible for ensuring that reconciliations are done in a timely manner.*

61. **Over-expenditure.** Limits for each Ministry or Department's expenditure are set by the Legislative Council, on a yearly basis, through the passing of an Appropriation Act. Yet legislated expenditure limits continue to be exceeded with impunity.

62. Examination of the Annual Abstract of Receipts and Payments revealed that one entity, the Ministry of Communication and Works over-spent its total authorized expenditure by \$918,835. Additional analysis of the Statement of Votes in Excess highlights an increasing trend of over expended subheads. For the fiscal year being reviewed there was a 47.6 % increase in over-expended subheads when compared with over expended subheads for 2004. This is a troubling trend as 2004 had already recorded a 31.5% increase over 2003.

63. Each year the Ministry of Finance, in a Circular accompanying the General Warrant, states "be careful not to exceed the amounts authorized for each subhead". It appears that this instruction is not taken seriously as several Departments incurred unapproved expenditure. In-depth analysis of the Statement of Votes in Excess reveals that thirty-one (31) subheads across sixteen (16) Ministries/Departments recorded over-expenditure. Seventeen (17) or approximately 55% of these overspent subheads related to Personal Emoluments, ranging from a low of \$47 to a high of \$242,346. Clearly, this is unacceptable. Four (4) other over-expended subheads related to Ministry of Communications \$10 Votes. Other over-expended subheads include Debt Servicing, Travel Allowance, Communication Expenses, Fees and Rewards, and Maintenance Services.

64. Prudent fiscal management requires good management of funds and compliance with Legislative limits and Ministry of Finance directives. *The Ministry of Finance should intensify efforts to curb the tendency to overspend. It should therefore consider disciplinary action through issuance of written warnings. Thereafter penalties should be imposed on Accounting Officers who consistently incur expenditure above their legislated limits.*

65. *The Accountant General is responsible for the management of the accounts and for disbursing cheques. He/she should ensure that payments have the relevant authority – a warrant in support of expenditure is received – and should not process payments until the relevant warrant is supplied.*

66. Over-expenditure allocations is a serious breach of law and is regarded as unauthorized expenditure since the necessary approval for such expenditure was not given by the Legislative Council. However, Section 22 (b) of the Finance (Administration) Act makes provision for excess expenditure to be legitimized by the approval of a Supplementary Estimate. No such Estimate was approved by the Legislative Council for the year under review.

67. *Ministry of Finance should submit the Statement of Excess Expenditure to the Legislative Council. In addition, to legitimize these expenditures, a Supplementary Estimate should be prepared and submitted to Council for approval.*

68. **Commitment Accounting.** Employing commitment accounting would assist managers in controlling departmental budgets. Expenditure is recognized when an order or service is committed to. *The current financial accounting software, SMARTSTREAM, has features that allow commitment accounting. Accounting Officers should make better use of this feature to control their budgets.*

69. **Miscoded Expenditure.** The Appropriation Act earmarks money for specific purposes and persons responsible for services are expected to operate within agreed budget. Some departments continue to miscode/ misallocate expenditure and, despite the specificity of the budget being drawn to their attention, little effort is being made to address miscoding. The correction of these errors may, at times, result in some line-items being overspent, thus breaching legislated expenditure limits. Moreover, miscoding/misallocation results in some accounts being incorrectly reported and allow inaccurate budget comparisons to be made.

70. It is the duty of the invoice approver to ensure that expenditure is appropriately charged. *It is therefore recommended that closer attention be paid to reviewing the nature, type and sub-head to which expenditure is being charged.*

2.3.8 Savings

71. Eleven (11) Ministries and Departments recorded expenditure under budget by more than \$100,000. These are noted as follows:

Ministry/Department	Amount
Consolidated Fund Services	1,119,801
Administration Department	155,125
Police and Fire	200,990
Emergency Department	573,070
Legal	214,885
Chief Minister's Office	183,594
Ministry of Finance	654,922
Development Unit	123,357

Treasury	211,470
Ministry of Agriculture	304,000
Ministry of Health	281,849
Total	4,023,063

72. Total gross savings amounted to \$4,550,850. 35.97% of this amount represented savings on Personnel Emoluments, 23.31% being savings on Pensions and Gratuities, 18.63% on Goods and Services, 19.13% savings on Transfers and Subsidies.

73. Net savings amounted to \$3,632,015 representing 4.4% of total authorized expenditure. While this figure may on the surface appear immaterial when compared with total authorized expenditure, it becomes significant when we think of the services that may have been given up to arrive at this level of savings.

2.4 Arrears of Revenue

74. Once again, I have to report that several Ministries/Departments continue breach the regulations by submitting their Arrears of Revenue statements way beyond the 31 March deadline.

75. Arrears of Revenue as at 31 December 2005 amounted to \$23,352,672 and are itemized as follows: -

TABLE 4
ARREARS OF REVENUE

Executing Agency	Arrears at 31 December 2005
Ministry of Agriculture, Lands, Housing & the Environment	572,732
Ministry of Communications and Works	40,987
Inland Revenue:-	0
Income Tax	15,949,255
Company Tax	3,713,173
Property Tax	2,207,730
Broadcasting Services (Radio M/rat)	28,907
Customs	15,880
Treasury	718,684
Ministry of Health and Community Service	22,546
Development Unit	81,925
Total	23,352,672

76. Comparison with end of year figures for fiscal year 2004 showed an increase of 5.66% or \$1,250,962. This is primarily due to increases in outstanding tax arrears and the non-collection of rentals for Government Housing Stock.

2.5 DEVELOPMENT FUND

2.5.1 Statement of Assets and Liabilities

ASSETS		2005		2004
British Development Aid Claims Outstanding		-3,304,691		(10,502,385)
Donor Agencies Expenditure Outstanding		2,443,637		2,438,367
Local Funds		(694,611)		(694,611)
Total Assets		1,555,645		(8,758,628)
LIABILITIES				
Deposits within Development Fund		324,120		324,120
Consolidated Fund Payable		(5,015,816)		(12,218,798)
Consolidated Capital Fund	10,339,032		(7,999,569)	
Add Revenue over Expenditure	(7,202,982)	3,136,050	11,135,619	3,136,050
Total Liabilities		1,592,654		(8,758,628)

2.5.2 Capital Expenditure

77. Total authorized Development Expenditure amounted to \$47,723,000. Actual expenditure for the year amounted to \$23,114,939 being 48.4% of authorized expenditure for the year. This indicates a slight eight percent (8%) increase in the project implementation rate.

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

TABLE 5
Comparison of Development Fund Estimates and Record Results 2005

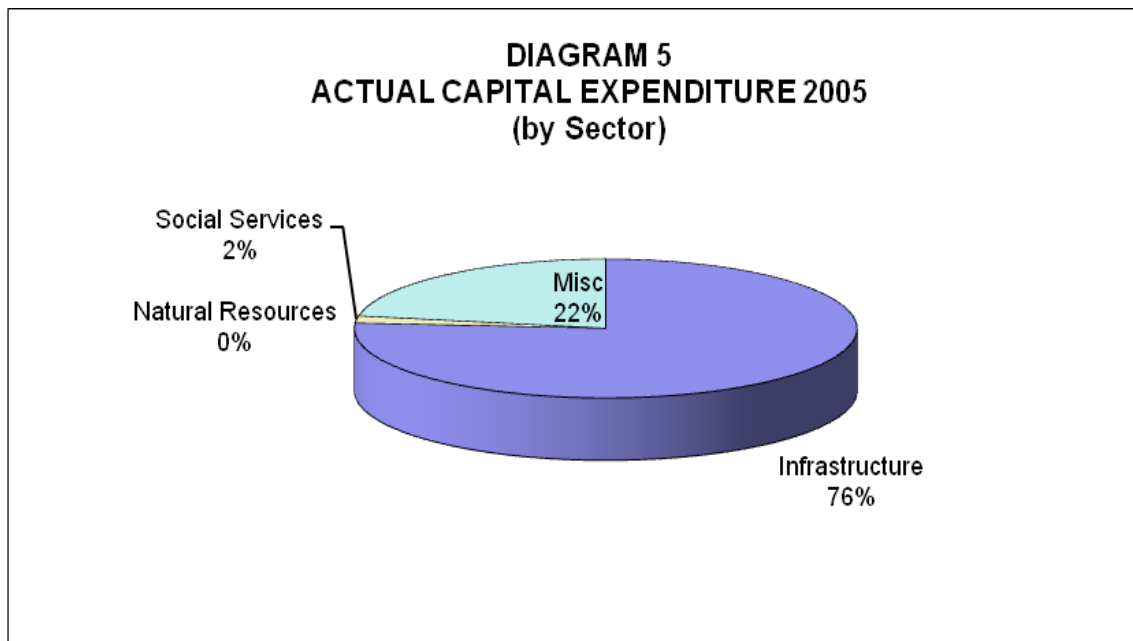
Development Fund Expenditure	Authorized	Actual	Variance
DFID	36,607,800	19,014,400	17,593,400
LOCAL	10,680,000	3,874,321	6,805,679
IRISH	11,300	0	11,300
FCO	75,000	70,693	4,307
BNTF	330,000	150,235	179,765
PAHO	6,600	5,290	1,310
CAREC	12,300	0	12,300
TOTAL	47,723,000	23,114,939	24,608,061

79. Further examination of these accounts revealed that of the estimated \$37,043,000 allocated for externally funded projects approximately fifty-two percent (52%) was spent at the end of the fiscal year. Despite the seemingly increased implementation rate, the review revealed that no expenditure was incurred on several large projects. With regard to the local projects only thirty-six percent (36%) of authorized expenditure was utilized.

80. *Management should continue to review the process of developing the budget. Additionally, the implementation rate is below the standard expected to achieve the*

targets and policies set by government. Hence, management should examine and/or refine its implementation policies to enable realization of projected economic returns and benefits.

81. A pictorial view of how the capital expenditures were incurred is given in Diagram 5 below. The expenditures have been classified by sectors. Infrastructure development continues to be the main sector on which programmed expenditure is utilized.



82. For this fiscal year twelve (12) projects were overspent. Of these, ten (10) were allowed to continue without the relevant warrants being raised. Four (4) projects were overspent by more than \$300,000. *Accounting Officers are reminded of their stewardship responsibilities for acquiring the relevant warrants. Additionally, the Accountant General ought not to process payments without receiving Development Fund warrants for projects that are not included in the estimates.*

2.6 OTHER STATEMENTS

2.6.1 Statement of Contingent Liabilities

Date	Debtor	Creditor	Liability
December 31, 2005	GSB	SUNDRY	\$27,723,418

2.6.2 Statement of Special Funds

83. Minimal movement on this fund increased the balance to \$587,092. Included in this statement is an account called Services Development being valued at \$537,750. The

Treasury Department has agreed to research the terms of this Fund with a view toward utilizing monies contained therein.

2.6.3 Statement of Public Debt

84. Public debt refers to the cumulative total of governmental financial obligations. To this end, it is inclusive of amounts borrowed to finance its expenditures and outstanding payments for goods and services the government contracted for but has not yet paid. The Statement of Public Debt outlines the outstanding government Debt instruments (primarily external loans and domestic bonds). Other fiscal exposures such as contingent liabilities, government guaranteed loans, statutory non-contributory pension payments, and outstanding contributions to technical advisory agencies are not included in this Statement⁶. Note however that contingent liability for the Government Savings Bank is detailed elsewhere in the accounts.

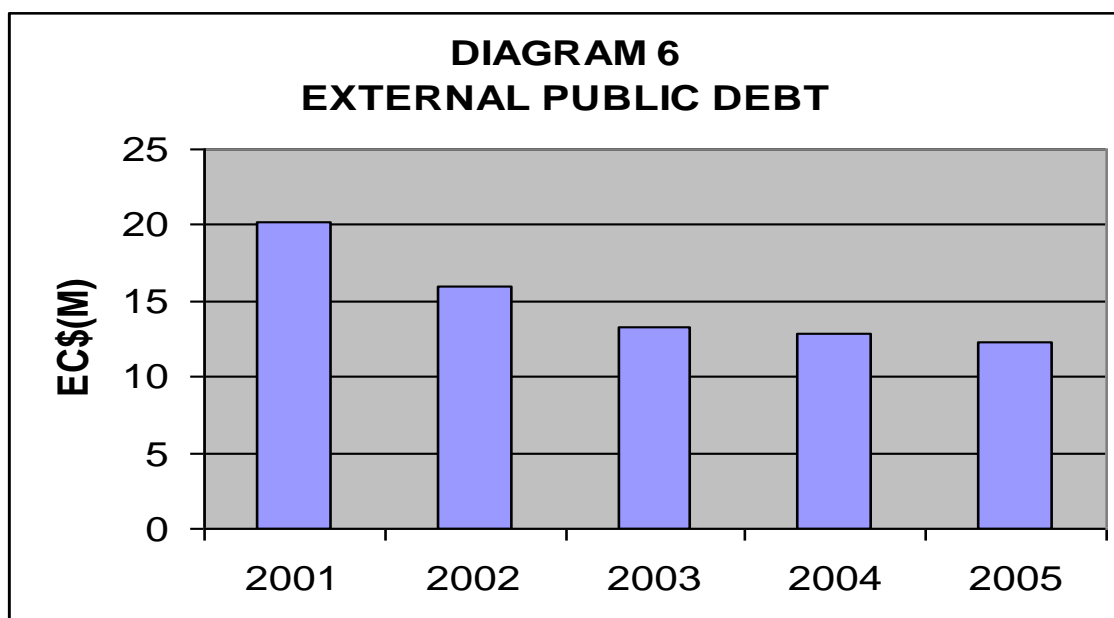
85. Total Public Debt amounted to EC\$34,656,741. As stated in my 2004 Annual Audit Report this includes an outstanding payment to Social Security. Public Debt per capita⁷ which represents what each person is expected to contribute toward the repayment of the debt amounted to \$7,242.79 per person⁸.

86. External Public Debt stood at \$12,256,741 at the end of the year being reviewed. The graph below compares the movements in the external debt at the end of the years 2000 – 2005.

⁶ Since these are not itemized and included in the Debt Statement it is impossible to determine whether GOM's 2005 target of keeping the "level of debt within 20% of GDP" (paragraph 144 of Budget Speech) was achieved.

⁷ The Montserrat Statistics Department 2005 population estimate was 4,785.

⁸ The debt per capita is being calculated on the entire population there being no reliable estimate of the working population. The figure might have been significantly increased if children and aged persons were omitted from the calculation.



87. Principal repayments during the period amounted to \$501,664 being 1.41% of actual local recurrent revenue recorded for 2005. When compared against GDP⁹ (in current prices for the year)¹⁰ it represents 0.51%.

88. Domestic Debt totaled EC\$1.1M at the beginning of the year. EC\$100,000 of the Development Bonds were redeemed during the year, leaving an outstanding Domestic Debt of EC\$1M. The associated Sinking Fund, held at the Eastern Caribbean Central Bank (ECCB), amounted to \$888,793.

89. At the end of the fiscal year being reviewed retroactive contribution payments of \$21.4M to the Social Security Scheme remained outstanding. Total Domestic Debt thus amounted to EC\$22.4M.

90. Interest paid for External Debt totaled \$239,712 being 0.67% of total local recurrent revenue generated for the year. Interest paid on Domestic Debt totaled \$75,000 being interest on development bonds.

2.6.4 Statement of Loans Outstanding

91. There has been no movement on this account leaving outstanding balance as EC\$183,628 at the end of the fiscal year.

92. *These balances remain outstanding despite suggestions for recovery in earlier reports. There seems to be no possibility of collection hence efforts should be made to have them removed from the accounts.*

⁹ GDP measures the income generated by the entire economy.

¹⁰ GDP 2005 measured \$98.69M. Source: Montserrat Statistics Unit

2.7 Losses/Overpayments

93. A payment of \$500 was made on the gratuity overpayment to a legislator thereby reducing the outstanding balance to \$57,563. Not enough effort is being made to reduce this balance. Management should thus implement the Public Accounts Committee's recommendation for remedial action.

CHAPTER 3

3.0 FINANCIAL STATEMENTS FOR FISCAL YEAR 2006

3.1 Statement of Assets and Liabilities of the Consolidated Fund

94. The following is a statement of the assets and liabilities as at 31 December 2006 grouped according to the nature of the item. A detailed statement, as presented by the Accountant General, is attached at Appendix 2. The statement records cash assets and liabilities only.

TABLE 6
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2006	2005	Increase/ (Decrease)
Assets			
Cash	17,680,542	22,208,807	(4,528,265)
Development Capital Fund	(396,873)	6,281,655	(6,678,528)
Fixed Deposits	3,888,463	3,888,463	0
Investments	2,168,400	2,168,400	0
Advances	5,292,325	(2,632,411)	7,924,736
Total	28,632,856	31,914,914	3,282,057
Taxpayer's Equity			
Deposits	5,800,915	9,461,490	(3,660,575)
Consolidated Fund	22,831,941	22,453,424	378,518
Total	28,634,856	31,914,914	3,282,057

3.2 Movement of Assets and Liabilities

3.2.1 Assets

Cash

95. Cash flows from the operation of the General Fund decreased by \$4,528,266. Included in this are balances relating to the following accounts:

- Cash Local. This recorded a decrease of \$4,930,155.
- Operating Account ECCB recorded a marginal increase of \$2,754.
- Fiscal Reserve – A/c 1 Tranche 1 ECCB recorded an increase of \$167,152.
- Crown Agents #2 Account recorded an increase of \$231,983 being interest received.

Development Capital Fund

96. The records indicate cash outflow of \$6,678,528 leading to an overdraft of \$396,873.

Fixed Deposits

97. No movement was observed on these accounts.

Advances

98. There was no movement on Impersonal Advances however Personal advances recorded an increase of \$43,303.

99. Outstanding Imprests totaled \$503,708 of which \$325,758 related to unretired imprests for Government Officers.

100. Advances to Other Governments and Administrations recorded a substantial increase of \$395,776.

101. There were minimal payments of \$10,282 on the CDB Student Loans account.

102. The Postmaster Clearance account was reduced by \$58,264.

103. The Development Fund Receivable account increased by \$7,404,959.

3.2.2 Liabilities

104. At the end of the fiscal year a review of the Miscellaneous Deposits accounts was still ongoing. It was also noted that the balances on these accounts were reduced by 3,666,995.

105. There was no movement on the Insurance Company Deposits and the Industrial Development Deposits accounts.

106. Special Funds recorded a marginal increase of \$6,420.

3.3.1 **Consolidated Fund**

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

<u>Expenditure</u>	<u>Authorized</u>	<u>Actual</u>
Consolidated Fund Services	11,612,900	12,106,162
Supply Services	<u>73,790,500</u>	<u>70,985,909</u>
Sub-Total	85,403,400	83,092,070
Less: Revenue	<u>83,213,400</u>	<u>88,609,337</u>
Surplus/(Deficit*)	<u>(2,190,000)</u>	<u>5,517,267</u>
<i>Consolidated Fund</i>		

Balance b/f 1 January 2006	22,453,424
Surplus for the year	5,517,267
Funding of Local Projects	(5,138,750)
Balance c/f 31 December 2006	22,831,941
* Value of Contingencies Warrants raised during fiscal year.	

3.3.2 Recurrent Revenue

108. Recurrent revenue was budgeted at \$83,213,400. Actual collections totaled \$88,609,337, an increase of \$5,395,937.

3.3.3 Revenue Surpluses and Shortfalls

109. Revenue surpluses and shortfalls are detailed in Table 7 below.

TABLE 7
REVENUE SURPLUSES AND SHORTFALLS

<i>Recurrent Revenue Head</i>	<i><u>Budgeted</u></i>	<i><u>Actual</u></i>	<i><u>Surplus</u></i>	<i><u>Shortfalls</u></i>
	\$	\$	\$	\$
Taxes on Income, Profits & Gains	12,870,000	13,471,125	601,125	0
Taxes on Property	1,280,000	1,453,516	173,516	0
Taxes on Domestic Goods & Service	1,491,500	1,371,460	0	120,040
Licences	1,798,100	2,149,438	351,338	0
Taxes on Int'l Trade & Transactions	14,676,000	13,707,593	0	968,407
Fees, Fines and Permits	1,053,200	1,099,205	46,005	0
Rents, Interest & Dividends	1,080,000	710,781	0	369,219
ECCB Profits	200,000	0	0	200000
Reimbursements	77,000	72,146	0	4,854
Budget and Grants	47,900,000	53,435,460	5,535,460	0
Other Revenue	787,600	1,138,613	351,013	0
TOTAL	83,213,400	88,609,337	7,058,457	1,662,520
Net surplus			5,395,937	

3.3.4 Total Recurrent Local Revenue

110. \$35,313,400 was authorized for Recurrent Local Revenue for the fiscal year. Actual Recurrent Local Revenue amounted to \$35,173,877 resulting in a shortfall of \$139,523.

111. Table 3 below provides a comparative summary of actual Recurrent Local Revenue collected during 2005 and 2006. A review of the figures indicates that Recurrent Local Revenue for 2006 decreased by \$539,654 or 1.52% when compared to collections for 2005.

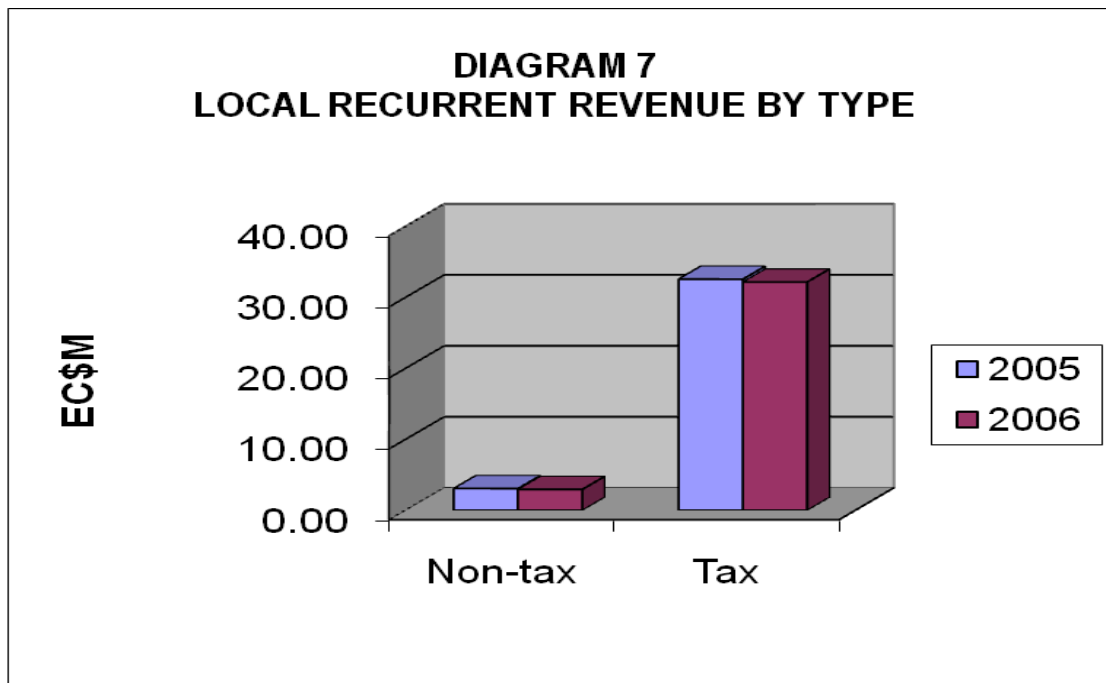
TABLE 8
COMPARATIVE LOCAL REVENUE SUMMARY

SOURCE OF REVENUE	ACTUAL 2005	ACTUAL 2006	INCREASE/ (DECREASE)
Taxes on Income, Profit & Capital Gains	13,061,430	13,471,125	409,695
Taxes on Property	1,377,278	1,453,516	76,238
Taxes on Domestic Goods & Services	1,189,721	1,371,460	181,739
Licences	2,173,384	2,149,438	-23,946
Taxes on International Trade & Transaction	14,752,105	13,707,593	-1,044,512
Fees, Fines and Permits	1,044,799	1,099,205	-54,406
Rents, Interest and Dividends	632,420	710,781	78,361
ECCB Profits	0	0	0
Reimbursements	60,594	72,146	11,552
Other Revenue	1,312,988	1,138,613	-174,375
TOTAL	35,604,719	35,173,877	-539,654

112. Two (2) revenue heads recorded increases of over \$100,000 and two (2) recorded decreases greater than \$100,000 when compared with revenues collected in 2005. Taxes on International Trade showed a significant reduction of over a \$1M.

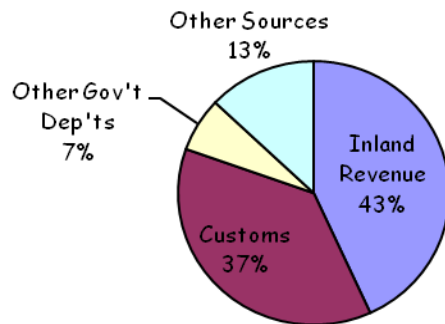
113. For the 2006 fiscal year, Tax Revenue collected amounted to \$32,153,132 whilst Non-Tax amounted to \$3,020,745.

114. The Diagram 7 below compares actual revenue, by type, for the years 2005 and 2006.



115. Diagram 8 below illustrates the apportionment (by percentage) of revenue generated by various government departments.

DIAGRAM 8
Recurrent Local Revenue 2006
by Departments



116. Our main revenue generating departments continue to be The Inland Revenue and the Customs Departments. These departments have together collected \$28.21M or 80.2% of revenue collected to 2006.

3.3.5 Special Budgetary Assistance

117. Authorised Special Budgetary Assistance for 2006 was stated at \$47,900,000. Actual revenue for this subhead amounted to \$53,435,460 being \$5,535,460 more than budgeted. The additional sum was provided to meet, among others, ash related expenditure, increased cost of Legislative Council sittings and Subventions.

3.3.6 Recurrent Expenditure

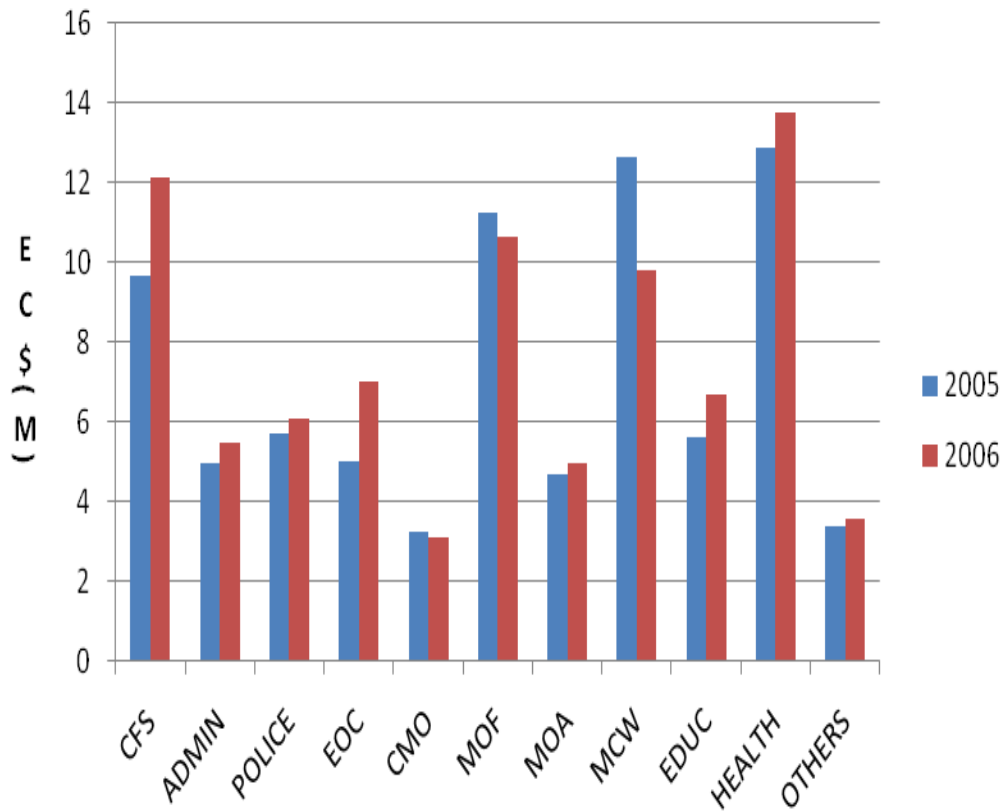
118. The Appropriations Act 2006, Ordinance #1 of 2006, authorized expenditure amounting to \$83,213,400. One Contingencies Warrant and (1) Supplementary Estimate valuing \$2,190,000 were issued to meet cost of unforeseen expenditure. The Contingencies Warrant, #1 of 2006, was not included in the Supplementary Estimates laid before Council.

119. For fiscal year 2006 actual expenditure totaled \$83,092,370, an increase of \$4.2M when compared to expenditure for 2005.

120. When cost is classified by Ministries and Departments, we see that three of them recorded increased expenditure over \$1M when compared with actual expenditure in 2005. CFS recorded an increase of \$2.47M being primarily increased cost of personal emoluments, pensions and gratuities and other expenditure. An increased cost of \$2.01M was incurred by the EOC, renamed DMCA, to cover ash related expenses while Ministry of Education recorded an increase of \$1.05M. The Ministry of Communications and Works recorded a decrease \$2.84M.

121. Major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year under review as compared with 2006 are highlighted in the chart below. All Departments falling under the purview of the Ministry of Finance are grouped together, while other Departments not specifically listed are grouped under Others.

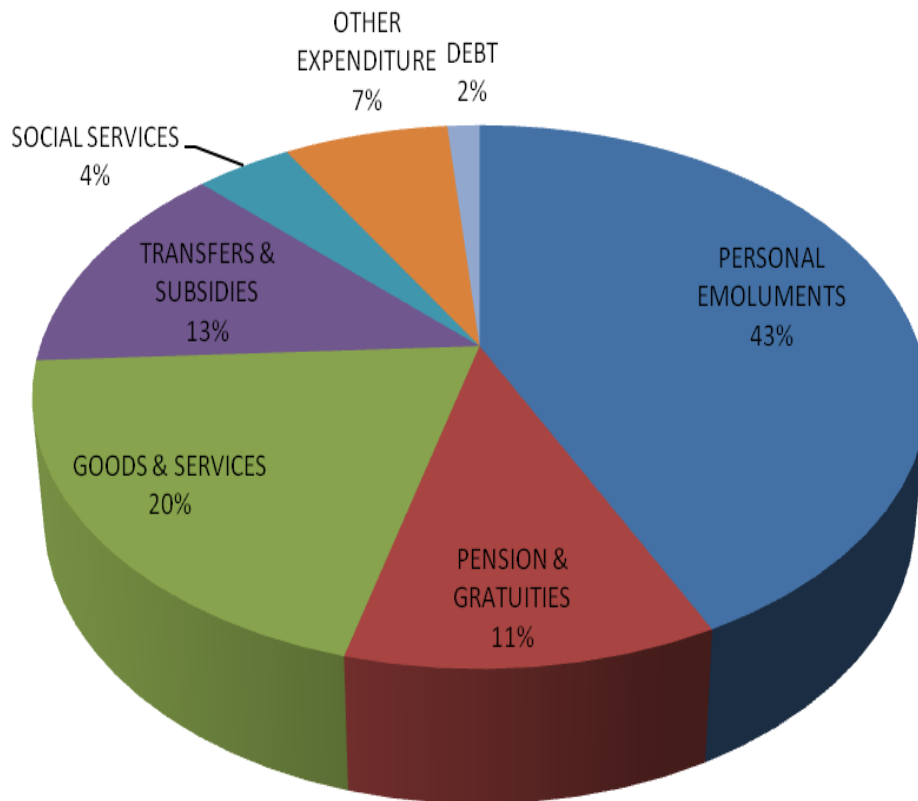
DIAGRAM 9
RECURRENT EXPENDITURE
2005 - 2006



122. Analyzing expenditure by type, it was noted that the major categories were Personal Emoluments, Pension and Gratuities, Goods and Services, Transfers and Subsidies, and Other Expenditure. Categories which incurred more than 10% of total expenditure include Personal Emoluments, Pensions and Gratuities, Goods and Services, and Transfers and Subsidies.

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

DIAGRAM 10
2006 RECURRENT EXPENDITURE
BY COST CATEGORIES



3.3.7 Expenditure Control

124. **Warrants.** Nine (9) Virement Warrants were approved by the Ministry of Finance to allow ministries and departments to transfer funds from one subhead to another. One (1) Supplementary Estimate which functioned primarily as a re-allocation warrant was also issued.

125. **Reconciling Accounts.** Despite advice and suggestions from both the Ministry of Finance and the Office of the Auditor General, the reconciliation of accounts still poses a problem that needs to be addressed by Accounting Officers.

126. **Over-expenditure.** Yet again legislated expenditure limits have been over-expended. Three (3) Votes have been overspent. They are Consolidated Fund Services, Chief Secretary, and Ministry of Communications and Works. Incidences of line items being overspent are also increasing. For the fiscal year being reviewed thirty (36) sub-heads were overspent across nineteen (19) departments. Fifteen (15) of these overspent subheads related to personal emoluments, wages and allowances.

127. Accounting Officers are required to spend within the limits set by Parliament. Hence, for these expenditures to be authorized, the Statement of Excess Expenditure is required to be tabled in Parliament to make them legitimate expenditures of the State.

128. **Miscoded Expenditure.** We continue to encounter numerous instances of miscoded expenditure. Accounting Officers should be more vigilant when passing these expenditures for payment.

3.3.8 Savings

129. The following Ministries and Departments have recorded expenditure under budget by more than \$100,000. These are noted as follows:

Ministry/Department	Amount
Administration Department	269,374
Police and Fire	238,023
Legal	418,425
Supreme Court	176,639
Legislature	151,509
Chief Minister's Office	152,446
Ministry of Finance	595,303
Development Unit	108,784
Treasury	143,696
Ministry of Agriculture	144,726
Ministry of Health	399,149
Total	<u>2,798,074</u>

130. Total gross savings amounted to \$3,637,665. Further assessment of these savings highlighted that 44.95% of this amount represented savings on Personnel Emoluments, 29.73% on Goods and Services, 21.04% savings on Transfers and Subsidies and 10.72% savings on debt.

131. Net savings for the fiscal year amounted to \$2,311,030 being 2.71% of total authorized expenditure.

3.4 Arrears of Revenue

132. Once again, I have to report that several Ministries/Departments continue breach the regulations by submitting their Arrears of Revenue statements way beyond the 31 March deadline.

133. Arrears of Revenue as at 31 December 2006 amounted to \$24,975,354 and are itemized as follows: -

TABLE 8
ARREARS OF REVENUE

Executing Agency	Arrears at 31 December 2006
Ministry of Agriculture, Lands, Housing & the Environment	579,157
Ministry of Communications and Works	79,388
Inland Revenue:-	0
Income Tax	16,601,125
Company Tax	4,477,487
Property Tax	2,367,386
Broadcasting Services (Radio M/rat)	29,947
Customs	17,545
Treasury	723,359
Ministry of Health and Community Service	36,130
Development Unit	63,831
Total	24,975,354

134. Arrears of revenue increased by \$1,622,682 or 6.95% over 2005 arrears. There is a need to purge the arrears list for items deemed irrecoverable as their inclusion serves to distort the amount of arrears that is actually collectable. Additionally, the quantum of the arrears is increasing suggesting a need for Accounting Officers to pay greater attention to collecting the outstanding sums owed to government. Collection of these sums will allow GOM to improve and/or expand the services it offers to the public.

3.5 DEVELOPMENT FUND

3.5.1 Statement of Assets and Liabilities

ASSETS		2006		2005
British Development Aid Claims Outstanding		4,075,911		(3,304,691)
Donor Agencies Expenditure Outstanding		2,473,781		2,443,657
Local Funds		(694,611)		2,453,688
Total Assets		5,855,081		1,592,654
LIABILITIES				
Deposits within Development Fund		329,888		324,120
Consolidated Fund Payable		2,389,143		(1,867,516)
Consolidated Capital Fund	10,541,009		10,339,032	
Add Revenue over Expenditure	7,404,959	3,136,050	(7,202,982)	3,136,050
Total Liabilities		5,855,081		1,594,654

3.5.2 Capital Expenditure

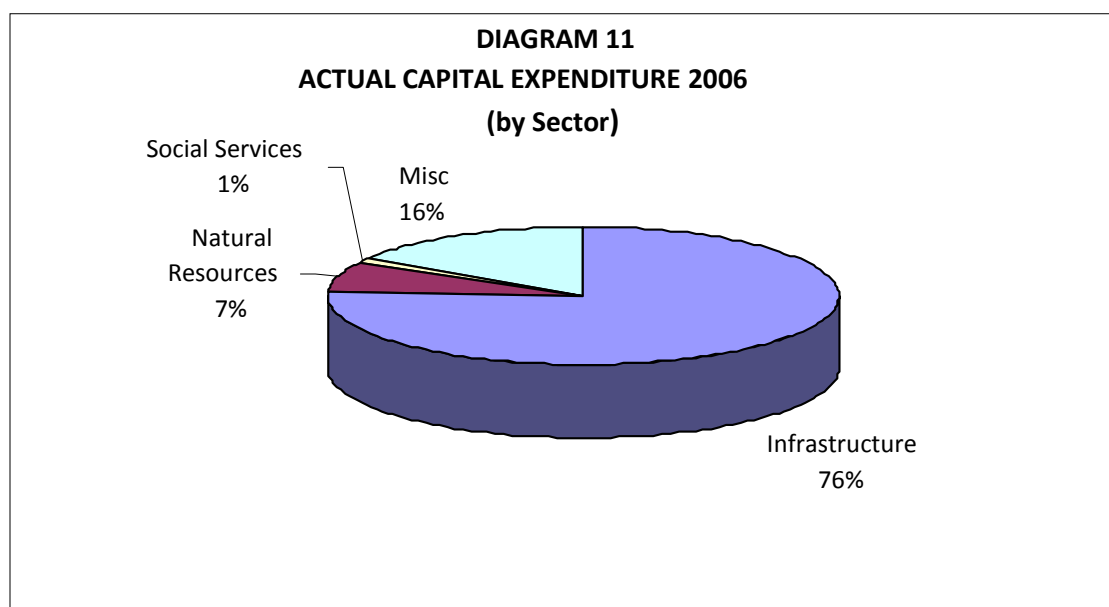
135. Authorised Development Expenditure totaled \$42,448,793. Actual expenditure for the year amounted to \$18,882,878 being 44.5% of authorized expenditure for the year.

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

TABLE 9
Comparison of Development Fund Estimates and Record Results 2006

Development Fund Expenditure	Authorized	Actual	Variance
DFID	32,032,245	13,695,347	18,336,898
LOCAL	6,695,500	4,914,451	1,781,049
FCO	4,300	0	4,300
BNTF	225,000	224,299	701
CAREC	55,048	18,655	36,393
UNICEF	35,200	0	35,200
CPFA	1,500	0	1,500
EU	3,400,000	30,126	3,369,874
TOTAL	42,448,793	18,882,878	23,565,915

137. A pictorial view of how the capital expenditures were incurred is given in Diagram 10 below. The expenditures have been classified by sectors. Infrastructure development continues to be the main sector on which programmed expenditure is utilized.



138. We conducted a detailed review of a sample of the projects undertaken. This revealed that in most cases the tender process was in keeping with international best practices. However, there is some cause for concern as a number of the projects reviewed had overspent their budgeted money and time allocations. Additionally, we could not verify whether monies were spent in accordance with their line-item allocations since no project accounting was done on a line-item basis. Further, in a small number of cases we could not verify the total project expenditure as some of the supporting documents were missing.

3.6 OTHER STATEMENTS

3.6.1 Statement of Contingent Liabilities

Date	Debtor	Creditor	Liability
December 31, 2006	GSB	SUNDRY	\$29,796,196

3.6.2 Statement of Special Funds

139. There was a minimal movement on this fund increasing the balance to \$593,512. We are still awaiting the Treasury to investigate the large balance on the account called Services Development.

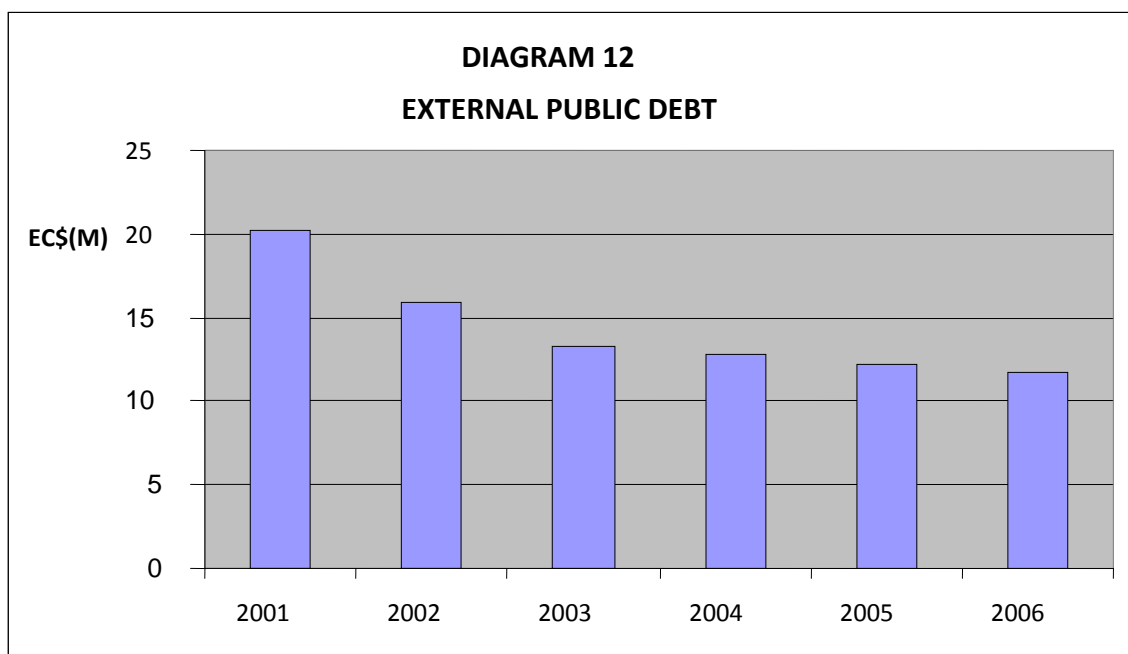
3.6.3 Statement of Public Debt

140. Total Public Debt amounted to EC\$34,155,077. This figure includes an outstanding payment to Social Security. Public Debt per capita¹¹ which represents what each person is expected to contribute toward the repayment of the debt amounted to \$6,786.23 per person. However, the debt burden is shouldered by the employed labour force¹². When this figure is taken into consideration the debt burden is measured at \$13,173.03 per person.

141. External Public Debt stood at \$11,755,077 at the end of the year being reviewed. The graph below compares the movements in the external debt at the end of the years 2001 – 2006.

¹¹ The Montserrat Statistics Department 2006 population estimate was 5,033.

¹² 2,583 persons were recorded as being employed: Source "2006 Listing Exercise", Statistics Department of Montserrat, 2010 Calendar



142. Principal repayments on external debt remained at \$501,664 being 1.43% of actual local recurrent revenue recorded for 2006. When compared against GDP (in current prices for the year)¹³ it represents 0.48%.

143. At the end of this fiscal year, Domestic Debt totaled \$1M. The associated Sinking Fund, held at the Eastern Caribbean Central Bank (ECCB), amounted to \$996,374.

144. \$228,537.26 was paid as interest on External Debt for the fiscal year. This payment utilised 0.65% of total local recurrent revenue generated for the year. Interest paid on Domestic Debt totaled \$75,000 being interest on development bonds.

3.6.4 Statement of Loans Outstanding

145. There has been no movement on this account.

3.7 Losses/Overpayments

146. A payment of \$500 was made on the gratuity overpayment to a legislator thereby reducing the outstanding balance to \$57,563. Not enough effort is being made to reduce this balance. Management should thus implement the Public Accounts Committee's recommendation for remedial action.

¹³ GDP 2006 measured \$105.51M. Source: Montserrat Statistics Unit

CHAPTER 4

4.0 MINISTRIES AND DEPARTMENTS

4.1 ADMINISTRATION

4.1.1 Over Expenditure

147. Once again over-expenditure is being recorded on line-items within the Governor's Office and Administration Headquarters. These are listed in the Table below:

Vote	Head	Subhead	Description	Amount	
				2005	2006
02	020	232	Maintenance Services	420	0
03	030	210	Personal Emoluments	1,264	0
03	030	212	Wages	0	2,892
03	030	216	Allowances	2,564	3,152
03	030	220	Travel Allowance	0	3,669
03	030	236	Visiting Advisers & Volunteers	0	1,731
03	031	210	Personal Emoluments	0	25,212

4.1.2 Capital Expenditure

148. One project was authorized for \$660,000. No expenditure was incurred on this item. Actual expenditure of \$166,773 was however incurred on Training. No warrant authorizing payment was provided to us for audit purposes. **Again we are reiterating that Accounting Officers need to ensure that they obtain a relevant warrant before public funds are expended.**

4.2 SUPREME COURT

4.2.1 Over Expenditure

149. Over expenditure was incurred on two sub-heads as detailed below:

Vote	Head	Subhead	Description	2005
09	090	216	Allowances	4,880
09	090	232	Maintenance Services	85

4.3 BROADCASTING (RADIO MONTSEERRAT)

4.3.1 Arrears of Revenue

150. At the end of this fiscal year outstanding revenue amounted to \$28,907.24. Of this amount 60% was for outstanding revenue for 2005.

4.4 CHIEF MINISTER'S OFFICE

4.4.1 Over Expenditure

151. Several sub-heads under Vote 15 were overspent indicating a lack of effective monitoring of expenditures. This information is presented in the table below.

Vote	Head	Subhead	Description	Amount	
				2005	2006
15	150	210	Personal Emoluments	74,824	0
15	150	212	Wages	911	0
15	150	216	Allowances	0	8,159
15	150	226	Communication Expenses	426	0
15	150	220	Travel Allowance	8,303	4,020
15	151	210	Personal Emoluments	2,512	9,900
15	151	212	Wages	0	192
15	151	232	Maintenance Services	0	7,525
15	152	210	Personal Emoluments	0	9,950

4.5 DEVELOPMENT UNIT

4.5.1 Capital Expenditure

152. Authorised capital expenditure for the fiscal years 2005 and 2006 amounted to \$15,269,000 and 16,127,650 respectively. Improvements were seen in the utilization rate where actual capital expenditure was recorded at 45% and 61% of projected expenditure for the years being audited.

4.5.2 Arrears of Revenue

153. By the end of 2006, outstanding rents had fallen to \$63,831. Further, tenants were occupying the buildings without paying any rent.

154. A policy decision was taken regarding the re-housing of the tenants. This decision should be enforced.

4.5 TREASURY

4.5.1 Arrears of Revenue

155. At end of fiscal year 2006 outstanding revenue amounted to \$723,359. There was a marginal decrease of \$8,000 on the amount owing for Emergency Fuel Supplies. Outstanding revenues for Trade Licences are increasing, amounting to \$46,600 at end 2006.

156. The repayment rate on the outstanding Emergency Fuel Supplies is considered to be too low. Management should therefore seek to have this increased and should make

greater efforts to have all arrears collected. As regards Trade Licences management should undertake field visits to establish whether all businesses on the areas list are still operational.

4.5.2 Reconciliations

157. There was marginal improvement in the reconciliation of bank balances and other account statements. However, efforts should still be made to have the reconciliations done and adjustments completed in a timely manner.

4.5.3 Over-expenditure

158. The Accountant General is responsible for management of funds allocated for statutory expenditure under the Consolidated Fund. For the fiscal years being reviewed several subheads were overspent. These are as follows:

Vote	Head	Subhead	Description	Amount	
				2005	2006
01	001	210	Personnel Emoluments	0	333,334
01	002	292	Debt Servicing	371,064	0
01	003	292	Debt Servicing	191,565	67,665
01	004	292	Debt Servicing	0	67,000
01	005	218	Pension & Gratuities	0	772,227
01	006	270	Revenue Refunds	0	225,102

159. The high level of over-expenditure for these statutory obligations is disheartening. Greater effort should be made to more accurately provide for these expenditures.

4.6 CUSTOMS AND EXCISE

4.6.1 Arrears of Revenue

160. Outstanding revenue at end 2006 amounted to EC\$17,545.

4.6.2 Over-Expenditure

161. Over expenditure of \$56,929 was incurred on Personal Emoluments. This is unacceptable as the Accounting Officer is required to ensure that funds are available to meet all operational costs. Further, this level of over expenditure indicates that no reconciliation of account balances was done when the call was made for submission of Revised Estimates for 2006.

4.7 INLAND REVENUE DEPARTMENT

4.7.1 Arrears of Revenue

162. Income Tax Arrears amounted to EC\$21,080,995 made up as follows:

Personal Income Tax	\$16,601,125
Corporate Tax	\$ 4,477,487

163. Eighty-nine (89%) or \$4,028,586 of Corporate Tax Arrears was outstanding by companies who had arrears greater than \$50,000. These arrears are broken down as follows:

FILE REFERENCE	AMOUNT
CO-0164	323,694
CO-271	55,201
CO-071	72,000
CO-148	54,465
CO-412	205,951
CO-3	160,827
CO-318	75,690
CO-312	84,000
CO-0182	119,225
CO-0045	504,728
CO-519	172,601
CO-216	60,004
CO-322	310,266
CO-0058	242,259
CO-309	94,811
CO-0047	233,625
CO-002	90,000
CO-236	312,444
CO-128	314,153
CO-98	349,043
CO-0165	193,600
TOTAL	4,028,586

164. Property Tax Arrears amounted to \$2,367,386.

165. These arrears still contain outstanding amounts that are considered uncollectable. Effort should be made to have them purged from the accounts. For those arrears that are considered collectable, greater effort should be made to collect them. This might include educating the public on the impact that collection of the outstanding sums would have on improving the services being offered to them.

4.8 AGRICULTURE, LANDS, HOUSING AND THE ENVIRONMENT

4.8.1 Arrears of Revenue

166. As at 31 December 2006 arrears of revenue amounted to \$579,157. A significant portion of these arrears related to outstanding amounts for Government Housing Stock being managed by the Montserrat Land Development Authority. The balance belongs to a long standing arrears of \$39,387 being Loans to Peasant Farmers. The Ministry should seek to have the Loans to Peasant Farmers written off.

4.8.2 Government Housing Stock

167. Outstanding rental for Government Housing Stock was made up as follows:-

Location	Amount Outstanding 2006 EC\$	Amount Outstanding 2005 EC\$	Amount Outstanding 2004 EC\$
Davy Hill	42,569	53,764	50,995
Davy Hill (Governor)	1,200	2,000	800
Shinland	0	0	1,050
Shinland (Governor)	100	200	100
Timber Family Units	33,906	46,190	42,186
Caricom	47,028	44,920	43,737
Caricom Village 1-Bed Apts	6,840	4,841	2,200
Look Out 2 – 1 bed concrete	33,247	29,557	25,432
Look Out 2 – 1 bed Force 10	177,723	158,424	131,738
Look Out 2 – 2 bed concrete	1,050	2,450	13,348
Look Out 2 – 2 bed Force 10	48,720	66,518	88,277
Look Out 2 – 3 bed concrete	17,286	15,410	21,810
Look Out 2 – 3 bed Force 10	0	0	0
Look Out Studio Apartments	40,955	27,840	17,810
Look Out 2 bed concrete duplex	740	0	740
Look Out Warden-Support Apartments	88,775	81,230	55,145
Total	540,139	533,344	495,368

168. The Arrears continue to mount despite GOM agreeing a write-off of approximately \$74,663.50 in 2006. This indicates that further attention should be paid to the rent collection policy and to the enforcement of collection.

4.8.3 Capital Expenditure

169. Authorized capital expenditure amounted to \$5,616,238. Actual expenditure amounted to \$1,642,115 being 29% of total authorized capital expenditure.

4.9 COMMUNICATIONS AND WORKS

4.9.1 Over-Expenditure

170. Excess expenditure was recorded as outlined in the table below:

Vote	Head	Subhead	Description	2005	2006
35	350	210	Personal Emoluments	1,627	986
35	350	216	Allowances	0	2,038
35	350	262	Fees and Rewards	19	0
35	350	282	Resalable Stock	195,598	87,375
35	351	210	Personal Emoluments	17,309	0
35	351	232	Maintenance Services	6,383	0
35	351	278	Operation of Hot Mix Plant	502,005	387,521
35	352	277	Mechanical Spares	59,175	165,192
35	352	279	Operation of Plant & Workshop	329,026	319,942

171. In 2005 three (3) of the four departments under the Ministry overspent their authorized allocations leading to a total overspend of \$918,835 on Vote 35. Again, for the third successive year that Ministry has overspent its total allocation. In 2006, two (2) departments overspent their allocations.

172. The operation of the \$10 Votes is cited as one of the underlying cause of the over-expenditure. However, the over-expenditure is extending to other line-items. As this is a negative performance trend management should seek to determine, assess and address the causes for this anomaly. Ultimately, the Accounting Officer should be held responsible for non compliance with limits set by the Legislative Council.

4.9.2 Arrears of Revenue

173. As at 31 December 2006, total Arrears of Revenue stood at EC\$79,388.00, made up as follows: -

	2005	2006
Landing Fees	5,330	12,353
Navigational/Communication Charges	11,500	0
Concessions Rental	4,574	0
Plant Hire - Government Departments	23,788	67,035
TOTAL	45,192	79,388

4.9.3 Plant Hire

174. It was noted that incorrect fees were sometimes charged for plant used on government projects. At times the information on the time cards was incorrectly transferred to the job cards. This resulted in jobs being incorrectly costed with projects being under or over charged.

4.9.4 Public Stores

175. Seven (7) tyres were recorded in the ledger as being issued on two Store Issue Vouchers (SIVs). However, this information was omitted from the relevant SIVs. These

are regarded as unaccounted for as there was no supporting evidence to say who got the tyres. When stores are not properly recorded, it opens the door for misuse/misappropriation of government stocks.

4.9.5 Capital Expenditure

176. Authorised capital expenditure for 2006 amounted to \$12,735,118. Actual expenditure incurred was \$4,741,408 being 37% of total authorized expenditure.

177. The Ministry of Communications and Works also manages projects on behalf of other Ministries and Departments. For 2006, authorized expenditure was \$2,900,000. Of this amount \$1,344,186 was spent, being 46% of total authorized expenditure.

4.10 MINISTRY OF HEALTH

4.10.1 Arrears of Revenue

178. At the end of the fiscal year 2006, arrears of revenue amounted to \$36,130.

4.10.2 Over-expenditure

179. For the period being reviewed over expenditure was incurred on several sub-heads. This indicates a breakdown in the controls for effective expenditure monitoring. It is an Accounting Officer's responsibility to ensure that sufficient funds are available to meet operational costs and that no funds are disbursed without the appropriate warrants being secured.

180. Over expenditures pertaining to the Ministry of Health are detailed in the table below.

Vote	Head	Subhead	Description	2005	2006
45	450	210	Personal Emoluments	14,266	0
45	450	212	Wages	0	1,563
45	450	226	Communication Expenses	0	416
45	452	210	Personal Emoluments	84,789	0
45	452	212	Wages	242,346	0
45	453	210	Personal Emoluments	1,996	0
45	453	220	Travel Allowance	29	754

4.10.3 Capital Expenditure

181. Authorized capital expenditure amounted to \$4,164,787. Actual spend was \$1,090,490 being 26% of authorized expenditure.

4.10.4 Lookout Community Centre

182. The Centre was being rented to individuals and non-profit organizations to hold private functions. Although the fees were set within the Department they were not sanctioned by Executive Council. There was no cash book to record monies received. The appointment system used did not give details of the time spent. The system used prevented adequate determination of revenues due to the government and provided an enabling environment for irregularities to occur.

183. We therefore recommended the following:

- a) The Head of the Department to seek approval from Executive Council for a Schedule of Fees.
- b) A cash book be introduced;
- c) The appointments book to reflect the duration of events being held to ensure that fees are appropriately charged.

4.11 MINISTRY OF EDUCATION

4.11.1 Capital Expenditure

184. Authorised expenditure totaled \$200,000. Actual expenditure amounted to \$190,278 being 95% of authorized expenditure.

4.11.2 Over-Expenditure

185. Several subheads were overspent during the period being reviewed. These are outlined in the table below.

Vote	Head	Subhead	Description	2005	2006
40	400	210	Personal Emoluments	98,176	0
40	400	216	Allowances	0	5,316
40	400	220	Travel Allowances	0	5,015
40	400	224	Utilities	0	949
40	400	226	Communication Expenses	645	0
40	400	276	Culture	0	1,951
40	401	210	Personal Emoluments	7,938	0
40	402	228	Supplies	0	292
40	403	210	Personal Emoluments	2,938	0
40	405	262	Fees & Rewards	0	876

CHAPTER 5

5.0 OTHER FINANCIAL AUDITS

5.1 Montserrat Water Authority (MWA)

186. At time of writing I was advised that the Financial Statements for 2005 and 2006 were being audited.

5.2 Montserrat Land Development Authority (MLDA)

187. The 2005 and 2006 Financial Statements for MLDA's Property Management - Government Housing Stock were tabled in the Legislative Council on 26 March 2008.

188. We noted with concern huge deficits on the accounts for years 2005 and 2006. Further review revealed that:

- Houses were being sold at substantial discounted rates ranging from 10-60% of the market value.
- Rents are set below market prices.
- Some tenants do not pay their rent.
- Maintenance and insurance costs are high.
- Management expenses increased by 72%,

189. Continued high level value losses will rapidly reduce the economic viability of the entity leading to increasing requests for greater subvention from government.

190. The 2005 and 2006 Financial Statements for the corporate section of MLDA were tabled in the Legislative Council on 20 November 2007 and 29 July 2008, respectively.

5.3 Social Security Fund

191. The 2006 Financial Statements were laid before the Legislative Council at its sitting on the 25 and 26 July 2007.

5.4 Montserrat Philatelic Bureau

192. The audits of the 2005 and 2006 Financial Statements were completed. They were forwarded to the Ministry of Finance for onward submission to the Legislative Council.

5.5 Montserrat Aviation Services Ltd (MASL)

193. In December 2005 Government took a decision (EXCO decision 732/05) to divest itself of MASL leaving the private sector to provide the service. This decision was based on increasing operational cost, dramatic downturn in revenue and a perceived

curtailment in access to major international airlines. By February 2006 a liquidator was identified to oversee the voluntary winding up of MASL. The liquidation process was expected to be completed within a year.

5.6 Montserrat Port Authority (MPA)

194. The Financial Statements for 2005 were laid in the Legislative Council on 14 November 2006 whilst the 2006 Financial Statements were laid on the 26 June 2008.

5.7 Montserrat Electricity Services Limited (MONLEC)

195. At time of writing, I was advised that the audit of the financial statements for years 2005 and 2006 were completed and were awaiting review by the Board.

5.8 Montserrat Tourist Board (MTB)

196. The 2005 Financial Accounts were laid before the Legislative Council on 28 September 2006.

5.9 Montserrat Volcano Observatory (MVO)

197. In my last report I stated that the 2003-2004 Financial Statements were returned to the MVO for adjusting. They were re-submitted to our offices and are currently being audited.

5.10 Annual Government Accounts

198. The 2004 Auditor General's Report and Annual Accounts of the Government of Montserrat were submitted for tabling in the Legislative Council in May 2009.

5.11 Montserrat Civil Service Association

199. The Accounts for 2005 and 2006 were audited and tabled in the Legislative Council on 22 April 2008.

5.12 Golden Years Foundation for Care of Elderly

200. The 2005 Financial Statements were laid before the Legislative Council on 26 August 2006 whilst the 2006 Statements were laid in the sitting of the 25 and 26 July 2007.

5.13 Montserrat Financial Services Commission (MFSC)

201. The 2005 and 2006 Financial Statements were tabled in the Legislative Council on 27 May 2009.

5.14 Citizen and Friends of Montserrat

202. No Financial Statements for years 2005 and 2006 were submitted for audit.

5.15 St Augustine Primary School

203. The audits of the financial statements for 2005/06 and 2006/07 were completed and submitted for tabling.

5.16 Montserrat Utilities Limited

204. Despite assurances that Financial Statements would have been produced, this was not done at time of writing.

5.17 Montserrat Girls Guides Association

205. The 2004 and 2005 Financial Statements were tabled in Legislative Council on 27 September 2006. The Financial Statements for 2006 was tabled on the 27 June 2007.

CHAPTER 6

6.0 THE OFFICE OF THE AUDITOR GENERAL

6.1 Legislative mandate

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

6.2 Mission

207. Our mission is "to promote accountability, transparency and improved stewardship in managing public resources by conducting independent and objective reviews of the accounts and operations of central government and statutory agencies; providing advice; and submitting timely Reports to Accounting Officers and the Legislative Council".

6.3 Auditing Standards

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

6.4 Reporting Criteria, Process and Practice

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

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

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

6.5 Budget Outturn

211. The statement of operations for the Office of the Auditor General for fiscal years 2005 and 2006 is outlined below.

EXPENDITURE 2005			
Description	Authorized (EC\$)	Actual (EC\$)	Variance
Personal Emoluments	503,400	494,731	8,669
Goods and Services	103,800	92,745	11,055
Transfers and Subsidies	13,000	7,579	5,421
Other Expenditure	5,000	4,494	506
Total	625,200	599,549	25,651
REVENUE			
Audit Fees	6,000	15,000	9,000

EXPENDITURE 2006			
Description	Authorized (EC\$)	Actual (EC\$)	Variance
Personal Emoluments	544,900	517,172	27,728
Goods and Services	125,800	84,570	41,230
Transfers and Subsidies	22,000	11,951	10,049
Other Expenditure	6,000	1,280	4,720
Total	698,700	614,973	83,727
REVENUE			
Audit Fees	15,000	14,500	500

Expenditure

212. Analysis of the actual expenditure for fiscal year 2006 revealed that approximately 88% was utilized. This is below our targeted expenditure utilization rate of 95% of budgeted allocation. Six (6) subheads recorded savings of over \$5,000. These were Personal Emoluments, Transport Allowance, International Travel and Subsistence, Communication Expense, Training and Fees and Rewards. The savings arose for the following reasons:

- Greater effort at cost containment
- Vacancies for some parts of the year
- Some allowances not utilized due to staff being on prolonged leave or not in possession of vehicle for part of the year
- A planned training event was not implemented.

Revenue

213. Revenues were collected largely in line with projections.

6.6 Outputs Report

214. For the financial years ending 31 December 2005 and 2006, we audited:

- a) An aggregate of over \$122M in government revenues and expenditures.
- b) Twenty-two statements included in the Public Accounts per year. These audits focused on examinations of revenue and expenditure, and verification of assets and liabilities.
- c) Ten Ministries and Departments of Central Government with twenty-two accounting units per year.
- d) Four other financial statements per year.
- e) The pre-audit of pension and gratuity calculations. This activity included the audit of pension and gratuity calculations for mainstream Civil Servants, nurses, teachers, police and members of Parliament.

6.7 Staffing

215. At the end of 2006, fifteen persons (13 auditors and 2 support staff) were employed at the Office of the Auditor General.

216. The following staff movements were recorded for 2005 and 2006. We welcomed the following persons:

- Miss Vincia Meade joined the department in January 2005 as Office Attendant.
- Mrs Lauren R Irish joined as Senior Auditor in May 2005.
- Miss Lauren Piper joined as Senior Auditor in September 2005.
- Miss Denise Gordon joined as Auditor in May 2006.

217. Mrs Anne Thomas was transferred to another department in May 2006. We trust that she will utilize the knowledge and skills learnt as an auditor to improve her new environment.

6.8 Training

218. Professional competence and due care is a fundamental principle of auditing. This requires that all auditors be competent to perform the duty being undertaken. It is therefore incumbent on management to ensure that all staff is properly equipped for the level of work being undertaken. This requires continuous training and/or retraining of staff. Our efforts at continuous professional development are therefore focused on improving knowledge and skills through in-house training, overseas training and through distance learning programmes.

6.8.1 In-house training

219. Coaching and mentoring continue to play a significant role in our capacity development programme. To that end, senior managers consistently provide guidance and assistance to junior staff when conducting their duties.

220. Members of staff were exposed to the use of computer assisted auditing techniques using the Interactive Data Extraction and Analysis (IDEA) software.

221. In an effort to keep abreast of developments within the public service staff participated in several in-service training sessions/workshops conducted by the Training Division, Department of Administration. These include the following:

- Productivity workshops
- Smartstream Financials
- Public Law

6.8.2 Overseas training

222. Our skills base and technical capacity was enhanced when an Audit Manager completed a Masters Degree in Audit Management and Consultancy at the UCE Business School in Birmingham, United Kingdom.

223. The INTOSAI Development Initiative (IDI) aims to enhance the institutional capacity of Supreme Audit Institutions in developing countries. The IDI together with CAROSAI have embarked on a series Master Classes geared at exposing Heads of SAIs to emerging audit issues and skills development. The Auditor General therefore participated in Master Classes on “Increasing Impact: the role of SAIs in strengthening the governance, transparency and accountability in the region” and “Managing SAI resources”.

224. The Auditor General also attended the Tenth Working Group on Environmental Auditing (WGEA) Meeting, Moscow, Russian Federation during the period 27 October – 1 November 2005. The objectives of the meeting were to build awareness of environmental issues, to exchange experience of environmental auditing, and to enhance the capacity of SAIs to undertake environmental audits.

225. The Auditor General also learned new ways of showcasing the output of her department through her attendance and participation in the 19th Commonwealth Auditor Generals Conference held in New Zealand. Additionally, the Auditor General participated in the VII Congress of CAROSAI held in the Bahamas. The theme for the Congress was “Accountability, Transparency and Efficiency of Public Funds”.

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

- Advanced Seminar for Internal Auditors: Strengthening Internal control in Public Expenditure Management, Commonwealth Secretariat, London
- Internal Audit in the Public Sector, Crown Agents, St Lucia
- Regional Audit Workshop facilitated jointly by IDI and the CAROSAI Secretariat, Belize
- CAROSAI IT Audit Workshop, St Kitts

6.8.3 Distance learning

227. Staff members continue to utilize the University of the West Indies (UWI) distance learning programme to acquire managerial and accounting skills.

228. Three (3) members of staff participated in the IDI's "E-course on IT Audit".

6.9 Advocacy

229. We continue our efforts to assist departments in developing the knowledge and skills of the financial management process. In addition, we sought to provide a clearer understanding of the role of the Office of the Auditor General in that process. To that end we conduct specific training on "Understanding the Roles and Functions of the Office of the Auditor General" for the Ministry of Education.

230. The Auditor General sought to strengthen regional linkages by providing a number of country papers on topics discussed at the CAROSAI Congress. Further, she accepted the nomination to remain a member of the Regional Institutional Strengthening (RISC). She also continued to participate in meetings for Accountants General/Budget Directors/Auditor Generals meetings for the respective officials within the Eastern Caribbean Currency Union (ECCU).

231. Over the period being reviewed, we sought to strengthen our relationship with regional and international by participating in several surveys geared toward developing skills and/or enhancing institutional capacity in SAls in developing countries. These surveys included the provision of information to guide the development of the IDI Strategic Plan, to facilitate the development of guidelines for Independence of Office of the Auditor General internationally, and the improvement of computer audit capacity.

ACKNOWLEDGEMENT AND APPRECIATION

The examination of public expenditure and revenue management is a task which could not have been completed without the assistance of a large number of persons. I therefore wish to express my sincere thanks to the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for the co-operation and courtesies extended to my staff during the performance of the various audit assignments.

Appreciation is expressed to the Administration Department (now renamed the Human Resources Management Unit), its Training Division, IDI, CAROSAI and its member organizations, and other private sector auditors for their invaluable assistance toward the Department's institutional strengthening, succession planning and training initiatives.

Finally, it is with a sense of gratitude that I recognize the efforts of my staff without whose help I could not have completed the auditing and reporting on the Public Accounts. This assignment required team effort and you utilize your skills, and at times limited resources, to complete your assignments. Thank you.

Brades, Montserrat
9 April 2010

Florence A Lee, MSc, BSc, CPA
Auditor General

**GOVERNMENT OF MONTSERRAT
ANNUAL ACCOUNTS FOR FISCAL YEARS 2005 and 2006**

AUDIT CERTIFICATE

I have examined the Annual Accounts prepared from the Consolidated Fund of the Government of Montserrat as at 31 December 2005 and 2006, together with relevant subsidiary Statements, as required by Section 17 of the Finance (Administration) Act, #3 of 2001.

RESPONSIBILITIES

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

SCOPE

My audit was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit also includes examination, on a test basis, of evidence supporting the amounts and other disclosures in the accounts, and the evaluation of accounting policies.

CONTRAVENTION OF THE FINANCE (ADMINISTRATION) ACT AND SCOPE LIMITATION

The accounts report recurrent expenditure in excess of appropriation on twenty-one subheads of the Consolidated Fund. In the absence of supplementary appropriation this excess expenditure is recorded in the Public Accounts without statutory authorization.

QUALIFIED OPINION

Except as otherwise stated in my Report dated 9 April 2010, attached hereto, and subject to the observations and comments contained therein, in my opinion, the Annual Accounts for the Fiscal Years 2005 and 2006 presents fairly the financial operations of the Consolidated Fund of the Government of Montserrat, and the sums expended have been applied for the purposes authorized by the Legislative Council.

FLORENCE A LEE, CPA, BSc, MSc
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL
MONTSERRAT, WEST INDIES
9 April 2010

APPENDICES

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APPENDIX 1
GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Statement Of Assets And Liabilities As At 31 December 2005
(with comparative figures for December 31, 2004)

ASSETS	2005	2004
CASH LOCAL	9,346,848	4,525,785
OPERATING ACCOUNT - ECCB	33,767	114,251
DEVELOPMENT CAPITAL FUND	6,281,655	12,323,420
CROWN AGENTS # 2 ACCOUNT	9,405,054	9,221,231
FISCAL RESERVE – A/C # 1 TRANCHE ECCB	3,423,138	3,315,305
FIXED DEPOSIT - BARCLAYS BANK	712,514	712,514
FIXED DEPOSIT - ST PATRICKS CREDIT UNION	246,880	246,880
FIXED DEPOSIT – BRITISH AMERICAN	2,856,716	2,856,716
INDUSTRIAL DEPOSIT - BANK OF MONTSERRAT	72,353	72,353
INVESTMENT MONTSERRAT MILLS	60,000	60,000
EQUITY BOM - # 2/SFR-OR-M	<u>2,108,400</u>	<u>1,996,200</u>
SUB TOTAL	34,547,325	35,444,655
ADVANCES		
PERSONAL	544,542	458,491
IMPERSONAL	77,622	77,622
OUTSTANDING IMPREST	470,993	466,055
OTHER GOVERNMENTS & ADMINISTRATIONS	551,307	139,770
CDB STUDENT LOANS	1,039,966	1,062,739
SALARY CLEARING A/C	-766	541
POSTMASTER CLEARANCE	(300,259)	(289,233)
GOVERNMENT SAVINGS BANK	0	0
DEVELOPMENT FUND RECEIVABLE	<u>(5,015,816)</u>	<u>(12,218,798)</u>
SUB TOTAL	<u>(2,632,411)</u>	<u>(10,302,813)</u>
TOTAL ASSETS	<u>31,914,914</u>	<u>25,142,842</u>

Government of Montserrat Annual Accounts for the year ended December 31, 2005

GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Statements of Assets and Liabilities as at December 31, 2005
(with comparative figures for December 31, 2004)

LIABILITIES AND THE CONSOLIDATED FUND

	2005	2004
MISCELLANEOUS DEPOSITS	8,111,341	3,101,289
INSURANCE COMPANY DEPOSITS	712,514	712,514
INDUSTRIAL INVESTMENTS DEPOSITS	50,543	50,543
SPECIAL FUNDS	<u>587,092</u>	<u>583,927</u>
SUB - TOTAL	<u>9,461,490</u>	<u>4,448,273</u>

CONSOLIDATED FUND

BALANCE AT START OF YEAR	20,693,569	19,031,570
(Recurrent)		
REVENUE FOR THE YEAR	84,565,895	95,250,856
EXPENDITURE FOR THE YEAR	<u>78,893,685</u>	<u>90,440,557</u>
SURPLUS	5,672,210	4,810,299
DIVIDENDS CAPITALISED	112,200	0
TRANSFER OF LOCAL COSTS	<u>-4,024,556</u>	<u>-3,148,300</u>
TOTAL CONSOLIDATED FUND	<u>22,453,423</u>	<u>20,693,569</u>
TOTALS	<u>31,914,914</u>	<u>25,141,842</u>

Accountant General, Montserrat

CONSOLIDATED REVENUE FUND – 2005
Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
CONSOLIDATED FUND REVENUE:-				
1A. TAX REVENUE				
Taxes on Income, Profits and Capital Gains	10,500,000	10,500,000	13,061,430	2,561,430
Taxes on Property	1,500,000	1,500,000	1,377,278	(122,722)
Taxes on Domestic Goods and Services	1,545,000	1,545,000	1,189,721	(355,279)
Licences	1,747,000	1,747,000	2,173,384	426,384
Taxes on International Trade & Transactions	14,566,900	14,566,900	14,752,105	185,205
TOTAL TAX REVENUE	29,858,900	29,858,900	32,553,918	2,695,018
1B – NON-TAX REVENUE				
Fee, Fines & Permits	899,000	899,000	1,044,799	145,799
Rents, Interest and Dividends	1,058,000	1,058,000	632,420	(425,580)
ECCB Profits	200,000	200,000	0	(200,000)
Reimbursements	72,000	72,000	60,594	(11,406)
Budgets and Grants	47,361,500	47,361,500	48,961,176	1,599,676
Other Revenue	655,700	655,700	1,312,988	657,288
TOTAL NON-TAX REVENUE	50,246,200	50,246,200	52,011,977	1,765,777
TOTAL REVENUE	80,105,100	80,105,100	84,565,895	4,460,795

Ag Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2005

CONSOLIDATED REVENUE FUND – 2005

Annual Abstract of Receipts and Payments

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
01 CONSOLIDATED FUND SERV'S	9,896,000	10,746,600	9,626,799	1,119,801
02 GOVERNOR'S OFFICE	339,700	339,700	300,020	39,680
03 ADMINISTRATION	5,474,100	5,115,100	4,959,975	155,125
05 POLICE	5,207,100	5,880,100	5,679,110	200,990
06 EMERGENCY CENTRE	5,351,700	5,582,700	5,009,630	573,070
07 LEGAL	1,073,500	1,073,500	858,615	214,885
08 MAGISTRATES COURT	198,000	198,000	120,774	77,226
09 SUPREME COURT	782,300	782,300	734,136	48,164
10 LEGISLATURE	853,200	853,200	755,455	97,745
11 AUDIT	625,200	625,200	755,455	25,651
15 OFFICE OF THE CHIEF MINISTER	3,274,700	3,444,700	3,261,106	183,594
20 MINISTRY OF FINANCE	5,549,900	5,349,900	4,694,978	654,922
21 DEVELOPMENT UNIT	2,784,600	2,684,600	2,561,243	123,357
22 TREASURY	2,377,600	2,377,600	2,166,130	211,470
23 CUSTOMS & EXCISE	847,900	977,900	905,881	72,019
24 INLAND REVENUE	580,900	580,900	555,259	25,641
25 GENERAL POST OFFICE	451,200	451,200	365,539	85,661
30 MIN. OF AGRI., LANDS, HSG & ENVIR.	5,017,000	4,967,000	4,663,000	304,000
35 MIN. OF COMMS & WORKS	11,361,100	11,681,700	12,605,535	(918,835)
40 MIN. OF EDUCATION	5,613,900	5,663,900	5,607,900	56,000
45 MIN. OF HEALTH & COMM. SERVIC	12,444,900	13,144,900	12,863,051	281,849
TOTAL	80,105,100	82,525,700	78,893,685	3,632,015

Government of Montserrat Annual Accounts for year ended December 31, 2005

CONSOLIDATED REVENUE FUND – 2005
ABSTRACT OF EXPENDITURE BY TYPE

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
2A Personal Emoluments	32,137,000	32,125,400	30,488,429	1,636,971
2B Pension, Gratuities & Other Benefits	8,682,000	8,687,800	7,626,780	1,061,020
2C Goods & Services	16,337,500	17,097,450	16,249,519	847,931
2D Transfers & Subsidies	14,695,300	15,579,200	14,708,472	870,728
2E Social Services	3,178,000	3,410,000	3,396,809	13,191
2F Other Expenditure	4,102,200	4,152,750	4,954,601	(801,851)
2G Debt	973,100	1,473,100	1,469,075	4,025
TOTAL	80,105,100	82,525,700	78,893,685	3,632,015

Government of Montserrat Annual Accounts for year ended December 31, 2005

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2005
(with comparative figures for December 31, 2004)

<u>ASSETS</u>		2005	2004
BRITISH DEVELOPMENT AID			
CLAIMS OUTSTANDING	(1)	(3,304,691)	(10,502,385)
DONOR AGENCIES			
EXPENDITURE OUTSTANDING	(2)	2,443,657	2,438,367
LOCAL FUNDS	(4)	(694,611)	(694,611)
TOTAL ASSETS		<u>(1,555,645)</u>	<u>(8,758,628)</u>
<u>LIABILITIES</u>			
DEPOSITS WITHIN THE			
DEVELOPMENT FUND	(3)	324,120	324,120
CONSOLIDATED FUND PAYABLE		-5,015,816	-12,218,798
CONSOLIDATED CAPITAL FUND	10,339,032	(7,999,569)	
ADD: REVENUE OVER			
EXPENDITURE	-7,202,982	3,136,050	3,136,050
TOTAL LIABILITIES		<u>(1,555,645)</u>	<u>(8,758,628)</u>

NOTES TO THE BALANCE SHEET

(1) SUM OF THE BALANCES FOR BDD AND WISTS (STMENT 16)

(2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS.

(3) SUM OF THE CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL PROJECTS.

(4) SEE DETAILS RE: STATEMENT 16.

Ag Accountant General
Montserrat

Government of Montserrat Annual Account for the year ended December 31, 2005

DEVELOPMENT EXPENDITURE – 2005
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
01. COMMS & WORKS	16,946,000	16,946,000	8,437,322	8,508,678
02. COMMS & WORKS - O D'S	2,530,000	2,530,000	1,004,184	1,525,816
03. FINANCE & ECONOMICS	15,269,000	15,269,000	6,881,136	8,387,864
04. AGRI. , TRADE, LAND & HOUSING	9,475,000	9,475,000	5,682,966	3,792,034
05. HEALTH AND COMM.	2,384,000	2,384,000	613,474	1,770,526
06. MANPOWER & ADMINISTRATION	660,000	660,000	166,773	493,227
07. EDUCATION	390,000	390,000	272,394	117,606
08. POLICE	69,000	69,000	56,690	12,310
TOTALS	47,723,000	47,723,000	23,114,939	24,608,061

Acting Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2005

CASHFLOW STATEMENT 2005

(with comparative figures for 2004)

[illegible]

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
December 31, 2005**

THE ACCOUNTING POLICIES

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

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

1. PUBLIC ACCOUNTS

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

- a. Consolidated Revenue Fund
- b. Development Fund

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

2. BASIC CONCEPTS

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

Budgetary transactions enter into the calculation of the annual surplus¹⁴, and are disclosed on the Statement of Revenue and Expenditure. All other transactions lead to the acquisition or disposal of financial claims or to the creation or discharge of financial obligations and are disclosed on a net basis in the Statement of Assets and Liabilities.

3. BASIS OF ACCOUNTING

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

¹⁴ The constitutional status of Montserrat disallows the Government to report an annual deficit.

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

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

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

Assets are generally defined as the financial claims acquired by the Government of Montserrat from outside organizations and individuals as a result of events and transactions recorded at December 31, 2005. However, as a direct result of the Government's accounting policies outlined above, certain financial claims are not reported on the Statement of Assets and Liabilities, the most important being the accounts receivables.

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

Liabilities are generally defined as the financial obligations of the Government of Montserrat to outside organizations and individuals as a result of events, and transactions recorded as at December 31, 2005. Due to current accounting policies, no provision is made in the Accounts for (a) Terminal Benefit Payments and Pension, (b) Doubtful Debts, and (c) Accrued Interests on Government Liabilities.

4. ADVANCES

a. Personal

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

b. Impersonal Advances

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

c. Outstanding Imprests

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

d. Other Governments and Administrations

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

e. CDB Student Loans

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

f. Postmaster Clearance

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

g. Development Fund Receivable

Gross amount due by Development Aid Agencies for advance payment from the Consolidated Fund to meet the expenditure needs of approved development projects. In 2005 the greater percentage of Development Aid transactions processed by the Treasury Department were funded by the Department for International Development.

APPENDIX 2
GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Statement Of Assets And Liabilities As At 31 December 2006
(with comparative figures for December 31, 2005)

ASSETS	2005	2006
CASH LOCAL	9,346,848	4,416,693
OPERATING ACCOUNT - ECCB	33,767	36,521
DEVELOPMENT CAPITAL FUND	6,281,655	-396,873
CROWN AGENTS # 2 ACCOUNT	9,405,054	9,637,037
FISCAL RESERVE – A/C # 1 TRANCHE ECCB	3,423,138	3,590,290
FIXED DEPOSIT - BARCLAYS BANK	712,514	712,514
FIXED DEPOSIT - ST PATRICKS CREDIT UNION	246,880	246,880
FIXED DEPOSIT – BRITISH AMERICAN	2,856,716	2,856,716
INDUSTRIAL DEPOSIT - BANK OF MONTSERRAT	72,353	72,353
INVESTMENT MONTSERRAT MILLS	60,000	60,000
EQUITY BOM - # 2/SFR-OR-M	<u>2,108,400</u>	<u>2,108,400</u>
SUB TOTAL	34,547,325	23,340,532
ADVANCES		
PERSONAL	544,542	587,845
IMPERSONAL	77,622	77,622
OUTSTANDING IMPREST	470,993	503,708
OTHER GOVERNMENTS & ADMINISTRATIONS	551,307	947,083
CDB STUDENT LOANS	1,039,966	1,029,684
SALARY CLEARING A/C	-766	-766
POSTMASTER CLEARANCE	(300,259)	(241,995)
GOVERNMENT SAVINGS BANK	0	0
DEVELOPMENT FUND RECEIVABLE	<u>(5,015,816)</u>	<u>2,389,143</u>
SUB TOTAL	<u>(2,632,411)</u>	<u>5,292,324</u>
TOTAL ASSETS	<u>31,914,914</u>	<u>28,632,856</u>

Government of Montserrat Annual Accounts for the year ended December 31, 2006

GOVERNMENT OF MONTSERRAT

CONSOLIDATED REVENUE FUND

Statements of Assets and Liabilities as at December 31, 2006

(with comparative figures for December 31, 2005)

LIABILITIES AND THE CONSOLIDATED FUND

	2005	2006
MISCELLANEOUS DEPOSITS	8,111,341	4,444,346
INSURANCE COMPANY DEPOSITS	712,514	712,514
INDUSTRIAL INVESTMENTS DEPOSITS	50,543	50,543
SPECIAL FUNDS	<u>587,092</u>	<u>593,512</u>
SUB - TOTAL	<u>9,461,490</u>	<u>5,800,915</u>

CONSOLIDATED FUND

BALANCE AT START OF YEAR	20,693,569	22,453,423
(Recurrent)		
REVENUE FOR THE YEAR	84,565,895	88,609,337
EXPENDITURE FOR THE YEAR	<u>78,893,685</u>	<u>83,092,070</u>
SURPLUS	5,672,210	5,517,268
DIVIDENDS CAPITALISED	112,200	0
TRANSFER OF LOCAL COSTS	<u>-4,024,556</u>	<u>-5,138,750</u>
TOTAL CONSOLIDATED FUND	<u>22,453,423</u>	<u>22,831,941</u>
TOTALS	<u>31,914,914</u>	<u>28,632,856</u>

Accountant General, Montserrat

CONSOLIDATED REVENUE FUND – 2006
Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
CONSOLIDATED FUND REVENUE:-				
1A. TAX REVENUE				
Taxes on Income, Profits and Capital Gains	12,870,000	12,870,000	13,471,125	601,125
Taxes on Property	1,280,000	1,280,000	1,453,516	173,516
Taxes on Domestic Goods and Services	1,491,500	1,491,500	1,371,460	(120,040)
Licences	1,798,100	1,798,100	2,149,438	351,338
Taxes on International Trade & Transactions	14,676,000	14,676,000	13,707,593	(968,407)
TOTAL TAX REVENUE	32,115,600	32,115,600	32,153,132	37,532
1B – NON-TAX REVENUE				
Fee, Fines & Permits	1,053,200	1,053,200	1,099,205	46,005
Rents, Interest and Dividends	1,080,000	1,080,000	710,781	(369,219)
ECCB Profits	200,000	200,000	0	(200,000)
Reimbursements	77,000	77,000	72,146	(4,854)
Budgets and Grants	47,900,000	47,900,000	53,435,460	5,535,460
Other Revenue	787,600	787,600	1,138,613	351,013
TOTAL NON-TAX REVENUE	51,097,800	51,097,800	56,456,205	5,358,405
TOTAL REVENUE	83,213,400	83,213,400	88,609,337	5,395,937

Ag Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2006

CONSOLIDATED REVENUE FUND – 2006
Annual Abstract of Receipts and Payments

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
01 CONSOLIDATED FUND SERV'S	11,712,900	11,612,900	12,106,162	(493,262)
02 GOVERNOR'S OFFICE	779,200	409,200	384,347	24,853
03 ADMINISTRATION	5,262,800	5,757,300	5,487,625	269,675
05 POLICE	6,083,600	6,289,600	6,051,577	238,023
06 EMERGENCY CENTRE	5,174,500	7,027,500	7,008,173	19,327
07 LEGAL	1,327,900	1,277,900	859,474	418,426
08 MAGISTRATES COURT	137,800	163,100	140,707	22,393
09 SUPREME COURT	865,900	865,900	689,261	176,639
10 LEGISLATURE	855,100	1,044,100	892,591	151,509
11 AUDIT	698,700	698,700	614,973	83,727
15 OFFICE OF THE CHIEF MINISTER	3,212,800	3,272,800	3,120,354	152,446
20 MINISTRY OF FINANCE	5,302,500	5,542,500	4,947,198	595,302
21 DEVELOPMENT UNIT	2,513,900	2,784,500	2,675,716	108,784
22 TREASURY	3,543,000	1,053,000	909,304	143,696
23 CUSTOMS & EXCISE	974,600	1,044,600	1,021,153	23,447
24 INLAND REVENUE	609,000	644,000	568,584	75,416
25 GENERAL POST OFFICE	504,500	504,500	484,320	20,180
30 MIN. OF AGRI., LANDS, HSG & ENVIR.	5,044,500	5,106,100	4,961,375	144,725
35 MIN. OF COMMS & WORKS	8,727,600	9,427,600	9,767,427	(339,827)
40 MIN. OF EDUCATION	6,191,900	6,736,900	6,660,198	76,702
45 MIN. OF HEALTH & COMM. SERVIC	13,690,700	14,140,700	13,741,553	399,147
TOTAL	83,213,400	85,403,400	83,092,071	2,311,329

Government of Montserrat Annual Accounts for year ended December 31, 2006

CONSOLIDATED REVENUE FUND – 2006
ABSTRACT OF EXPENDITURE BY TYPE

CONSOLIDATED FUND EXPENDITURE:-	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
2A Personal Emoluments	38,033,200	37,151,400	35,516,423	1,634,977
2B Pension, Gratuities & Other Benefits	8,290,000	8,677,000	9,400,045	(723,045)
2C Goods & Services	16,840,200	17,793,000	16,711,501	1,081,499
2D Transfers & Subsidies	11,004,200	11,409,900	10,923,609	486,291
2E Social Services	3,478,900	3,503,900	3,458,803	45,097
2F Other Expenditure	3,511,400	5,312,700	5,915,992	603,292
2G Debt	2,055,500	1,555,500	1,165,669	389,801
TOTAL	83,213,400	85,403,400	83,092,070	2,311,330

Government of Montserrat Annual Accounts for year ended December 31, 2006

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2006
(with comparative figures for December 31, 2005)

<u>ASSETS</u>		2005	2006
BRITISH DEVELOPMENT AID			
CLAIMS OUTSTANDING	(1)	(3,304,691)	4,075,911
DONOR AGENCIES			
EXPENDITURE OUTSTANDING	(2)	2,443,657	2,473,781
LOCAL FUNDS	(4)	(694,611)	(694,611)
TOTAL ASSETS		(1,555,645)	5,855,081
<u>LIABILITIES</u>			
DEPOSITS WITHIN THE			
DEVELOPMENT FUND	(3)	324,120	329,888
CONSOLIDATED FUND PAYABLE		-5,015,816	2,389,143
CONSOLIDATED CAPITAL FUND	10,339,032		10,541,009
ADD: REVENUE OVER			
EXPENDITURE	(7,202,982)	3,136,050	(7,404,959)
TOTAL LIABILITIES		(1,555,645)	(5,855,081)

NOTES TO THE BALANCE SHEET

(1) SUM OF THE BALANCES FOR BDD AND WISTS (STMENT 16)

(2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS.

(3) SUM OF THE CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL PROJECTS.

(4) SEE DETAILS RE: STATEMENT 16.

Ag Accountant General
Montserrat

Government of Montserrat Annual Account for the year ended December 31, 2005

DEVELOPMENT EXPENDITURE – 2006
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
01. COMMS & WORKS	8,145,400	12,735,118	4,741,408	7,993,710
02. COMMS & WORKS - O D'S	2,900,000	2,900,000	1,344,185	1,555,815
03. FINANCE & ECONOMICS	10,905,200	16,127,650	9,874,400	6,253,250
04. AGRI. , TRADE, LAND & HOUSING	5,601,738	5,616,238	1,642,115	3,974,123
05. HEALTH AND COMM.	4,143,139	4,164,787	1,090,490	3,074,297
06. MANPOWER & ADMINISTRATION	705,000	705,000	0	705,000
07. EDUCATION	200,000	200,000	190,278	9,722
08. POLICE	0	0	0	0
TOTALS	32,600,477	42,448,793	18,882,878	35,565,915

Acting Accountant General
MONTERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2006

CASHFLOW STATEMENT 2006

(with comparative figures for 2005)

[illegible]

APPENDIX 3

NO. 07 OF 2001

AUDIT ACT 2001

MONTSERRAT

(Preamble and Enactment Omitted)

Short title and
commencement

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

PART I

PRELIMINARY

Interpretation

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

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

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

"Accountant General" means the Accountant General of Montserrat;

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

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

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

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

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

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

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

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

"Legislative Council" means the Legislative Council of Montserrat;

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

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

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

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

"Public Moneys" includes -

- (a) all revenues or other moneys raised or received for the purpose of the Government; and
- (b) any other moneys or funds held, whether temporarily or otherwise, by any public officer in his official capacity, either alone or jointly with any other person, whether a public officer or not;
- (c) any other public property which come within the scope of this Act and those of Public Bodies, Statutory Bodies and Government Companies;

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

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

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

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

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

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

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

PART II

THE AUDITOR GENERAL

Appointment of Auditor General

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

Tenure of office

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

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

during the currency of his appointment.

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

Vacancy in
office of
Auditor General

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

Acting Auditor General

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

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

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

Salary and
Allowance of
Auditor General

7. (1) The annual salary and allowances of the Auditor General shall be at a rate not less than the average rate paid to Departmental Permanent Secretaries.

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

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

PART III

DUTIES AND POWERS OF AUDITOR GENERAL

Duties of
Auditor General

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

- (a) accounts have been faithfully and properly maintained in accordance with generally accepted accounting standards, and that all reasonable precautions have been taken to safeguard the collection and custody of public moneys, and that these have been fully accounted for or paid, where so required by law, into the Consolidated Fund;
- (b) moneys which have been appropriated and disbursed have been applied to the purposes for which they were appropriated, and that expenditure has been made only as authorised;
- (c) moneys other than those which have been appropriated have been dealt with in accordance with proper authority;
- (d) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of cash, stamps, securities and public stores, and that the regulations, directions and instructions relating thereto have been duly observed;
- (e) sufficient relevant and reliable audit evidence is obtained to support the issue of a professional audit opinion on the financial statements of the organisations subject to audit;
- (f) expenditure is achieving value for money;
- (g) adequate regulations, directions or instructions exist for the guidance of Accounting Officers and Accountable Officers, and are complied with;
- (h) proper returns have been submitted by Accounting Officers in accordance with the Finance (Administration) Act 2001;

- (i) the accounts are in agreement with the books of accounts and returns.

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

Advisory Role
to Public
Accounts Committee

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

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

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

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

Access to
information

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

- (a) have access to all records, registers, books, documents, data, vouchers, cash, stamps, securities, stores or other Government property of any kind whatsoever in the possession of any public officer.
- (b) call upon any officer for any explanations and information which he may require in order to enable him to discharge his duties;
- (c) without the payment of any fee cause search to be made in

and extracts taken from any public office;

- (d) authorize any person publicly carrying on the profession of accountant, auditor, or public officer, including members of his staff, to conduct on his behalf any inquiry, examination or audit, including surprise checks of cash and stores, and such person or officer shall report thereon to the Auditor General.

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

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

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

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

Requests by Government

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

Advisory powers

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

Notification of irregularities to Financial Secretary and Attorney General

14. If at any time it appears to the Auditor General that substantial irregularities have occurred in the receipt, custody, issue or expenditure of public moneys or in the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other Government property, or in the

accounting for the same, he shall immediately bring the matter to the notice of the Financial Secretary.

Auditor Officers not to be appointed to Boards

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

Legal advice

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

Powers of Auditor General not subject to direction

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

Staff resources

18 (1) The staff required to assist the Auditor General in the performance of his duties shall be composed of such qualified officers as the Governor may from time to time appoint.

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

Use of professional services

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

Accommodation to be made available for outside audits

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

Sanctions for

21. Disciplinary action, as provided for in section 106 of General

improper
disclosure

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

Other Auditor

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

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

(a) the annual financial statements;

(b) his report on these statements; and

(c) any other report he makes to the Board of Directors, the executive or the management of the Statutory Body or Government Company, as the case may be, on his findings and recommendations.

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

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

Funding of the Audit
Office

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

(2) The Auditor General shall apprise the Governor in writing in the event that the amounts provided in the Annual Estimates to be

submitted by the Ministry of Finance to the Legislative Council are, in his opinion, inadequate to enable him to fulfill the duties and responsibilities of his office.

Audit of office
of Auditor
General

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

PART IV THE AUDIT AND EXAMINATION OF PUBLIC ACCOUNTS

Annual Accounts

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

Report on Annual
Accounts and Special
Reports

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

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

Minister to lay
documents
transmitted to him by
Auditor General

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

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

Documents laid in accordance with section 27 to be dealt

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

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

Examination and audit of accounts of Statutory Corporations and similar bodies

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

Duties and powers

30. In relation to such Statutory Corporation, Board, Body or Commission and its members, officers and employees, the same or similar duties powers and discretion as are conferred upon the Auditor General in regard to the audit of Government accounts apply.

Preparation of report

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

Minister to obtain observations on report of Auditor General

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

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

Audit Fees to be charged

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

Provided that the Financial Secretary may, in any case in which it shall appear to him to be in the public interest that some lesser fee shall be

paid, instruct the Auditor General to levy such lesser fee.

SPEAKER

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

CLERK OF COUNCILS

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

