



---

**REPORT OF THE AUDITOR GENERAL**

**ON THE**

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

**FOR THE**

**FISCAL YEAR ENDED 31 MARCH 2018**



# OFFICE OF THE AUDITOR GENERAL

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

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

*Email: [audit@gov.ms](mailto:audit@gov.ms)*

19 February, 2019

AUD 7/24

Honourable Minister of Finance  
Ministry of Finance, Economic Management  
Government Headquarters  
Brades  
Montserrat

Sir,

In accordance with Sections 100 and 103 (2) of the Montserrat Constitution Order 2010 and Section 42(2) of the Public finance (Management and Accountability) Act 2008, I forward, for laying before the Legislative Assembly, my Report on the examination of the public accounts of Montserrat, and of other financial statements and accounts required to be audited by me in respect of the financial year ending 31 March 2018.

Yours respectfully

Florence A. Lee, CPA, BSc, MSc  
Auditor General

## TABLE OF CONTENTS

ABBREVIATIONS USED .....	iv
PREAMBLE .....	v
AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE .....	vi
EXECUTIVE SUMMARY .....	ix
CHAPTER 1.....	1
1.0 FINANCIAL STATEMENTS FOR APRIL 2017 - MARCH 2018 .....	1
CHAPTER 2.....	14
2.0 OTHER FINANCIAL AUDITS .....	14
CHAPTER 3.....	16
3.0 MINISTRIES/DEPARTMENTS.....	16
CHAPTER 4.....	20
4.0 PERFORMANCE/SPECIAL AUDITS.....	20
CHAPTER 5.....	32
5.0 IT AUDITS.....	32
CHAPTER 6.....	37
6.0 ENVIRONMENTAL AUDIT .....	37
AUDITOR GENERAL'S REPORT.....	39
APPENDICES .....	41

## **ABBREVIATIONS USED**

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

## **PREAMBLE**

### **Vision Statement**

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



### **Mission Statement**

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

### **The Goal**

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

## **AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE**

### **1.0 Strategic Assessment**

1. Our work is guided by the vagaries of the strategic environment in which we operate: therefore, it is important that we identify the challenges so that we find solutions to mitigate them. I present below a broad picture of the environment in which our work was conducted.

#### *1.1 Governance Arrangements*

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

#### *1.2 Legal Environment*

3. The functions of the Auditor General and by extension that of her office, are enshrined in Section 103 of the Montserrat Constitution Order 2010. It states in part that the Auditor General shall audit and report on the public accounts of Montserrat and of all public offices, including the Courts, the central and local government administrations, universities and higher education institutions, and any public corporations or other bodies established by an Act of Parliament. This is supported by the Public Finance Management and Accountability Act (PFMAA) 2008 which outlines the accounts to be audited by the Auditor General.

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

### **2.0 Strategic Plan Progress**

5. Our Key Strategies for the 2017-18 financial year were:

- a) Establishing the Montserrat National Audit Office (MNAO) to ensure an independent audit office that facilitates accountability and transparency. We expected that the amendments to be made to the Revised Audit Act would have been finalized. This did not come to fruition at the end of the financial year.
- b) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and

development of policies, procedures and guidelines that facilitate quality work and meet international audit standards/guidelines.

### **3.0 Financial Management**

6. Approved expenditure budget for the 2017-18 fiscal year was EC\$1,164,700. Actual expenditure amounted to \$1,054,987. We note the underspend of \$118,713 when actual expenditure is compared with that allocated by the Legislative Assembly. This arose primarily because some expenditure did not receive authorization within the fiscal year although they were agreed to in principle.

7. Compensation of employees and acquisition of goods and services continue to be our major expenditure categories utilizing 79% and 19% of the budget, respectively.

### **4.0 Challenges during year**

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

- Absenteeism of staff
- Frequent network failures
- Electricity blackouts
- Accommodation issues and
- Long delays in getting replies and information from auditees
- Natural disaster impact

### **5.0 Work Performance**

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

Type of Audit	Target	Completed	In Progress
Financial			
• Public Accounts	1 set	1 set	-
• Statutory Agencies	6	2	4
• Private	4	2	1
Performance	4	3	1
IT	4	2	2
Environment	1	0	1
Compliance	8	2	3
Special Audit	1	0	1

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

10. We continued to follow-up on the implementation of major recommendations provided to Ministries and Departments to improve systems and practices and the

Government's governance and accountability mechanisms. We found that, as at 30<sup>th</sup> September 2018, 26% were fully implemented a 6% increase from previous year's achievement, 44% were in progress while 30% were not implemented. See Appendix 4 for recommendations.

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

## **7.0 Acknowledgement and Appreciation**

12. I am grateful for all assistance provided to my staff during the conduct of the various audit assignments and thus extend heartfelt thanks to the staff of the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory Bodies and other organizations.

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

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



Florence A. Lee, CPA, BSc, MSc  
Auditor General  
Brades, Montserrat  
19 February, 2019



**REPORT OF THE AUDITOR GENERAL  
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE  
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES  
FOR THE YEAR ENDING 31 MARCH 2018**

**EXECUTIVE SUMMARY**

**Constitutional and Legal Basis for Audit**

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

**Scope of Audit**

2. This Report contains the findings of audits of the Statements mandated to be presented by the Accountant General and some of the accounts and transactions of Accounting Officers and Receivers of Revenue for the 2017-18 fiscal year. Information of the audit status of statutory agencies and Government companies is provided where necessary.

**Criteria and Standards Used**

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

**Conclusions from the audit of the 2017-2018 accounts**

4. As outlined in the audit certificate, the audit opinion on the Public Accounts for the financial year ending 31 March 2018 was qualified for the following reasons:

*a) Non-Recoverable and/or deficit Items*

5. The Statements continue to show account balances that are deemed unrecoverable or un-reconcilable. Some balances relate to completed projects or projects that have ceased under the Development Fund Accounts. When we assessed the dead accounts with no movement over the fiscal year, they represent 276% of the Total Assets on the Statement of Assets and Liabilities. This therefore leads to a significant misstatement of the accounts and an adverse opinion has been reached.

6. Additionally, there are assets that relate to advances or loans that were granted to Public Officers who have retired, resigned or are no longer working with the GOM and are deemed unrecoverable. The continued inclusion of these does not give an accurate picture of the GOM's financial position. **We are reiterating that greater effort must be made to ensure the required write off of un-reconcilable and non-recoverable amounts.**

*b) Arrears of revenue*

7. At close of the fiscal year, Arrears of Revenue stood at \$19,549,406. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts. **Action should be taken to remove them from the arrears listing.**

8. Further, as not all departments submitted their Arrears of Revenue Returns or submitted incomplete returns, the completeness and accuracy of this Statement could not be determined.

*c) Over-expenditure*

9. Our review highlighted eight instances, across five Ministries/Departments, where monies were expended in excess of that authorized for the line item. The amounts over expended ranged from a low of \$40 to a high of \$100,000. This represents a breach of the financial regulations which requires that all expenditures **be authorized by warrant under the hand of the Minister**, Section 24 of PFMAA. **We reiterate that it is incumbent on Accounting Officers to regularly monitor their expenditure and recommend that timely reconciliations be undertaken to prevent these recurring over-expenditures.**

## **Other Observations**

*a) Absence of organized risk management framework*

10. Good risk management practices require the establishment of Audit and Risk Committees to provide assurance on risk management, governance and internal control to Accounting Officers. Such a Committee could provide invaluable advice and insights into the development of an organization's risk management, governance and control practices. At present, there is no Committee to assist the management of risk. This is a significant deficiency in GOM's control practices. **We therefore urge that consideration be given for the establishment of a fully functional Committee.**

*b) Risk register not presented*

11. There is no formal process for identifying and recording of business risks as a central process. Some elements of risks are identified within Ministries/Departments Strategic Plans and as part of the Capital Development work. The absence of a Risk

Register denotes weakness in control structure and lends to the possibility of material misstatement in the accounts. **We recommend the implementation of a Risk Register for the next financial year.**

c) *Improved accountability*

12. To improve accountability and stewardship there is the need for the Ministry of Finance to provide explanation on how public resources were used (financial results) and highlight significant achievements against budget. Without annual reports the usefulness of the figures is compromised. **Consideration should be given for the production of an annual report which includes sections such as the performance of GOM, Management and Accountability and the Financial Statements over the reporting period.**

d) *Non-compliance with procurement regulations*

13. Recent audits have highlighted procurement weaknesses such as (a) inadequate documentation of meetings and (b) the absence of post procurement reviews. There also has been indication of inadequate monitoring of some projects at various stages of the process. **We are recommending that Accounting Officers/Heads of Departments take steps to adhere to the Regulations and that MOFEM provide relevant training.**

### **Financial Performance**

14. Budgeted Recurrent Revenue for the year under review was \$128,380,300. Actual revenue collected amounted to \$124,258,576 giving a shortfall of \$4,121,724. This shortfall was due primarily to under-collection of budgetary aid and other local revenue.

15. The Appropriations Act, Ordinance #4 of 2017 authorized recurrent expenditure of \$129,018,300. Actual expenditure was \$123,971,974 resulting in an under-spend of \$5.05M or a 4.07% decrease in expenditures when compared to the original budget.

### **Cash Position of Government**

16. The cash balances at the end of the 2017/18 and 2016/17 fiscal years are provided below.

Description	Balances (EC\$) 31 March 2018	Balances (EC\$) 31 March 2017
Consolidated Fund	19,187,607	19,985,316
Development Capital Fund	18,519,444	20,092,802
<b>TOTAL</b>	<b>30,707,051</b>	<b>40,078,118</b>

## **Public Debt**

17. Total Public Debt stood at EC\$13,004,281. This figure includes the full disbursement of the second power project loan for which no principal or interest has been paid by GOM during the reporting period.

## **Other Financial audits**

18. At time of writing this report, there has been tremendous improvement in the audits of Statutory Agencies/Government owned companies. Most of these audits were completed and we were awaiting final submission of the related accounts to enable us to issue audit reports and or certificates.

## **Compliance Audits**

19. Several compliance audits were conducted either as standalone audits or as part of the financial statement audits. The conclusion to these audits was that there has been some improvement in compliance with laws, regulations and policy directives but more needs to be done to ensure adherence to the related controls and compliance with regulations. The non-implementation of or failure to adequately update vehicle log books in some Ministries and Departments continue to be a recurring issue.

## **Special and Performance Audits**

20. One special procurement audit on National Information and Communications Technology was completed. It was concluded that the project was a good initiative to improve efficiency and effectiveness in key IT operations; however, there were a number of significant issues relating to the project. Of great concern was the inadequate documentation throughout the procurement process and during the roll out of the actual project. Minutes of meetings were incomplete or no recording of discussions was performed in most cases. Reports on the progress of the project were non-existent in some cases and no final reports were submitted; this hindered our ability to determine which projects were fully completed. Post procurement reviews were not undertaken and therefore we found that the Ministry was not in compliance with some of the procurement regulations. See Chapter 4 for further details.

21. Three performance audits were conducted during the review period and more details of these are captured in Chapter 4 of this Report. Performance review of MUL: value for money in the delivery of service concluded that MUL maintained excellent delivery of water and sewage services across the island. However, frequent loss of electricity service has been an ongoing issue. Moreover, MUL's information systems, communication patterns, client service channels and payment methods are, with few exceptions, extremely outdated, very expensive to maintain and neither efficient nor effective. The current payment system, procedures, and practices make little use of current technologies and tools and they systematically underutilize many of the

functionalities embedded within already available or installed hardware and software. Overall MUL is not serving the public nearly as well as it could be doing, and it is not advancing the country towards the GOM's published Vision for 2008 to 2020.

22. A review of the Contribution of the Hospitality Sector to the Growth of Montserrat's Economy was performed. It was concluded that the island has a unique profile and several attractive features but the environment for hospitality has several weaknesses. The quality and delivery of telecommunications, delivery of water and sewage are excellent but (a) infrastructure has some challenges (for example travel to the island is limited, inconvenient and expensive), (b) public transportation is inadequate, and (c) the supply of power has changed fundamentally since October 2016 with recurring outages. Moreover, most hospitality providers' information systems, communication patterns and payment methods are, with a few exceptions, outdated, expensive to maintain and are neither efficient nor effective.

23. Absenteeism in the Montserrat Public Sector: Prevalence, Causes & Costs was conducted during the review period. It concluded that absenteeism and its diverse causes have contributed to significant negative impacts on (a) morale, (b) communication, (c) co-operation, and (d) performance within and between departments of the GOM. Insufficient funding, resources, and staffing have been allocated to many departments, thereby limiting progress in growing the four central economic pillars in the SDP 2008 to 2020. While some departments have shown improvements in reducing the number of missed work days per year, the overall MPS absence trends since the year 2015 have worsened by 25%. Although much of the sickness leave is genuinely health related, most of the sickness claims are uncertified. In short, absenteeism can be greatly reduced with effective management, comprehensive health and wellness programmes, safe and secure and well maintained workplaces, remuneration, strategic approaches to recruitment, just to name a few examples.

## **IT Audits**

24. Four IT Audits were completed for the period under review and more details of each are captured in Chapter 5 of this Report. The study entitled ExcoTrack: Cabinet Document Management Solution was conducted. It concluded that the software is efficient, user-friendly and accessible from any electronic device and no security breach or similar issues have arisen to date. However, there was no formally signed agreement or contract between GOM and the former government employee and/or Rovika Inc. which outlines clear ownership or operational parameters. We also concluded that the Office of the Premier (OotP) has not made any provisions to ensure continuance of service if person(s) and/or entity maintaining the software should leave, fold, or have their services terminated or in the event of a security breach or other mishaps. We recommended that OotP should take steps to ensure (a) an agreement between both parties and (b) the development of a Business Continuity Plan. Subsequent to our audit of the software application ExcoTrack in 2017, it has come to the attention of the Office of the Auditor General that the GOM and the ExcoTrack software developer, Rovika are now engaged in legal proceedings surrounding contractual payments, data access and

ownership, and the issue of overall ownership rights to the software. The OAG will revisit this matter at the conclusion of the court proceedings.

25. The Post Implementation Benefits Audit on the Pension Calculator was completed. We determined that the application is very secure and unmodifiable. We concluded that poor record keeping by key stakeholders is an issue and that data entry by users are susceptible to human error if left unchecked. Only the Actuary can modify the calculator and although this is a good control there are risks associated with total control by a provider in the absence of an agreement or contract being in place.

26. Another IT audit that was conducted, a review of the Automated Driver's Test. It was determined that the programme has modernized the theory test and provides the flexibility of instantly re-taking the test numerous times and generates revenue for GOM. The related computer equipment that was publicly gifted to Samuel Enterprise by MCWL did not adhere to the correct protocol of recording, writing off and/or gifting the said assets. We also note that by law – Road Traffic Act, only the Licensing Officer is responsible for the collection of fees. Samuel Enterprise also collects fees; however, there was no amendment made to the law that permits the company to do the same. Additionally, the trudging of candidates constantly going between the License Division and Samuel Enterprise to obtain and show proof of payments for tests and results, is very tiresome and impractical.

27. A review of the MOE School Laptop Programme was completed. Our review revealed that the contract with LIME (renamed FLOW) has not been terminated although the programme has been shelved by the current government. We found that LIME was responsible for collecting payments and accumulating funds for future procurement but since the programme ended, the MOE should recoup these funds. Additionally, the MOE was, on occasions being tardy in confirming and/or providing required information to the service provider, causing delays. There were many other issues ranging from problematic laptops to the bulkiness of the laptops and students not handling them with extreme care.

### **Environmental Audit**

28. One Environmental Audit on Managing Clinical Waste in the Public Health Sector was conducted. It was concluded that there was no provision for clinical waste management in any Laws of Montserrat or Strategic/Operational Plans for the Ministry of Health. A draft Policy was compiled in 2009 and this we found was incomplete and lacking in content. These issues made it difficult to establish the required level of performance against which clinical waste management could be assessed locally. It was concluded that clinical waste was sufficiently managed in practice although there were occasional minor cases of poor practice in relation to total compliance with standard best practice.

29. A synopsis of the findings and recommendations can be found in Chapter 6 of this Report or visit our website at <http://oag.gov.ms> for the above Audit Reports.

## CHAPTER 1

### 1.0 FINANCIAL STATEMENTS FOR APRIL 2017 - MARCH 2018

#### 1.1 Audit Mandate and Objective

1. We audited the Public Accounts for Montserrat for the period April 2017 – March 2018 in accordance with the provisions of Section 103(1) of the Montserrat Constitution Order 2010 and Section 42(1) of the Public Finance (Management and Accountability) Act 2008. These are the accounts mandated to be presented by the Treasury.

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

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

#### 1.2 Audit Approach and Coverage

3. In order to express a professional opinion on the public accounts of the Government of Montserrat, audits are carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Each audit is designed to provide assurance as to the propriety of the Government's financial transactions and the accuracy of its accounting records.

4. The audit of Ministries and Departments includes a general review of the accounting procedures and systems of internal control, together with such tests of the records and supporting documents as are considered necessary. Compliance with statutes, regulations, directives and administrative requirements is also tested.

5. We audited fourteen statements that were prepared and presented in accordance with the PFMAA with an additional two statements being prepared in line with IPSAS. At the audit planning stage, all 42 central government Ministries and Departments<sup>1</sup> were included in our sample. However, by adopting a risk-based approach, we focused the audit on those entities that had a performance materiality level<sup>2</sup> of 0.75% of GOM's total expenditure for the year<sup>3</sup>. As a result, 97.5% of total expenditures were subjected to substantive testing.

---

<sup>1</sup> Ministries' information would be included with their sub-units and presented at summary level for 14 ministries and departments.

<sup>2</sup> Performance materiality level refers to 'the amount(s) set by the auditor to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements for the financial statements as a whole' does not lead to a material misstatement of the entire accounts.

<sup>3</sup> Any unit Ministry/Department with expenditure greater than \$929,877 was subjected to substantive testing.

### 1.3. Summary of Significant Accounting Policies

6. Public accounts are prepared on the modified cash basis of accounting. The cash method recognizes income when it is received and expenses when they are paid for. The recording of government transactions fall into three main categories – Recurrent Revenue, Recurrent Expenditure and Capital Expenditure. Liabilities are recognized in the form of Deposits and Special Funds.

### 1.4. Observations of Financial Statements

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

#### *Audit Opinion*

8. We have issued a qualified audit opinion for the Public Accounts for the financial year ending 31 March 2018.

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

9. Table 1 below highlights movements in cash assets and liabilities over the period 1 April 2017 – 31 March 2018. See Appendix 1 for a detailed statement, as presented by the Accountant General.

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

	2018	2017	Increase/ (Decrease)
<b>Assets</b>			
Cash	19,187,607	19,985,316	(797,709)
Development Capital Fund	18,519,444	20,092,802	(1,573,358)
Investments	16,888,918	11,860,811	5,028,107
Advances	5,041,827	5,065,610	(23,783)
<b>Total</b>	<b>59,637,795</b>	<b>57,004,539</b>	<b>2,633,256</b>
<b>Taxpayers' Equity</b>			
Deposits	16,747,024	20,167,790	(3,420,766)
Consolidated Fund	42,890,771	36,836,749	6,054,022
<b>Total</b>	<b>59,637,795</b>	<b>57,004,539</b>	<b>(2,633,256)</b>

10. **Investments.** Included in this total is an increase of \$4,161,688 resulting from Bonus Shares which were issued on 1 December 2017 by the Bank of Montserrat. The number of beneficial shares held by GOM increased from 2,013,720 to 2,349,340 with a book value of \$6.82 per share as at 31 March 2018.



11. **Advances.** In my last report, I drew your attention to an outstanding amount of \$4.5M, which is owed to the Development Fund Bank Account. We have not seen evidence of any action to reduce this balance.

12. Further, there are assets that relate to advances or loans that were granted to Public Officers who have retired, resigned or are no longer working with the GOM and are deemed unrecoverable. The continued inclusion of these does not give an accurate picture of the GOM's financial position.

13. **Deposits.** Included under this heading is the Development Fund Receivable account which has shown a reduction of \$3.67M. Miscellaneous Deposits has seen an increase of \$314,385.

#### **1.6. Movements on the Consolidated Fund**

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

<b><u>Expenditure</u></b>	<b><u>Authorized</u></b>	<b><u>Actual</u></b>
Personal Emoluments, Wages & Allowances	45,251,000	43,874,400
Benefits	11,764,500	11,453,344
Services	<u>72,002,300</u>	<u>68,644,230</u>
Sub-Total	129,018,300	123,971,974
Less: <b>Revenue</b>	<u>128,380,300</u>	<u>124,258,576</u>
Surplus/(Deficit*)	<u>(638,000)</u>	<u>286,601</u>
<i>Consolidated Fund</i>		
Balance b/f 1 April 2017		36,836,750
Fund Adjustment		6,260,553
Surplus for the year		286,601
Funding of Local Projects		<u>(493,133)</u>
Balance c/f 31 March 2018		<u>42,890,771</u>

\*Resulting from Supplementary issued.

##### **1.6.1 Recurrent Revenue**

15. Budgeted Recurrent Revenue for fiscal year 2017/18 was \$128,380,300. Actual revenue collected amounted to \$124,258,576 giving a shortfall of \$4,121,724. This shortfall was due primarily to under-collection of budgetary aid and other revenue.

##### **1.6.2 Revenue Surpluses and Shortfalls**

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

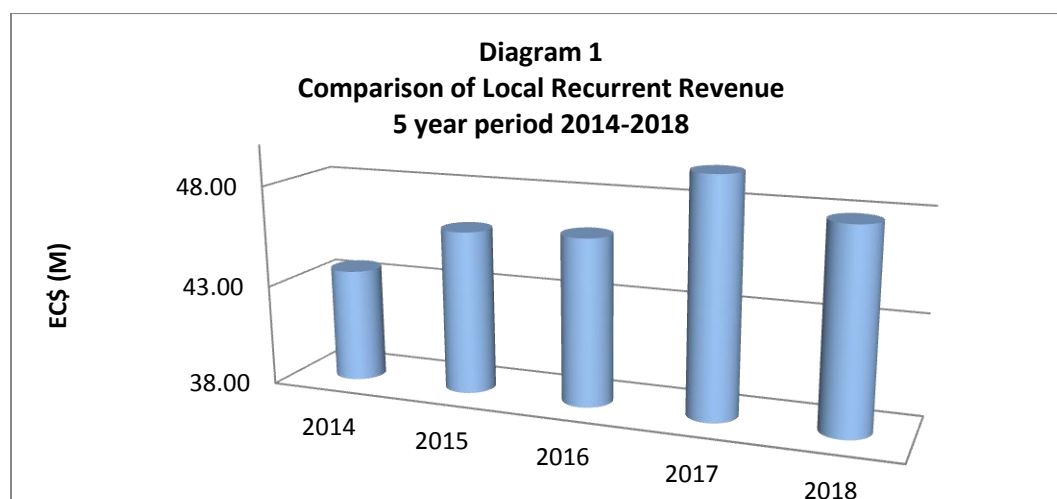
**TABLE 2**  
**REVENUE SURPLUSES AND SHORTFALLS 2017-18**

SOURCE OF REVENUE	BUDGETED	ACTUAL	SURPLUS	SHORTFALL
Taxes on Income, Profit & Capital Gains	17,440,000	17,204,458	0	235,542
Taxes on Property	720,000	699,664	0	20,336
Taxes on Domestic Goods & Services	3,080,00	2,922,634	0	157,366
Licences	2,835,100	2,774,056	0	61,044
Taxes on International Trade & Transaction	19,715,000	17,536,535	0	2,178,465
Arrears of Taxes	800,000	872,508	72,508	0
Fees, Fines and Permits	2,081,600	2,079,764	0	1,836
Rents, Interest and Dividends	1,125,500	1,118,089	0	7,411
ECCB Profits	0	0	0	0
Reimbursements	115,000	568,999	453,999	0
Other Revenue	2,468,1 00	1,998,462	0	469,638
Budgets and Grants	78,000,000	76,483,406	0	1,516,594
<b>TOTAL</b>	<b>128,380,300</b>	<b>124,258,576</b>	<b>526,507</b>	<b>4,648,232</b>
<b>Net Shortfall</b>				<b>4,121,724</b>

### 1.6.3 Total Recurrent Local Revenue

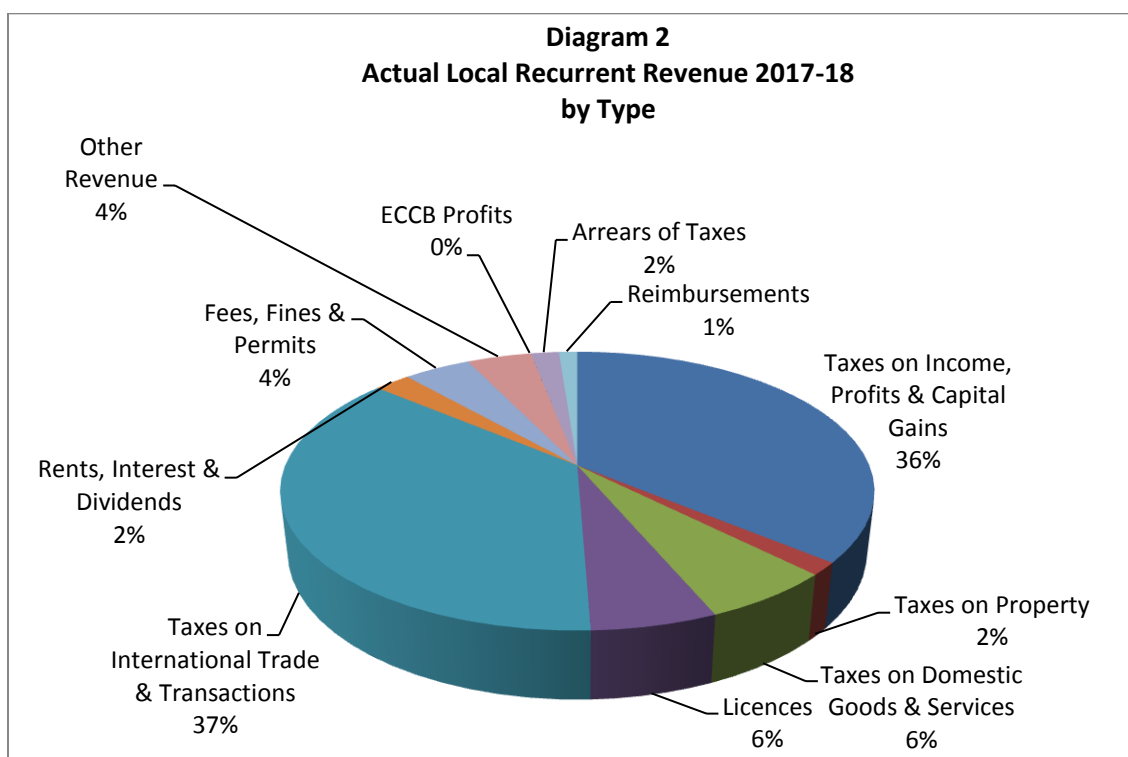
17. Recurrent Local Revenue was projected at \$50,265,300. Actual revenue collected amounted to \$47,724,718, resulting in a reduction of \$2,540,582.

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



19. For the fiscal year under review, Actual Tax Revenue collected was \$42.0M whilst Non-Tax Revenue amounted to \$5.8M.

20. Diagram 2 shows revenue collections by percentage and major revenue collection departments for the 2017/18 fiscal year.



#### 1.6.4 Special Budgetary Assistance

21. Approved special budgetary assistance of \$78,000,000. Actual collection was & \$76,483,406 leaving a shortfall of \$1,516,594.

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

**TABLE 3**  
**BUDGETARY AID 2017-18**

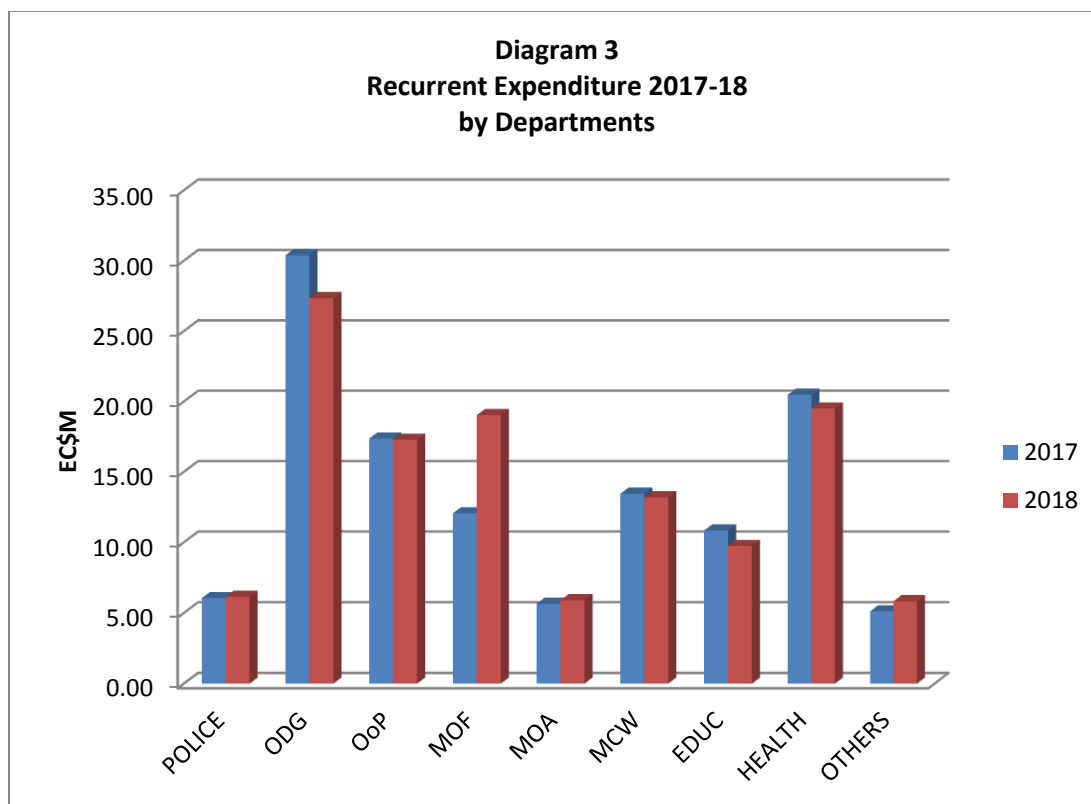
Date	Particulars	Receipt #	£	EC\$
13/06/2017	1st Tranche Financial Aid	019209	4,527,885	15,345,004.71
31/08/2017	Budgetary Aid - Qtr 2	020686	10,477,910	35,882,581.99
20/12/2017	Budgetary Aid - 3rd tranche	024620	7,102,711	25,255,819.77
	<b>Total Budgetary Aid</b>		<b>22,108,506</b>	<b>76,483,406.47</b>

#### 1.6.5 Recurrent Expenditure

23. The Appropriations Act, Ordinance #4 of 2017 authorized recurrent expenditure of \$129,018,300. Actual expenditure was \$123,971,974 resulting in an

under spend of \$5.05M or a 4.07% decrease in expenditures when compared to the original budget.

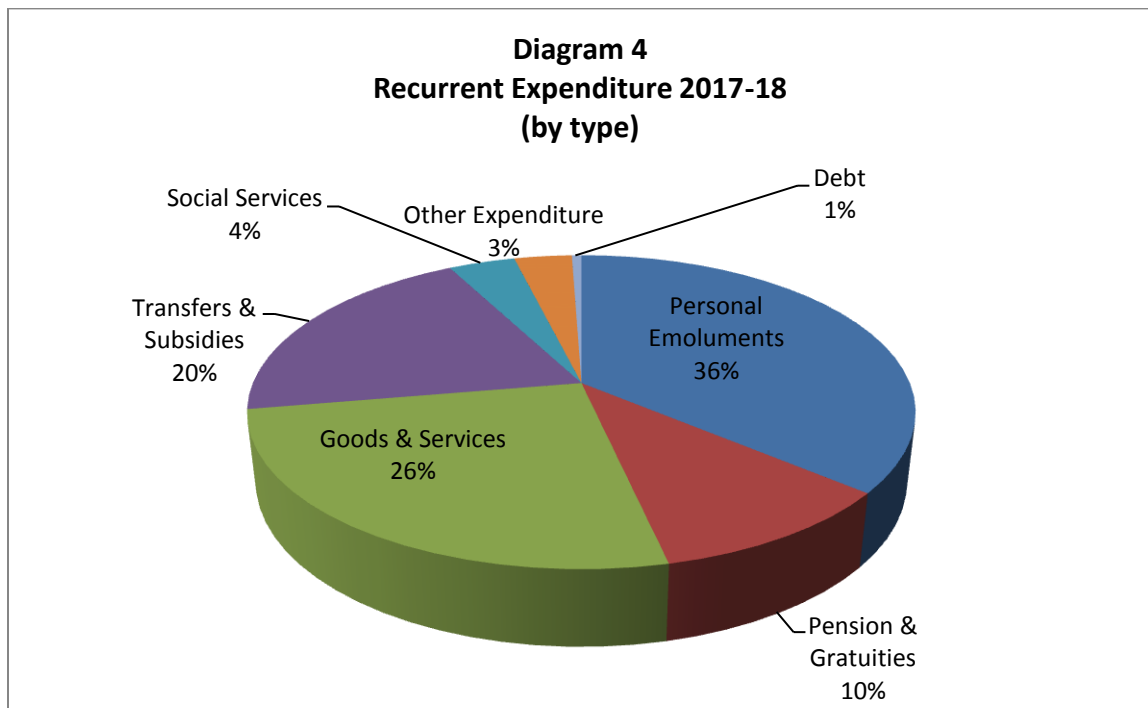
24. Diagram 3 below provides a pictorial view of actual Recurrent Expenditure by Ministries and Departments. Those Ministries/Departments that do not form a part of any Ministry, except for Police, are grouped under Others<sup>4</sup>. They are primarily non-ministerial departments.



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

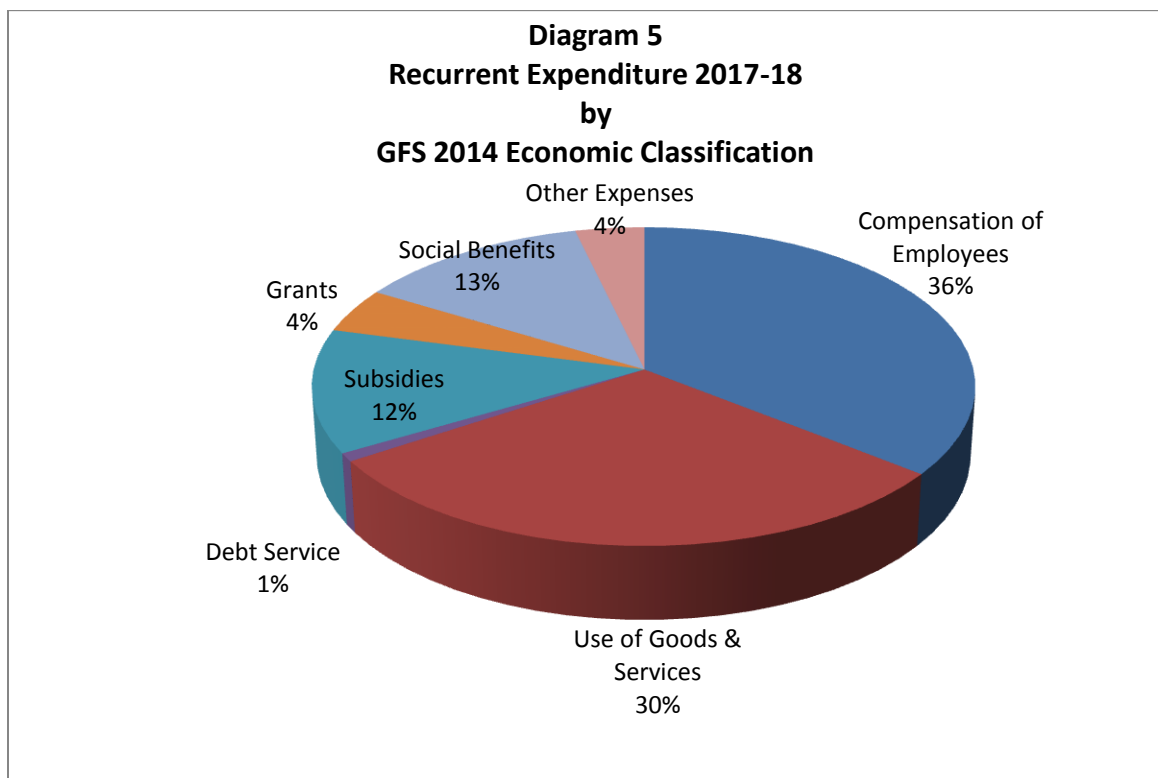
26. Diagram 4 below shows expenditure classified by type and gives relative percentages used per classification.

<sup>4</sup> These departments include the Legal Department, Magistrate's Court, the Supreme Court, the Legislature, the Office of Public Prosecution and the Cabinet Secretariat

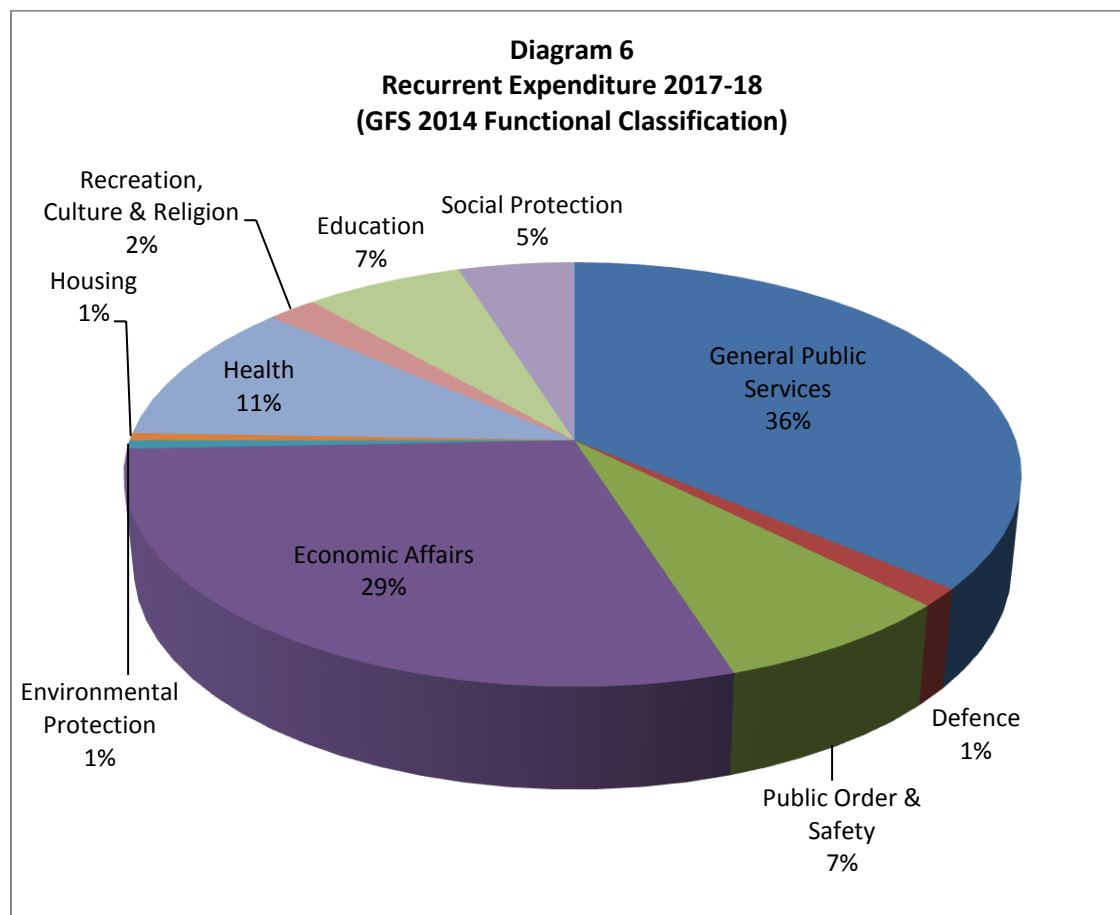


#### 1.6.6 Expenditure by GFS 2014 Classification

27. Diagram 5 below classifies expenditure in accordance with the 2014 Government Finance Statistics (GFS) classifications.



28. Diagram 6 below provides a breakdown of 2017-18 expenditures according to the functional classification.



## 1.7. Development Fund

### 1.7.1 Statement of Assets and Liabilities

<b>ASSETS</b>		<b>2018</b>		<b>2017</b>
British Development Aid Claims Outstanding (1)		2,936,926		3,063,006
Donor Agencies Expenditure Outstanding (2)		2,444,635		2,409,853
Local Funds (4)				
Consolidated Fund Receivable		13,653,128		17,325,324
<b>TOTAL ASSETS</b>		<b>19,034,690</b>		<b>22,798,184</b>
<b>LIABILITIES</b>				
Deposits Within The Development Fund (3)		14,242,184		16,970,719
Local Funds (4)		1,656,455		2,891,416
British Development Claim Deposits				
Consolidated Capital Fund	6,808,246		10,931,965	
Add Revenue Over Expenditure	(3,672,197)	3,136,049	(7,795,915)	3,136,049
		<b>19,034,690</b>		<b>22,798,184</b>

#### 1.7.1.1 Adverse Opinion on Development Fund Statement of Assets and Liabilities

29. In my opinion, because of the matters discussed in the Basis of Adverse Opinion paragraph, the Development Fund Assets and Liabilities Statement does not fairly present the position of the Fund as at 31 March 2018.

#### 1.7.1.2 Basis of Adverse Opinion on Development Fund Statement of Assets and Liabilities

30. Inactive accounts with debit balances indicating over-expenditure on accounts and no movement for the financial year totaled \$52.62M or 276% of the total assets. Most have been long outstanding and there is no likely prospect of recovery; this leads to a distorted view of the accounts. Despite several prior requests for write-off of the dead/inactive accounts within this statement, no action has been taken. As a result, the statement no longer provides useful information to decision makers, and is thereby being given an adverse opinion.

#### 1.7.2 Capital Expenditure

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

**TABLE 4**  
**Comparison of Development Fund Estimates and Record Results 2017-18**

<b>Development Fund Expenditure</b>	<b>Authorized</b>	<b>Actual</b>	<b>Variance</b>
LOCAL	3,062,700	1,528,093	1,534,607
Caribbean Development Bank	27,100	19,049	8,051
Department for International Development	18,053,900	10,663,160	7,390,740
European Union	11,513,500	2,687,763	8,825,737
United Nations Development Programme	-		-
United Nations International Children's Emergency Fund	98,600	71,589	27,011
Royal Society for the Protection of Birds	9,900	9,239	661
Pan American Health Organisation	150,100	11,361	138,739
Garfield Weston Foundation	7,500	76	7,424
<b>TOTAL</b>	<b>32,923,300</b>	<b>14,990,330</b>	<b>17,932,970</b>

32. The Legislative Assembly, via the Appropriations Act, authorized \$31,137,000 to allow expenditures on capital projects. An additional \$1,786,300 was approved via two supplementary Appropriations bringing the Revised Appropriations to \$32,923,300. Actual spending for the year amounted to \$14,990,330 being 46% of authorized expenditure for the year.

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

**TABLE 5**  
**Development Expenditure 2017-18 (by Departments)**

<b>Ministry/Department</b>	<b>Authorized</b>	<b>Actual</b>	<b>% Used</b>
Office of the Deputy Governor	180,800	0	0
Office of the Premier	4,440,300	673,926	15.2
Ministry of Finance	9,844,700	7,159,903	72.5
Ministry of Agriculture	4,421,100	1,916,342	43.3
Ministry of Communications & Works	11,554,000	3,835,588	33.2
Ministry of Education	1,848,900	1,090,786	59.0
Ministry of Health	633,500	313,785	49.5
<b>TOTAL</b>	<b>32,923,300</b>	<b>14,990,330</b>	<b>45.5</b>

## 1.8. Other Statements

### 1.8.1 Statement of Cash Flows

34. The Statement of Cash Flows<sup>5</sup> shows the movement of cash throughout the accounting period and allows analysis of this movement into operating, investing, and operating activities. Cash flows for the reporting period are provided below.

<b>Activities</b>	<b>Balance as at 31 March 2018</b>	<b>Balance as at 31 March 2017</b>
Operating	(206,532)	2,226,178
Investing	630,696	15,742
Financing	(2,795,232)	-7,125,844
Net Cash used for the year	<b>(2,371,068)</b>	<b>-4,883,924</b>
Balance b/f	40,078,118	44,062,942
Balance c/f	<b>37,707,051</b>	<b>40,078,118</b>

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

<b>Description</b>	<b>Balances (EC\$) 31 March 2018</b>	<b>Balances (EC\$) 31 March 2017</b>
Consolidated Fund	19,187,607	19,985,316
Development Capital Fund	18,519,444	20,092,802
<b>TOTAL</b>	<b>30,707,051</b>	<b>40,078,118</b>

### 1.8.2 Statement of Public Debt

36. **External Debt.** This statement focuses on guaranteed external obligations to the Caribbean Development Bank. At the close of the fiscal year, Total External Public Debt amounted to \$10,409,655.

<sup>5</sup> One cash flow statement is prepared to cover flows through the Consolidated and Development Funds.



37. Principal repayment on external debt was recorded as \$503,306 being 1% of actual local recurrent revenue. This is well within the ECCB's debt sustainability threshold of 60% of government revenues.

38. Interest payments for the year on external debt amounted to \$105,619 being 0.23% of actual local recurrent revenue for the year.

39. There was capitalized interest on Loan 18/SFR – Second Power Project which amounted to \$126,378.

40. Overdue charges of \$398 were paid on the public debt.

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

42. **Domestic Debt** – These are balances that are owed to local institutions and at the end of the fiscal year, the balance owing totaled \$2,594,626. A summary of outstanding sums are broken down in Table 6 below.

**TABLE 6**  
**Summary of Domestic Debt as at 31 March 2018**

Institution	Particulars	Balance Outstanding as at 1 April 2017	Principal Paid during year	Interest Paid during year	Balance Outstanding as at 31 March 2018
MSSF	PIU Housing Project <sup>6</sup>	1,419,940	157,771	47,627	1,262,169
MUL	MONLEC Generating Set	1,499,014	166,557	50,279	1,332,457
	<b>TOTAL</b>	<b>2,918,954</b>	<b>324,328</b>	<b>96,526</b>	<b>2,594,626</b>

43. GOM continues to repay the balances on monies owed at an annual rate of 3.5% for construction of the 20 houses in Davy Hill<sup>7</sup>. At the close of the fiscal year, the balance owing amounted to \$1,262,169.

44. MOFEM continues to service this outstanding loan at an interest rate of 3.5% per annum for the new generating unit to improve electricity on island. Balance owing on the generating unit at the close of the fiscal year amounted to \$1,332,457.

### **1.8.3 Statement of Arrears of Revenue**

45. Arrears of Revenue at end of the fiscal year were \$19,549,406 and are itemized as follows: -

<sup>6</sup> This is more commonly known as the Davy Hill Housing Project.

<sup>7</sup> Note 9 - MSSF Financial Statements for financial year ending 31 December 2015

**TABLE 7**  
**ARREARS OF REVENUE as at 31 March 2018**

Executing Agency	Arrears at 31 March 2018	Arrears at 31 March 2017 Restated
<b>Ministry of Communications and Works:</b>		
Navigational Charges	388,766	388,766
Airport Landing Fees	660	
Concessional Rental - Airport	810	2,400
Cable TV Licences		269,875
Telecom Licences	359,850	1,490
Scenic Flights	354,081	269,875
Other Licence		225
<b>Inland Revenue:-</b>		
Income Tax	7,571,561	5,851,424
Company Tax	5,908,851	2,987,517
Property Tax	3,600,897	3,600,897
<b>Broadcasting Services (Radio M/rat)</b>		
Advertising Receipts	5,565	0
<b>Customs</b>		
Import Duty	34,245	9,681
Consumption Tax	356,091	30,901
Customs Officer Fees	8,860	7,035
Customs Processing Fee	38,065	
<b>Treasury:</b>		
Trade Licences	12,725	14,400
<b>General Post Office</b>		
Money Order Reimbursements	30,656	30,656
<b>Ministry of Health and Community Service</b>		
Hospital Receipts	344,363	280,467
<b>Accountant General</b>		
Emergency Fuel Supplies	533,359	533,359
<b>TOTAL</b>	<b>19,549,406</b>	<b>14,009,093</b>

### 1.8.3.1 Qualified Opinion on Arrears of Revenue

46. In my opinion, except for the matters highlighted in the Basis for Qualified Opinion paragraph below and the impact of the missing information, the Arrears of Revenue Statement presents fairly, in all material respects, the outstanding balance for the Arrears of Revenue for year ending 31 March 2018.

### 1.8.3.2 Basis for Qualified Opinion on Arrears of Revenue

47. Part 2 of the Appendix to the PFMAA requires Accounting Officers to prepare and submit a statement of arrears of revenue signed by them showing the amount outstanding at the end of the financial year for each source of revenue and containing information in the form that the Accountant General may direct; a nil return should be submitted if appropriate.

48. Our audit work revealed that not all departments submitted their Arrears of Revenue Returns. As such, I was unable to determine to what extent the Arrears of Revenue Statement was misstated.

#### **1.8.4 Statement of Contingent Liabilities**

49. This refers to liability for outstanding payments to depositors of the now defunct Government Savings Bank and possible litigation of activities by a number of Ministries/Departments. Contingent Liabilities at the end of the fiscal year amounted to \$7.85M.

#### **1.8.5 Statement of Commitments Outstanding**

50. At the close of the fiscal year, 5 entities reported outstanding commitments valuing \$116,239.

#### **1.8.6 Statement of Stores and Other Assets**

51. The PFMAA 2008 – Schedule of Provisions for Submissions of Accounts (1r) mandates submission of a summary statement of stores and other assets to the Auditor General. The statement has not being presented to date and this was mentioned in last year’s report. The recent Audit Recommendation Follow Up review from the Accountant General on this matter highlighted that the necessary data solicited from Government Ministries and Departments by way of annual returns rendered low level responses, thereby making it difficult to generate a reliable statement. The onus is now being placed on the Accounting Officers/Heads of Departments to submit the relevant information annually at the stipulated date to enable the Accountant General to adhere to the requirements of the PFMAA.

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

52. Similarly, the PFMAA also mandates that this statement be prepared and presented to the Auditor General for review. Again, this was not presented and, when asked we received the following response.

53. **Management Response – “Efforts will be made to prepare this statement in the future but this will be subject to the availability of updated annual statements from Statutory Bodies.”**

54. Owing to the non-submission of these two statements, I was again unable to comply with the requirement of auditing all the listed statements in the PFMAA, knowing that the planned move to an accrual basis of accounting is less than 3 years to implementation.

## **CHAPTER 2**

### **2.0 OTHER FINANCIAL AUDITS**

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

55. The 2016 Montserrat Land Development Authority Financial Statement for the Corporate Division was audited and we are awaiting the final adjustments by management.

56. The 2013 - 2016 Montserrat Land Development Authority Financial Statements for the Housing Division were audited and were awaiting final adjustments by management.

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

57. The Financial Statements for the year ended 31<sup>st</sup> March 2016 were laid before the Legislative Assembly at its sitting of 18<sup>th</sup> December 2018.

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

58. The Financial Statements for the year ended 31<sup>st</sup> March 2018 were laid before the Legislative Assembly at its sitting of 18<sup>th</sup> December 2018.

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

59. The Auditor General's Report on the Audit of the Public Accounts of Montserrat for the year ending 31 March 2017 was tabled in the Legislative Assembly on 21<sup>st</sup> March 2018.

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

60. The 2011 - 2013 Accounts were audited and we are awaiting the resubmission of the revised Financial Statements for tabling.

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

61. The Financial Statements for the ended 31<sup>st</sup> December 2017 were laid before the Legislative Assembly at its sitting of 31 July 2018.

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

62. The 2016 Financial Statements were tabled in the Legislative Assembly on 23 April 2018 and the accounts for 2017 are currently being prepared.

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

63. The Financial Controller has advised that the 2016 and 2017 Financial Statements are currently being reviewed by the Finance Committee Board Members.

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

64. MICA's Financial Statements for the periods 31 March 2015 and 31 March 2016 were audited and we are awaiting amendments and resubmission of the Financial Statements for tabling.

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

65. The 2017 and 2018 Financial Statements are currently being prepared.

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

66. The services of an accountant were recently procured to assist the agency in bringing their accounts up-to-date. It was envisaged that the accounts for fiscal years 2015 - 2018 will be submitted for auditing by March 2019.

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

67. The Manager has advised that the 2018 Financial Statements are currently being audited.

#### **2.13 Montserrat Arts Council (MAC)**

68. The 2014 - 2016 Financial Statements were submitted to our offices and are currently being audited.

## CHAPTER 3

### 3.0 MINISTRIES/DEPARTMENTS

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

#### 3.1 Cross Cutting Issues & Other Observations

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

Vote	Head	Sub-head	Particulars	Total Authorized	Actual Expenditure	Excess
05	052	222	International Travel & Subs	14,000	20,564	(6,564)
15	150	222	International Travel & Subs	158,900	161,921	(3,021)
20	204	228	Supplies and Materials	10,000	10,191	(191)
20	207	234	Rental of Assets	7,960	8,000	(40)
30	302	210	Personal Emoluments	364,600	373,780	(9,180)
30	304	216	Allowances	(19,200)	14,949	(34,149)
45	451	226	Communication Expenses	(22,600)	0	(22,600)
45	454	234	Rental of Assets	17,800	117,800	(100,000)

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

72. **Miscoded Expenditure.** We continue to encounter misclassification of expenditure although there has been some reduction in the number of instances.

73. **Reconciliation of Accounts.** We continue to encounter instances where information on warrants is incorrectly recorded in the accounts – incorrect name and number. We are very much aware that the Ministry of Finance’s Budget Division has the responsibility of inputting the data into SMARTSTREAM, however, the onus is on the Accounting Officers to ensure that all budgetary information relating to their department is correctly reported. Uncorrected budgetary information suggests that Accounting Officers are not reconciling their accounts, this is seen as a significant breakdown in the management controls. **We recommend that Accounting Officers endeavor to perform reconciliations on a monthly basis.**

74. **Control Group Form Submissions.** We continue to encounter non-submission of Control Groups Forms by some departments. Approximately four (4) months after the financial period had ended in some cases the Audit Office was informed that work was not yet completed on the said files. **We recommend timely submissions of the form files in the future.**

75. **Non-compliance with Procurement Regulations.** Recent audits have highlighted procurement weaknesses which include inadequate documentation of meetings and the absence of post procurement reviews. There also has been indication of inadequate monitoring of some projects at various stages of the process. **We are recommending that Accounting Officers/Heads of Departments take steps to adhere to the Regulations and that MOFEM provide relevant training.**

### **3.2. Absence of Organized Risk Management Framework**

76. Good risk management practices require the establishment of Audit and Risk Committees to provide assurance on risk management, governance and internal control to Accounting Officers. Such a Committee could provide invaluable advice and insights into the development of an organization's risk management, governance and control practices. At present there is no Committee to assist the management of risk. This is a significant deficiency in GOM's control practices. **We therefore urge that consideration be given for the establishment of a fully functional Committee.**

### **3.3. Risk Register Not Presented**

77. There is no formal process for identifying and recording of business risks as a central process. Some elements of risks are identified within Ministries/Departments Strategic Plans and as part of the Capital Development work. The absence of a Risk Register denotes weakness in control structure and lends to the possibility of material misstatement in the accounts. **We recommend the implementation of a Risk Register for the next financial year.**

### **3.4. Improved Accountability**

78. To improve accountability and stewardship there is the need for the Ministry of Finance to provide explanation on how public resources were used (financial results) and highlight significant achievements against budget. Without annual reports the usefulness of the figures is compromised. **Consideration should be given for the production of an annual report which includes sections such as the performance of GOM, Management and Accountability and the Financial Statements over the reporting period.** This will be adhering to Montserrat's 2017-2020 Policy Agenda Goal 2 "Good Governance" - Strengthened transparency, accountability and public engagement within the National Governance Framework.

### 3.5. Magistrate Office

79. As part of the Office of the Auditor General's Annual Audit Programme, a compliance audit was conducted of the Magistrate Office. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4100 Compliance Audit Guidelines - For Compliance Audits Performed Separately from the Audit of Financial Statements.

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

- Public Finance (Management and Accountability) Regulations 2009
- Revised Laws of Montserrat Chapter 2.02 Magistrate's Court Act
- Government of Montserrat General Orders for the Public Service 1986

#### 3.5.1 Findings

81. **Revenue Collection.** The revenue collection process is in compliance, in all material respects, with the Regulations aforementioned.

82. **Public Stores & Fixed Assets.** We found that the controls for the safekeeping of stores and maintenance of a fixed assets register were in agreement with the Procurements and Stores Regulations.

83. **Leave Records.** An inspection of the leave records for staff indicated that the Office is in compliance with the amendment to General Orders No 613.

#### 3.5.2 Audit Conclusion

84. Based on the audit work performed, we found that, the Magistrate Office is in compliance, in all material respects with the Acts and Regulations aforementioned.

### 3.6. Ministry of Education

85. We also conducted a compliance of the Ministry of Education in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4100 Compliance Audit Guidelines - For Compliance Audits Performed Separately from the Audit of Financial Statements.

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

- Public Finance (Management and Accountability) Regulations 2009
- Revised Laws of Montserrat Chapter 16.01 Education Act



### **3.6.1 Findings**

87. **School Lunch Programme.** A number of receipt books were not presented for audit examination. This meant that several transactions could not be verified.

88. **Nursery School & Day Care Fees.** A number of revenue collector's receipt books were not presented for examination. Fees in the amount of \$6,455 and \$3,955 respectively were outstanding at the end of the 2017 school year.

89. **Public Stores & Fixed Assets.** We found that the controls for the safekeeping of stores and maintenance of a fixed assets register were in agreement with the Procurements and Stores Regulations.

90. **Government Vehicles & Logbooks.** No vehicle log books were kept and this is in direct contravention of the Procurement and Stores Regulations 2009.

### **3.6.2 Recommendations**

91. Management should ensure that all records are kept secured and available for future reference.

92. It should be ensured that all school fees are paid in a timely manner to avoid arrears and the inability to collect funds at a later date.

93. Management should introduce vehicle log books to monitor vehicle usage.

### **3.6.3 Audit Conclusion**

94. Based on the audit work performed, we found that, because of the significance of the matters noted, the Ministry of Education is not in compliance, in all material respects, with the Regulations aforementioned.

## CHAPTER 4

### 4.0 PERFORMANCE/SPECIAL AUDITS

#### 4.1 National Information & Communications Technology Project

95. **Why We Performed this Audit.** The Caribbean Organization for Supreme Audit Institution (CAROSAI) developed a Strategic Plan 2017-2021 which aims to help Supreme Audit Institutions (SAI) to develop their professional capacity. The area of procurement was identified as one area that required further training and development and the Office of the Auditor General was invited to participate in a Collaborative Audit of Procurement. The Ministry of Communication, Works and Labour's (MCWL) National Information and Communications Technology (NICT) project was selected for this special review.

96. **Findings.** Our findings revealed that the Project was a good initiative to improve efficiency in key operations - however, there were a number of significant issues relating to the NICT Project. Of great concern to us was the inadequate documentation throughout the procurement process and during the roll out of the project. Meetings had incomplete minutes or were not recorded at all. Reports on the progress of the project were non-existent in some cases and no final reports were submitted; this hindered our ability to determine which projects were fully completed.

97. Post procurement reviews were not undertaken; this shows that there was a direct contravention of the procurement regulations, which stipulates that goods/services received should be assessed. We found that there were differences in the actual payments and the amounts entered in the accounting system for some projects. This made it difficult to verify which projects received their full contractual payment.

98. **Audit Conclusion.** We found that the Ministry was not in compliance with some of the procurement regulations relating to the documentation and recording of the procurement process. There were several instances where files were incomplete or missing and reports were not submitted.

#### 4.2. Montserrat Utilities Ltd: Value for Money in Delivery of Service to the Public

##### 4.2.1 Why We Performed This Audit

99. **Good Governance & Service to the Public.** Public services, generally, and delivery of utilities, particularly, both play a pivotal role in either catalyzing economic development or impeding national progress. In turn, Montserrat Utilities Limited (MUL) is the State-owned monopoly in providing three utility services: water, electricity, and sewage. This privileged position requires independent scrutiny and

public accountability to ensure that it serves the needs and expectations of stakeholders (e.g., customers, tax-payers, GOM, and creditors).

#### **4.2.2 Audit Findings**

100. **Excellent delivery of water and sewage.** Despite a number of inefficiencies in other areas of operation, MUL provides a reliable supply of potable water to businesses and households. It also handles sewage collection across the island at no charge to users, although there is no contractual arrangement for the further treatment of sewage and for the reuse of waste water.

101. **Frequent loss of electricity service.** Reliance on old diesel-fueled generators, which are best used for emergencies and for short periods, has caused both high operating costs and numerous disruptions of power in the past several months. Every customer has been affected and there is a very high level of dissatisfaction, which is aggravated by widely reported damage to customers' appliances and electronic items. Most clients were never compensated for such losses.

102. **Many persons prefer online/card based payments.** Over 40% of interviewees in our recent surveys were in favor of using online payments, electronic banking channels, and debit cards or credit cards for both in person and online payments. However, MUL does not provide these options (except for direct deposit through the local banks).

103. **E-Government has started but not widely used.** Some public services are already online (e.g., ferry and MOVA), but MUL has not progressed beyond providing a website, which is solely for general information, rather than transactions and online account management.

104. **Paper remains dominant.** Notwithstanding the wide availability and usage of social media, websites, electronic banking, smart phones, mobile devices, and wireless Internet connections in Montserrat, MUL's client facing operations remain in manual processes and offline modus operandi. This is costly and inconvenient to Montserratians at home and abroad, and to potential residents, businesses, and investors. It also makes the local economy uncompetitive with neighboring islands.

105. **Status quo is very costly.** The cost of manual processes and of cash-handling is extremely high versus all other payment methods, encompassing (a) labor costs, (b) handling costs, (c) insurance risks, (d) duplication of efforts, (e) time costs, (f) paper and stationery costs, (g) printing costs, (h) transportation costs, (i) storage costs, and (k) all of the attendant risks and inconveniences that each of these variables imposes both on MUL and, by extension, the GOM and on all of its stakeholders and taxpayers. Moreover, use of old generators and fossil fuels imposes high and growing costs of operation, of maintenance, and of repairs/replacement.

106. **Retarded economic growth.** The adverse impact of operational risk and of reputational risk is severe in such cases, because, among other effects, inefficiencies in payment systems and delivery of utilities affect every social and economic activity. Various sectors (e.g., manufacturing, agriculture, tourism, and financial services) are underdeveloped and need to be facilitated and enhanced. Therefore, any worsening of service delivery is a further disincentive to micro enterprise and small business development on the island, and it stymies overall economic progress whereas local procurement is ideal in most circumstances. Such circumstances also deter new investors and tourists from coming to the island and/or from remaining and returning, respectively, for the long term.

#### 4.2.3 Recommendations

107. **Implement solar energy.** MUL can thus ensure sustainable national energy-security instead of relying solely on imported fossil fuels, which have many negative externalities, price volatility, and supply risks. It can reduce the various risks and costs of the status quo by taking full control of its energy supply from renewable sources. In turn, MUL can create new revenue streams by offering (a) installation, (b) maintenance, and/or (c) financing of solar photovoltaic systems to clients. This will also reduce the total price of power to the customers.

108. **Adequately fund MUL's capital budget.** For too long, the company has struggled to get adequate and timely funding for repairs, for upgrades of infrastructure, for replacements of major assets, and for purchase of new assets (including vehicles, equipment, and generators). In several instances, the company has taken a short-term approach, incurring expensive rentals instead of investing in long-term ownership of key assets. Strategic planning and funding are vital to minimize risks, to optimize cost-management and to improve service.

109. **Enable card payments.** Install wired or wireless electronic device readers for payments in person as soon as possible, and also activate online payments. These measures will facilitate trade, travel, and tourism, while also raising the modern profile of the country in line with the expectations of sophisticated consumers, business persons, returning Montserratians, and prospective investors. This deserves to be treated as a matter of utmost priority and urgency for reducing the Government's current costs, and for improving both the effectiveness of revenue-collections and the satisfaction of stakeholders.

110. **Make e-Government the default.** Within 3 to 6 months, upgrade the current MUL website and/or create a central e-portal for all of the public utilities. This will produce several immediate benefits: e.g., (a) create synergies, (b) encourage inter-departmental co-operation, (c) speed collections, (d) increase compliance rates, (e) ensure real time accounting and reporting for the prompt actions of all key decision-makers, (f) reduce the costs of the current archaic modes of manual processes and cash only methods of payment, and (g) consolidate cash-management for even

greater cost-savings by MUL. With effective website-management to ensure that all content is correct, complete and current, and with search engine optimization (SEO), this e-portal can be a powerful revenue-generating and value creating multifaceted interface to market the company's products, services, culture, history, venues, events, and activities. Among its several advantages, this will support an essential online payments infrastructure that will significantly reduce the cost, the time, the risks incurred, and the efforts currently expended in the area of collections, together with the related administration, accounting, and reporting.

#### **4.2.4 Audit Conclusion**

111. The quality and the delivery of water and sewage are excellent and the supply of power has generally been very good over many years. However, this customary high level of electricity service has changed fundamentally since October, 2016, with the recent spate of recurring (and mostly unannounced) outages. During the past year, therefore, customers have received power service well below their expectations, with numerous instances of loss of power, and widespread damage to electrical appliances and electronic items. Moreover, MUL's information-systems, communication patterns, client service channels, and payment methods are, with few exceptions, extremely outdated, very expensive to maintain, and neither efficient nor effective. The current payment system, procedures, and practices make little use of 21<sup>st</sup> century technologies and tools, and they systematically underutilize many of the functionalities embedded within already available or installed hardware and software.

112. In turn, this means that GOM, the sole owner of MUL, is getting a very low return on investment for the many millions of dollars spent during the past two decades on infrastructure and, in particular, (1) under-use of electronic information and communication, and (2) inadequate payment methods and payment systems. Overall, it is not serving the public nearly as well as it could be doing, and it is certainly not advancing the country towards the GOM's published Vision for 2008 to 2020, wherein information and communications technologies (ICT) become one of the central pillars of the new Montserratian economy and a pivotal enabler of private sector development. These tools and technologies are especially vital for economic growth and employment through (a) the nurturing and transformation of incipient microenterprises, (b) the launch and export readiness of innovative products and services, and (c) the strategic local, regional and international expansions of established small and medium enterprises (SMEs).

113. The operations for generation and delivery of utilities are satisfactory from the perspective of health and safety for employees as well as for the population. Water quality, in particular, is extremely high and needs little to no treatment, except the minimum to comply with international standards. MUL's water prices are very low, but its rates for power supply rank at or near the highest in the Caribbean (Situation Report, 2015, p. 7, 8). However, the reliance on fossil-fuels more than 20 years since the volcanic crisis of year 1995 has impaired both efficiency and

effectiveness of power-services. Diesel fueled generators have proven to be increasingly expensive and unreliable over the past year.

### **4.3 Contribution of the Hospitality Sector to the Growth of Montserrat's Economy**

#### **Why We Performed This Audit**

114. **Vital economic role.** GOM views the sector as playing a critical part in developing the economy as, over the past several years, tourism has made a substantial contribution towards foreign currency earnings, economic activity, and domestic employment. However, the volume of tourists and visitors has declined below the pre-1995 levels when volcanic activity significantly impacted the tourism product. As reliance is placed on returns from this sector, any inefficiencies or disruptions in essential goods and services (e.g., energy, water, transportation, accommodation, and food supply) will have ramifications for the entire country, including the sustained development of flourishing small businesses and vibrant job creating micro enterprises. During the past year, the public sector, as well as the rest of the society and economy, has suffered (a) some interruptions of ferry service, (b) recurrent outages of power supply, and (c) concomitant significant losses of productivity in its internal operations, including early closure of offices in some instances. Given the potential impacts of the sector on the overall development of the economy, this review was undertaken to determine the tourism sector's current contribution to the economic viability of Montserrat.

#### **4.3.1 Audit Findings**

115. **Montserrat has several attractive features.** An important finding of our research is the various natural and social features of the island that make it attractive to select niches: e.g., volcano enthusiasts, hikers, festival patrons, retirees, cyclists, birdwatchers, yachters, cruise ship passengers, honeymooners, etc. [Exit Survey, 2011, p. 11].

116. **Access to Montserrat is unsatisfactory.** A key recurring theme in our interviews/survey was that access to the island is expensive, inconvenient, and inadequate (e.g., only 2 small airlines). This is consistent with previous studies and the Tourist Board's Exit-Surveys.

117. **High percentage of returning visitors.** Over the past decade, surveys and interviews revealed that over 60% of tourists were repeat guests (Exit Survey, 2011, p. 4). Several visitors have become property owners and/or permanent residents on the island.

118. **Montserrat is almost unknown in the market.** The combination of [a] big cuts to the Tourism Division's marketing budget, [b] loss/negligible use of tour operators, and [c] inadequate use of its website, social media, and other channels,

means that the island has no effective market-presence globally (Tourism Master Plan, 2016, p. 36-38). It is practically unknown beyond the small circle of overseas Montserratians, their friends, and persons who already have some connection with the island.

119. **Lack of statistics and timely information.** Some statistics are not gathered at all; others are gathered infrequently. Timeliness, quality and reliability are matters of concern.

120. **The labor force has declined.** Data up to 2011 show that the number of persons in the work force has reduced slightly. The reported number of unemployed persons has fallen, but the number of employed persons has not increased, indicating shrinkage of the workforce, owing to retirements, emigration, and/or persons who have stopped seeking work.

121. **The overall economy has declined.** Data for 2011 to 2016 show that the GDP has reduced slightly. The private sector remains weak and underdeveloped.

122. **The hospitality sector has declined.** Data for 2011 to 2016 show that the contribution of hotels to GDP has increased, while that for restaurants has reduced. Overall, there was a net reduction in output from the sector in recent years.

123. **Inadequate infrastructure and activities/experiences.** For instance, (a) facilities at the airport and seaport are too small and lack the amenities that modern travelers expect; (b) public transportation is unscheduled and limited; (c) shopping, businesses, and banking have limited opening hours and most places close early. Many visitors (especially those under 50 years of age) complain of being bored and of not having much to do on the island, including negligible night-life and very few recreational areas and activities (Exit Survey, 2011; Tourism Master Plan, 2016, p. 38-39). This discourages the return of younger and first time visitors.

#### 4.3.2 Recommendations

124. **Improve access to Montserrat.** Growth of arrivals requires more direct flights, more convenient airline connections and ferry schedules, and bigger aircraft to handle families and groups, as well as the many visitors who experience seasickness and/or prefer the speed of flights.

125. **Diversify and grow high value niche markets.** Extend the effectiveness of Montserrat's positioning within existing markets and identify other rewarding niches (e.g., weddings, honeymoons, anniversaries; cycling tourism; surfing and beach culture; sports tourism; medical tourism; cultural immersion; and culinary festivals).

126. **Provide more activities/experiences.** Whilst the majority of older returning visitors are happy with simple relaxation and quieter pursuits, younger visitors complain of being bored and not having much to do on the island, including negligible night life and very few recreational areas and activities. Thus, more and better



activities, experiences, and amenities are necessary to attract new tourists and to encourage the return of younger and first-time visitors.

**127. Create a full-service Tourism Authority.** Pursuant to the vision of the Montserrat Tourist Board Act, a stand-alone structure is required with (a) adequate staffing, (b) an enhanced budget for marketing and product development, and (c) diverse representation from tourism and hospitality practitioners. This entails better information gathering and reporting, registration and engagement of service providers within tourism and hospitality, much improved range and timeliness of statistics, and more effective marketing of Montserrat.

**128. Make e-tourism the default.** Within 3 to 6 months, upgrade the current Tourism Division's website, intensify use of social media, and create a central e-portal for all of the service providers within tourism and hospitality. This will produce several benefits: e.g., it will (a) create synergies, (b) encourage intra-sectoral and inter-industry co-operation, (c) ensure real time reporting for the prompt actions of all key decision makers, (d) reduce the costs of the current archaic modes of manual processes and cash-only methods of payment, and (e) enhance marketing efficiency and effectiveness. With effective website management to ensure that all content is correct, complete and current, and with search engine optimization (SEO), this e-portal can be a powerful revenue-generating and value creating multifaceted interface to market the island's products, services, culture, history, venues, events, and activities. Among its several advantages, this will support an essential online payments infrastructure that will significantly reduce the cost, the time, the risks incurred, and the efforts currently expended in the area of collections, together with the related administration, accounting, and reporting.

#### **4.3.3 Audit Conclusion**

**129.** Within a moderately declining/stagnant economy, tourism and hospitality are very important to national development, but the sector has actually declined in the past few years. During the period 2011 to 2016, the sector's contribution to Gross Domestic Product (GDP) declined and national employment also fell. Whilst the sector has significant growth prospects, GOM's recent approach to tourism has been low key, under-funded, and understaffed. The island has a unique profile and several attractive features, but the ecosystem for hospitality has several weaknesses. For instance, the quality and the delivery of water, sewage, and telecommunications are excellent, but (a) infrastructure has some challenges for example travel to the island is limited, inconvenient and expensive, (b) public transportation is inadequate, and (c) the supply of power has changed fundamentally since October 2016, with recurring (and mostly unannounced) outages. Moreover, most hospitality providers' information systems, communication patterns, client service channels, and payment methods are, with few exceptions, outdated, expensive to maintain, and neither efficient nor effective. The current payment system, procedures, and practices make little use of 21<sup>st</sup> century technologies and tools, and they systematically under-utilize



many of the functionalities embedded within already available or installed hardware and software.

130. In turn, this means that GOM is getting a very low return on investment for the many millions of dollars spent during the past two decades on infrastructure and, in particular, (1) underuse of electronic information and communication, and (2) inadequate payment methods and payment systems. Overall, it is not serving the public nearly as well as it could be doing, and it is certainly not advancing the country towards the GOM's published Vision for 2008 to 2020, wherein (i) the tourism industry and (ii) information and communications technologies (ICT) are to become two of the central pillars of the new Montserratian economy and pivotal enablers of private sector development. These tools and technologies are especially vital for economic growth and employment through (a) the nurturing and transformation of incipient microenterprises, (b) the launch and export readiness of innovative products and services, and (c) the strategic local, regional and international expansions of established small and medium enterprises (SMEs).

131. Likewise, the previously well-established framework for a separate tourism entity within GOM has been abandoned in recent years. Insufficient funding, marketing resources, and staffing have been allocated to tourism, thereby limiting its growth as one of the four central economic pillars in line with the national vision encapsulated the Sustainable Development Plan 2008 to 2020. Despite its important role as an earner of foreign exchange on the island's path to regaining economic self-sufficiency, the hospitality sector remains under-developed and is greatly under-performing vis-à-vis both its pre-1995 historical peaks and its current great potential.

#### **4.4. Absenteeism in the Montserrat Public Sector: Prevalence, Causes & Costs**

##### **Why We Performed This Audit**

132. **Effective Public Services.** In Montserrat, the public sector is much larger as a percentage of the workforce and as a percentage of Gross Domestic Product (GDP) than it is the case in most other countries in Caribbean and Latin America (National Tourism Policy, 2016, p. 22). Absenteeism directly affects the optimal functioning of the GOM and partly represents a gap in potential economic performance. During the past 2 years, the public sector, as well as the rest of the society and economy, has suffered (a) some interruptions of ferry service, (b) recurrent outages of power supply, and (c) related significant losses of productivity in its internal operations, including early closure of offices in some instances. Absenteeism compounds these problems (1) by slowing the restoration of services to desired levels, (2) by causing delays in approvals, in disbursements, and in procurement, and (3) by resulting in challenges to complete projects on time and within budget. For example, in fiscal year 2016 - 2017, GOM departments had approved development expenditures of \$39.8 million but spent only \$17.9 million; this represented a 55% shortfall of \$21.9 million (about 13% of GDP), which is very significant within the local economy.

#### 4.4.1 Audit Findings

133. **Low/no co-operation by several departments.** In particular, despite multiple requests starting in October 2017, strengthened by HR Circular #13 of 2017 (early December, 2017) to all Heads of Department, no reports or data were provided by the Ministry of Education (MOE) or any of its departments until January 30<sup>th</sup>, 2018 (nearly 4 months later). Likewise, several other Departments across GOM (a) provided no reports (b) provided incomplete data sets, and/or (c) responded very late. Altogether, about 50% of all data requested for years 2015 - 2017 were not received until 3 to 5 months later, and about 20% of data were not received.

134. **HRMU has not used its HR Information System.** Despite reference to an HRIS during a performance audit done in the year 2015, we found that HRMU has not been using its HRIS during the past four years. Essentially, throughout HRMU and the MPS, too many processes remain in manual mode with excessive use of paper. The huge accumulated volume of unprocessed data and the very limited quality of reports is time consuming to handle and greatly slowed our ability to summarize and to analyze data across the public sector. Generally, much effort goes into preparing reports, but very little effective or strategic use is being made of many of these reports.

135. **Poor file management.** We encountered numerous instances of unsatisfactory record keeping: e.g., (a) mislabeled files, (b) errors in data (e.g., misspelled names; incorrect/missing ME#), (c) omissions of data or explanatory notes [especially for absence code #13, which clearly states “Other (specify)”], (d) missing records, (e) destroyed or overwritten records, (f) mislabeled reports, and (g) delays of weeks, or even of months, in simply e-mailing to the auditor copies of historical absence monitoring reports. In some instances, no absence records were kept for months or even for years (e.g., MOA’s Trade Dept. missed all of 2015 and 2016); in other cases, files were apparently no longer available. These are causes for great concern both for auditing purposes and especially also for the Ministries and Departments’ own management of information, of people, and of assets (above all, those in electronic formats).

136. **Absence days are increasing.** Every year, a very large number of work-days are lost to uncertified sickness leave and to other forms of non-vacation leave (e.g., absent without leave, unpaid leave, special leave, study leave, maternity leave, and category #13 “Other”, which requires specification but, in most absence reports, was not described or explained at all). Overall, the evidence that we have gathered shows that (a) the trend across the MPS has worsened since the year 2015, reaching more than 18,000 lost days in year 2017 and (b) there is a very high ratio of non-vacation leave (average of 19 days per person) to vacation leave (average of 21 days per person).

137. **Employee satisfaction is low.** Degrees of dissatisfaction or low levels of satisfaction are widespread among surveyed employees. Whilst many expressed satisfaction with their jobs/work, dissatisfaction was low to high regarding workplace/environment. Dissatisfaction was worst of all regarding elements of compensation: e.g., (a) low salaries; (b) being underpaid for their actual level of work/responsibilities/qualifications; (c) no increases for several years; (d) no compensation for overtime for many persons; (e) lack of hazard/responsibility allowances for some departments; and (f) no telephone/travel/other allowances for many persons, particularly those who work outdoors and therefore are compelled to use personal phones for communication with their departments.

138. **Inadequate infrastructure and maintenance.** Although significant progress has been made in recent years to provide modern accommodation for many departments, several departments remain in unsatisfactory working conditions. Moreover, repairs and maintenance are too often late or delayed and even the newer buildings have proven to have some issues needing remedy.

#### **4.4.2 Recommendations**

139. **Improve record keeping and file management.** Across many departments, urgent attention needs to be given to (1) standardization of file naming, (2) file saving, (3) record management, and (4) the primary use of the GOM H:drive rather than personal C:drives. For instance, clerical and administrative staffers require coaching to make sure that they are using the full range of functionalities within the standard software to produce complete, accurate, and timely records and reports to support effective decision making.

140. **Provide more training.** Workers need a strategic approach to training and to development, including (a) mentoring, (b) coaching, (c) on-the-job training, and (d) fair allocation of overseas opportunities (e.g., courses, seminars, workshops, and work attachments) to more persons. In the short term, this enhances motivation, morale, professionalism, and productivity. In the long term, this (i) supports retention of talent, (ii) underpins effective succession planning, and (iii) greatly reduces the negative impact of turnover through resignations, retirements, and ill health.

141. **Create an ergonomic workplace.** Place urgent focus on inspecting and retrofitting all workplaces and workspaces to ensure that they are safe, comfortable, productivity enhancing and health promoting for employees. Wisely investing in health and safety (e.g., through prevention, through regular education, and through timely repairs and maintenance of workplaces) will save the GOM millions of dollars in long term costs of preventable sickness, of high rates of absenteeism, and of major repairs/replacements of assets that could otherwise have been well maintained for a fraction of that cost.

142. **Implement health & wellness programmes.** It is well recognized that the leading causes of morbidity and mortality locally and regionally are predominantly chronic non-communicable diseases, which Chief Medical Officers' Annual Reports (both in Montserrat and in the UK) have repeatedly declared are all preventable with appropriate diet and lifestyle. A proactive and strategic approach will greatly reduce healthcare expenses and absenteeism costs. Correspondingly, it will improve productivity and life quality, (1) by educating and empowering all employees to make wiser choices and to adopt better daily habits, and (2) by establishing and nurturing a supportive ecosystem. Ultimately, maintaining high levels of wellness is an effective investment in human capital with immediate returns as well as increasing long-term benefits.

143. **Leadership, cultural change & smart partnerships.** Within and beyond GOM workplaces, the paradigm must shift from the status quo of high cost secondary healthcare (which is effectively oriented to accidents, crises, and disease management after the fact) to self-responsibility and prevention at a small fraction of the cost. The HRMU, the EEP team, and Heads of Department could collaborate to design, to create, and to institutionalize wellness throughout the MPS, starting with themselves to be leaders by example. Strategically, partnerships with community groups, churches, and schools will be important to spread and to reinforce these benefits throughout the society, both to reduce the GOM's overall healthcare expenditures, and to create a healthier future workforce by inculcating wellness programmes from the earliest ages.

144. **Use the H.R. Information System (HRIS).** Within 3 months, place urgent focus on using the HRIS to improve the efficiency and the effectiveness of the HRMU and, by extension, people management across the MPS. Integrated databases will facilitate a wide range of queries, reports, and analyses and speed internal HRMU processes as well as replies and service-delivery to all other MPS departments. With e-Government, this will (1) improve decision making, (2) accelerate the Empowering Excellence Programme (EEP), (3) improve interdepartmental communication, and (4) lead to better outcomes in a wide range of monitored performance-metrics.

#### **4.4.3 Audit Conclusion**

145. Absenteeism and its diverse causes have contributed to significant negative impacts on (a) morale, (b) communication, (c) co-operation, and (d) performance within and between departments of the GOM. Insufficient funding, resources, and staffing have been allocated to many departments, thereby limiting progress in growing the four central economic pillars in the Sustainable Development Plan 2008 to 2020. Despite its important role as a regulator and a major catalyst on the island's path to regaining economic self-sufficiency, the public sector remains under developed, under trained, under resourced, and inefficient in several aspects.

146. While some departments have shown improvements in reducing the number of missed work days per year, the overall MPS absence trends since the year 2015

have worsened by 25%. Not only is the number of days lost to sickness high, but also the other non-vacation categories of absence, taken together, are as high as total sickness leave: for the year 2017, the combined aggregate of non-vacation leave categories was approximately 18,000 person days lost. The sum of direct and indirect costs of all non-vacation leave is estimated in the region of \$5 million to \$10 million per year. Adding the cost of vacation-leave, the estimated total economic costs of all forms of leave is \$13 million to \$16 million per year. The upper estimate, therefore, approaches 1/3 of the GOM's direct payroll cost (which was \$47 million in the fiscal year 2016 - 2017).

147. Although much of the sickness leave is genuinely health related (e.g., 76% of total sickness days in year 2017 were certified), most of the sickness claims are uncertified (e.g., 69% of the number of sickness absences in year 2017 were uncertified). It is also clear (a) from trends in the absence data and (b) from the attitudes, observations, and experiences shared by employees surveyed from many GOM departments, that a significant portion of what is reported as sickness leave is only a symptom of the widespread dissatisfaction that employees have (1) with non-ergonomic workplaces, (2) with ineffective/unpleasant supervisors, (3) with lack of recognition, awards, and appreciation, and/or (4) with inadequate compensation/incentives. In short, absenteeism can be greatly reduced with (i) effective management, (ii) comprehensive health and wellness programmes, (iii) safe, secure and well maintained workplaces, (iv) ergonomic work-stations, and (v) strategic H.R. approaches to recruitment, induction, training, promotions, development, and succession.

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

## **CHAPTER 5**

### **5.0 IT AUDITS**

#### **5.1 ExcoTrack: Cabinet Document Management Solution**

##### **Why We Performed This Audit**

148. As technology advances, the GOM Ministries and Departments have become increasingly dependent on computerized information systems to carry out their operations to process, maintain, and report essential information. The manual system to monitor/track the decisions of the Executive Council (EXCO, now Cabinet), proved inadequate and unsecured and was protracted. In an effort to provide efficient ways to monitor GOM's decisions and policies, this system was replaced with a computerized bespoke virtual document management web application – ExcoTrack software, which was developed in 2012 by a government employee, who established a company Rovika, in 2013.

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

149. Our review revealed that the ExcoTrack Software is efficient, user-friendly and accessible from any electronic device and no security breach or issues have arisen to date. However, we found that there is no formally signed agreement or contract between the GOM and Rovika Inc. which outlines clear ownership or operational parameters. Rovika Inc. also retains all business knowledge and ownership of ExcoTrack, this poses a high risk to GOM should Rovika Inc. fold, fail to maintain the software, or become insolvent. It is our recommendation that the Office of the Premier (OotP) must take steps to ensure that a post agreement be developed and signed by the two parties.

150. We also noted that the alert function does not always work and this causes delays in the decision-making process. Neither the vendor nor the GOM has either a Business Continuity Plan, Disaster Recovery, IT Security Plan or Policies in place should there be a security breach to ExcoTrack. We have recommended the development of a BCP that describes the immediate steps to be taken during any disruption(s) and the action(s) required to recover.

##### **5.1.2 Audit Conclusion**

151. Notwithstanding the fact that ExcoTrack's automated alert function does not always work, sometimes causing significant delays, the OAG has determined that ExcoTrack is self-sufficient, secure, and robust, with adequate application controls in place. These controls ensure the integrity, completeness, accuracy, and security, of "the users' information" and Cabinet-related confidential information by the application software.

152. We also established that OotP has not made any provisions to ensure continuance of service if any person(s) and/or entity maintaining the application software should leave, fold, or have their services terminated; or in the event of a security breach or other mishaps.

### **5.1.3 Subsequent Event**

153. Subsequent to our audit of the software application ExcoTrack in 2017, it has come to the attention of the Office of the Auditor General that the Government of Montserrat and the ExcoTrack software developer, Rovika are now engaged in legal proceedings surrounding contractual payments, data access and ownership, and the issue of overall ownership rights to the software. The OAG will revisit this matter at the conclusion of the court proceedings.

## **5.2 Automated Driver's Test**

### **Why We Performed This Audit**

154. Government of Montserrat set out to encourage, favor and promote the identification, development, adoption and utilization of ICTs, in order to advance the achievement of national strategic goals. They approved a National Information & Communication Technology (NICT) Policy, Strategy & Implementation Plan complete with guidelines on how the activities and initiatives were to be executed. The overall responsibility for the National ICT Policy, Strategy and Implementation Plan falls under the Ministry of Communications, Works and Labor (MCWL). In 2015-2016, MCWL through the NICT Council solicited submissions of NICT Projects and Innovations from the public and fourteen (14) projects' proposals were successful. The Automated Driving Test Environment by Will-Tech was one of the successful proposed ICT projects.

### **5.2.1 Audit Findings**

155. The Automated Drivers Test programme and related computer equipment were publicly gifted to Samuel Enterprise by MCWL on 15 November 2015; however, the Ministry did not follow proper protocol for the recording, writing off, and/or gifting of the assets.

156. As per the revised *CAP 7.06 Road Traffic Act*, by law only the Licensing Officer is responsible for the collection of fees for both categories of the drivers' license tests, to be paid into the Treasury. There is no amendment in the law that permits Samuel Enterprise to do the same.

157. The trudging of the candidates between the License Division and Samuel Enterprise to obtain and show proof of payment for the drivers' road and theory tests, is very tiresome and impractical.



### **5.2.2. Recommendations**

158. MCWL should correct this oversight by following the proper protocol for the recording, writing off of GOM assets; and also gifting assets if the intention is to re-gift them to Samuel Enterprise.

159. There is a need to regularize the Road Traffic Act to reflect the legal right of Samuel Enterprise to collect payment for administering both tests.

160. MCWL, in conjunction with Samuel Enterprise, should consider eliminating the tedious back and forth of the payment scheme process, by making it paperless. The entities can email the candidates' receipts and road test forms to each other.

### **5.2.3 Audit Conclusion**

161. We have determined that the Automated Drivers' Test programme has modernized the drivers' theory test. It provides the flexibility of instantly re-taking the test numerous times and generates revenue for the GOM.

162. The client server network that houses the Automated Drivers' Test provides centralized control from the server laptop where access to the test from the client laptops, storage of all the automated test files and resource allocation, is done by the server. This type of network architecture is secure and has adequate application controls in place to ensure the integrity, completeness and accuracy of the test results including the security of the automated software itself.

## **5.3 Montserrat Secondary School Laptop Programme**

### **Why We Performed This Audit**

163. The former Government, via the Ministry of Education (MOE), was keen to create a modern teaching and learning environment at the local educational institutions. Access to ICT services is essential as it has the potential to provide a platform from which more educational resources can be accessed and shared. Hence, the MOE School Laptop Programme began in 2012 as a part of the National ICT Strategy as a policy decision by the GOM. The main purpose of this post-implementation benefits review is to assess and determine if the GOM's Strategic Thrust 1 of Enhancing the education experience and its effectiveness through formal and informal channels, i.e. School Laptop Programme, was fulfilled.

#### **5.3.1 Audit Findings**

164. Our review revealed that the contract with LIME now renamed FLOW has not been terminated although the Laptop Programme has been shelved by the current



government. We found that LIME was responsible for collecting payments and accumulating funds for future procurement. Given the cessation of the programme, these funds should be recouped by the MOE. Additionally, the MOE was on occasions tardy in confirming and/or providing required information to LIME, causing minor delays.

165. There were many other issues ranging from the brand of laptop utilized for this project was problematic, the bulky size of the laptops and some students did not take very good care of the devices.

### **5.3.2 Recommendations**

166. MOE needs to properly conclude the Agreement for Supply of Equipment and Services with LIME, if the School Laptop Programme is no longer operational. Any monies that LIME collected and have accumulated in their finances are to be accounted for and recouped by MOE.

167. MOE must recover any surplus laptops from Phases I, II, & III that are defunct and/or inoperative, and still are in LIME's possession and duly inform the Ministry of Finance so that they can be disposed of, as per GOM's Stores Rules and Regulations.

168. The School Laptop Programme could have been a very viable project if it were properly run and managed. Should the current GOM reinstate the School Laptop Programme, then GOM/MOE must play a more active role in overseeing the project, formulating and establishing their own set of aims and objectives and ensure their implementation and achievement.

### **5.3.3 Audit Conclusion**

169. The MOE School Laptop Programme did not achieve the benefits that fell under the overarching ICT Policy Objective to enhance the capacity and propensity of, as well as opportunities for, the population to effectively, innovatively, and creatively use ICT tools for education purposes. Although the initiative was a good decision, it was unsuccessful as a result of the following: (i) the majority of laptops were faulty/defective; (ii) Wi-Fi bandwidth was insufficient; (iii) the students' deliberate ill-treatment of the laptops; (iv) misuse of Wi-Fi access; and (v) administrative issues within both MOE and LIME.

## **5.4. Pension Calculator**

### **Why We Performed This Audit**

170. Over the years, the Government of Montserrat's pension benefits were calculated manually by various governmental departments; subsequently, the

function became the responsibility of the Office of the Deputy Governor (ODG) and a Pensions Calculator was developed for the department's use in 2014. As part of our annual work plan it was decided to conduct a post implementation audit of the calculator to assess whether or not the objectives were achieved.

#### **5.4.1. Audit Findings**

171. Our review revealed that the benefits of the implementation of the pension calculator were achieved and the calculator is a very secure and unmodifiable application. The calculator computations are very accurate, whether or not precise information is keyed into it. However, we found that poor record keeping by key stakeholders is an issue. There are certain sections of the pension benefits that require manual computation and data entry is required and can be susceptible to human error.

172. The design and development of the pension calculator was not confirmed but was implemented and is maintained by an Actuary. Only this individual can make changes to the calculator and although this may be a good control mechanism there are associated risks such as [1] delays in processing pension benefits when difficulties with software functionality are encountered and [2] continued availability of support or supplier failure that would lead to loss of software use that may negatively impact continuity with total control by a provider.

#### **5.4.2. Recommendations**

173. It is our recommendation that key stakeholders improve their record keeping of personnel files to ensure accurate information is transferred. Additionally, the Office of the Deputy Governor should consider purchasing the pension calculator application and maintaining it in-house. In the event that this is unacceptable by the Actuary, then a request should be made for the application to be lodged in an Escrow Agreement where it is stored and maintained by the Department of Information Technology and E-Services.

#### **5.4.3 Audit Conclusion**

174. The Office of the Auditor General determined that the post-implementation benefits of the Pension Calculator were achieved. The calculator is very accurate; streamlines the previous computation process; and is in compliance with the revised Montserrat CAP 6.07 Pensions Act and Subsidiary Legislation (Jan 2013). The risk identified involved human error and is mainly due to the pensionable officers' work histories being collated from various sources in order to populate the C46 form.

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

## **CHAPTER 6**

### **6.0 ENVIRONMENTAL AUDIT**

#### **6.1 Managing Clinical Waste in the Public Health Sector**

##### **Why We Performed This Audit**

175. The effective management of hospital or clinical waste is essential for the health and safety of patients, staff and the general public. The safe storage, transportation, treatment and disposal of waste are important in ensuring that environmental standards are met, while the standards themselves continue to be raised regionally and internationally. Hospital waste can be considered in domestic waste and clinical waste. Domestic waste is made up of the items found in waste from households, and clinical waste consists of waste not deemed safe for disposal with domestic waste. We undertook this environmental audit to assess whether clinical waste generated by the Hospital and Clinics are appropriately managed and disposed of through safe and environmentally sound methods, to protect health care workers, the environment and the communities in which they operate.

##### **6.1.1 Audit Findings**

176. There was no provision for clinical waste management in any Laws of Montserrat or the Strategic/Operational Plans of the Ministry of Health. The Glendon Hospital Waste Management Policy is in draft, incomplete and lacking in content. These issues made it difficult to establish the required level of performance against which clinical waste management could be assessed.

177. Our review also found that, in general, clinical waste was sufficiently managed, although there were occasional cases of poor practice in regard to total compliance with best practice, resulting in inadequate and unsecured storage. Specific training for dealing with waste management was lacking. Some employees reported that they did not receive any training in this area.

##### **6.1.2 Recommendations**

178. It is incumbent upon Management to ensure that policies are in place and are complied with in respect of clinical waste management. This would reduce and/or avoid risks associated with improper waste disposal. Facilities Management should ensure that waste generated is completely incinerated. A request should be made for the Senior Environmental Health Officer to randomly supervise incineration activities. Alternatively, the Environmental Health Unit's duties should be amended to include the conduct of spot checks of the clinical waste process at the Hospital and other facilities where waste is created.

### 6.1.3 Audit Conclusion

179. Generally, the Glendon Hospital has done well to manage clinical waste with the limited resources available to it; however, more needs to be done to improve the facilities, the clinical waste procedures and get staff further trained. An important responsibility of senior health officials is to ensure the formulation, coordination and implementation of policies, strategic and operational plans but the lack of a documented, up-to-date clinical waste policy and procedures has seen some procedures being dealt with in an ad hoc manner.

180. The impact of inappropriate management of clinical waste on human health, on the environment, and on natural resources, has been assessed as low-medium (lower range of medium due to word of mouth directives and limited documentation). It was noted that training is provided annually on infection control with a unit focusing on clinical waste management. The extent to which management prioritizes the activities involving clinical waste must be improved by restructuring the training with more emphasis on clinical waste management. The non-existence of a clinical waste management policy further exemplifies that aspects of clinical waste training are limited.

181. There have been minimal reports of risks associated with clinical waste; however, prevention is better than a cure. Health care workers are not offered vaccination against Hepatitis B as and when they commence work, however, discussions have begun to address this. Additionally, it is difficult to quantify the cost effectiveness of the management of clinical waste in the absence of robust data collected by the Glendon Hospital or the Ministry of Health.

182. To gain a better understanding of this review, you can view the full report on our website at <http://oag.gov.ms> under Publications.

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

**QUALIFIED OPINION ON PUBLIC ACCOUNTS 2017-18**

1. The Public Accounts of Montserrat for the financial year ended 31st March, 2018 as defined by Schedule to the Public Finance (Management and Accountability) Act (hereinafter referred to as the PFMAA) have been audited. These Accounts comprise of:

- Accounts to be submitted by the Accountant General;
- Accounts to be submitted by Accounting Officers

2. In my opinion, except for the matters outlined in the Basis of Qualified Opinion, the financial statements referred to at paragraph one above present fairly, in all material respects, the financial assets and liabilities of the Government of Montserrat as at 31st March, 2018 and the revenue and expenditure of Government Ministries and Departments for the financial year ended 31st March, 2018 in accordance with the cash basis of accounting and the PFMAA.

**BASIS FOR QUALIFIED OPINION ON PUBLIC ACCOUNTS**

3. The 2017-18 Public Accounts were qualified for the following reasons:

- a) Expenditures incurred without the authorization of a warrant provided by the Minister as mandated by Section 24 of the PFMAA;
- b) Long outstanding over-expenditures on project accounts with no movement on the account within the reporting period and with no prospect of recovery on the Statement of Assets and Liabilities on the Development Fund representing 276% of the total assets of that Statement; and
- c) Inability to determine whether the Arrears of Revenue Statement is complete and accurate due to the non-submission of Arrears of Returns by some Ministries/Departments.

4. The audit was conducted in accordance with accepted auditing standards, except for full independence of our Offices as required by ISSAI 10<sup>8</sup>. The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

**RESPONSIBILITIES OF THE ACCOUNTANT GENERAL, ACCOUNTING OFFICERS AND THOSE CHARGED WITH GOVERNANCE**

5. The Accountant General and Accounting Officers are responsible for the preparation and fair presentation of these financial statements in accordance with the accounting framework as prescribed by the Treasury, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

6. Those Charged With Governance are also responsible for overseeing the financial reporting process of Ministries and Departments.

---

<sup>8</sup> ISSAI 10 mandates that SAIs obtain full independence from the Executive management of the Public Service. Our SAI only has partial independence as budget for the office is controlled and managed by the Ministry of Finance and staff recruitment, management and dismissal are all managed by the Human Resource Management Unit (HRMU).

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

7. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 103 of the Montserrat Constitution Order 2010 and section 42 (2) of the PFMAA.

8. The Auditor General's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. As part of an audit in accordance with accepted auditing standards, the Auditor General exercises professional judgement and maintains professional skepticism throughout the audit. The Auditor General also:

- Obtains an understanding of management's risk assessment processes for identifying and managing risks of material misstatements whether due to fraud or error.
- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtains an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministries and Departments internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. The Auditor General communicates with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

## SUBMISSION OF REPORT

11. In accordance with Sec 42 of the PFMAA, the Report is being submitted to the Minister of Finance for tabling in the Legislative Assembly.



FLORENCE A LEE, CPA, BSc, MSc  
AUDITOR GENERAL  
OFFICE OF THE AUDITOR GENERAL  
MONTSERRAT, WEST INDIES  
19 February, 2019

## **APPENDICES**

Appendix 1	Consolidated Fund Financial Statements 2017-18	42
Appendix 2	Audit Provisions – Montserrat Constitution Order 2010	70
Appendix 3	Status of Audit Recommendations	73
Appendix 4	Office of the Auditor General - Organization Chart	90

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

**Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2018**

(with comparative figures for 31 March 2017)

<b>FINANCIAL ASSETS</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Consolidated Fund Accounts	2	10,094,988	9,980,322
Operating Account ECCB	3	292,201	285,478
Development Capital Fund Account	4	18,519,444	20,092,802
Crown Agents # 2 Account	5	2,456,455	2,327,988
Fiscal Reserve - A/C # 1 Tranche ECCB	6	4,510,600	5,560,149
Volcano Relief Bank Account	7	253,022	253,022
CDB Loan Payment Account	8	1,464,868	1,464,868
EU Savings Account RBC.	9	115,473	113,489
Equity - Bank of Montserrat	10	16,022,499	11,860,811
RAC Grenada Bond	11	866,419	
Personal Advances	12	330,629	358,702
Impersonal Advances and Outstanding Imprests	13	74,801	75,527
Advances to Other Governments & Administrations	14	136,397	131,381
Other Advances	15	<u>4,500,000</u>	<u>4,500,000</u>
<b>TOTAL ASSETS</b>		<b><u>59,637,795</u></b>	<b><u>57,004,539</u></b>



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

**Statements of Assets and Liabilities as at 31 March 2018**  
**(with comparative figures for 31 March 2017)**

		<b>2018</b>	<b>2017</b>
<b>LIABILITIES</b>	<b>Note</b>		
Miscellaneous Deposits	16	2,986,685	2,672,299
Postmaster Clearance	17	95,905	159,059
Development Fund Payable	18	13,653,128	17,325,325
Special Funds	19	<u>11,306</u>	<u>11,106</u>
<b>TOTAL LIABILITIES</b>		16,747,024	20,167,790
 <b>THE CONSOLIDATED FUND</b>			
Balance at the start of the Year		36,836,750	32,507,528
Prior Year Adjustment	20	6,260,553	2,082,461
Revenue (recurrent) for the Year		124,258,576	123,980,735
Expenditure (recurrent) for the Year		<u>123,971,974</u>	<u>121,388,686</u>
Surplus/(Deficit)		286,601	2,592,048
Transfer to Local Costs	21	<u>(493,133)</u>	<u>(345,288)</u>
<b>TOTAL CONSOLIDATED FUND</b>		<u>42,890,771</u>	<u>36,836,750</u>
<b>TOTAL</b>		<u><b>59,637,795</b></u>	<u><b>57,004,539</b></u>

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

*Accountant General, Montserrat*

**Cash Flow Statement for the Government of Montserrat as at 31 March 2018**  
(with comparative figures for 31 March 2017)

<b>Cash Flows from Operating Activities</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Tax Revenues	23	42,009,856	44,076,848
Non Tax Revenues	24	5,765,313	5,494,709
Budget and Grants	25	76,483,406	74,393,435
Recurrent Expenditure	26	(123,971,974)	(121,388,686)
Contribution to Local Projects	21	(493,133)	(345,288)
Previous Years' Charge	22	-	(4,841)
<b>Net Cash Flows from Operating Activities</b>		<b>(206,532)</b>	<b>2,226,178</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net Cash Flows from Investing Activities</b>	27	<b>630,696</b>	<b>15,742</b>
<b>Cash Flows from Financing Activities</b>			
(Increase)/Decrease in Advances	28	23,782	21,590
Increase/(Decrease) in deposits		(3,420,765)	(9,234,735)
Adjustments for:			
Advances and deposits		-	421,067
Effect of exchange rate changes on cash and cash equivalents	20	134,218	165,145
Other Receipts and Transfers	20	467,533	1,831,379
<b>Net Cash flows from Financing Activities</b>		<b>(2,795,232)</b>	<b>(7,125,844)</b>
<b>Net Cash Flows</b>		<b>(2,371,068)</b>	<b>(4,883,924)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>40,078,118</b>	<b>44,962,042</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>37,707,051</b>	<b>40,078,118</b>

*Accountant General, Montserrat*

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

As at 31 March 2018

Receipts	Notes	2018	2017
<b>Tax Revenue</b>			
Taxes on Income, Profits and Capital Gains		18,076,966	18,722,222
Taxes on Property		699,664	692,308
Taxes on Domestic Goods & Services		2,922,634	2,470,855
Licences		2,774,056	2,603,401
Taxes on Int. Trade & Transactions		17,536,535	19,588,063
<b>Total Tax Revenue</b>	23	<b>42,009,856</b>	<b>44,076,848</b>
<b>Non Tax Revenue</b>			
Rents Interest and Dividends	24	1,118,089	788,235
External Assistance - Budgetary Aid	25	76,483,406	74,393,435
External Assistance – Development Grants	30	10,825,001	8,790,023
Fees, Fines and Permits	24	2,079,764	1,845,415
Other Receipts	24	2,424,534	2,706,392
Capital Receipts	29	140,942	170,410
Receipt from Investment	27	630,696	-
Other Receipts and Transfers	20	467,533	2,831,379
Advances and deposits (net)	31	275,214	
<b>Total Receipts</b>		<b>136,455,035</b>	<b>135,602,137</b>
<b>Payments</b>			
Personal Emoluments	26	43,874,400	42,344,430
Pension, Gratuities and Other Benefits	26	11,453,344	12,198,589
Goods & Services	26	37,641,465	35,082,945
Transfers and Subsidies	26	21,149,823	22,795,899
Social Services	26	4,192,892	4,291,381
Other Expenditure	26	4,623,268	3,619,375
Debt	26	1,036,783	1,056,068
Locally funded projects	21	493,133	345,288
Previous Year's Charge		-	4,841
Capital Expenditure (Development Fund)	30	8,000,086	6,839,378
Capital Expenditure (Development Fund)	30	6,497,111	10,746,560
Advance and Deposits (net))	31	-	996,163
<b>Total Payments</b>		<b>138,962,304</b>	<b>140,320,916</b>
<b>Cash flow Increase/(Decrease)</b>		<b>(2,507,270)</b>	<b>(4,718,780)</b>
Exchange rate Gain(Loss)	20	134,218	(165,145)
Other		-	
<b>Net Cashflow</b>		<b>(2,373,052)</b>	<b>(4,883,924)</b>
<b>Cash at the Beginning of the Year</b>		<b>40,078,118</b>	<b>44,962,042</b>
<b>Cash at the end of the year</b>		<b>37,707,051</b>	<b>40,078,118</b>

**CONSOLIDATED FUND - April 2017 to March 2018**  
**Consolidated Statement of Comparison of Budget and Actual Amounts**  
**(Budget Approved on a Cash Basis)**  
**(Economic Classification of Payments)**

	Notes	Original Budget	Final Budget	Actual 2018	Budget Variance <sup>9</sup>	Actual 2017
<b>Cash Inflows</b>						
Taxation	23	44,590,100	44,590,100	42,009,856	2,580,244	44,076,848
Non Tax	24	3,207,100	3,207,100	3,197,853	9,247	3,103,042
Other receipts Grants	24	2,583,100	2,583,100	2,567,460	15,640	2,407,409
Budgetary Aid /	25	78,000,000	78,000,000	76,483,406	1,516,594	74,393,435
Development Grants	30	31,137,000	31,137,000	14,990,330	16,146,670	10,135,311
<b>Total Receipts</b>		<b>159,517,300</b>	<b>159,517,300</b>	<b>139,248,906</b>	<b>20,268,394</b>	<b>134,116,046</b>
<b>Cash Outflows</b>						
Personal Emoluments	26	45,698,800.00	45,251,500	43,874,400	1,377,100	42,344,430
Pension, Gratuities and Other Benefits	26	11,797,200	11,764,500	11,453,344	311,156	12,198,589
Goods & Services	26	39,341,300	40,510,200	37,641,465	2,868,735	35,082,945
Transfers and Subsidies	26	22,382,900	21,294,500	21,149,823	144,677	22,795,899
Social Services	26	3,965,300	4,295,300	4,192,892	102,408	4,291,381
Other Expenditure	26	4,121,100	4,828,600	4,623,268	205,332	3,619,375
Debt	26	1,073,700	1,073,700	828,771	244,929	1,056,068
Capital Expenditures	30	31,137,000	32,923,300	12,110,301	20,812,999	17,931,226
<b>Total Outflows</b>	<b>1</b>	<b>159,517,300</b>	<b>161,941,600</b>	<b>135,874,264</b>	<b>26,067,336</b>	<b>139,319,913</b>

<sup>9</sup> Original minus Actual

# **CONSOLIDATED FUND - April 2017 to March 2018**

## **Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL REVENUE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>1A - Tax Revenue</b>				
110: Taxes on Income, Profits and Capital Gains	17,440,000	17,440,000	17,204,458	(235,542)
115: Taxes on Property	720,000	720,000	699,664	(20,336)
120: Taxes on Domestic Goods & Services	3,080,000	3,080,000	2,922,634	(157,366)
122: Licences	2,835,100	2,835,100	2,774,056	(61,044)
125: Taxes on Int'l Trade & Transactions	19,715,000	19,715,000	17,536,535	(2,178,465)
129: Arrears of Taxes	800,000	800,000	872,508	72,508
<b>Total Tax Revenue</b>	<b>44,590,100</b>	<b>44,590,100</b>	<b>42,009,856</b>	<b>(2,580,244)</b>
<b>1B: Non Tax Revenue</b>				
130: Fees, Fines and Permits	2,081,600	2,081,600	2,079,764	(1,836)
135: Rents, Interest and Dividends	1,125,500	1,125,500	1,118,089	(7,411)
140: ECCB Profits	-	-	-	-
145: Reimbursements	115,000	115,000	568,999	453,999
150: Budget and Grants	78,000,000	78,000,000	76,483,406	(1,516,594)
160: Other Revenue	2,468,100	2,468,100	1,998,462	(469,638)
<b>Total Non Tax Revenue</b>	<b>83,790,200.00</b>	<b>83,790,200.00</b>	<b>82,248,719</b>	<b>(1,541,481)</b>
<b>TOTAL RECURRENT REVENUE</b>	<b>128,380,300</b>	<b>128,380,300.00</b>	<b>124,258,576</b>	<b>(4,121,724)</b>

### **Development Revenue**

10. Local	493,133
17. UNICEF	32,124
<b>Total</b>	<b>525,257</b>

*Accountant General, Montserrat*

# **CONSOLIDATED FUND - April 2017 to March 2018**

## **Annual Abstract of Receipts and Payments**

	<b>ESTIMATE</b>	<b>TOTAL AUTHORISED</b>	<b>ACTUAL EXPENDITURE</b>	<b>SURPLUS (SHORT FALL)</b>
<b>CONSOLIDATED FUND EXPENDITURE:-</b>				
05 Police & Fire	5,866,000	6,228,700	6,153,323.39	75,376.61
07 Legal	1,861,200	1,861,200	1,345,265.67	515,934.33
08 Magistrate's Court	328,300	328,300	275,931.42	52,368.58
09 Supreme Court	675,800	675,800	668,646.93	7,153.07
10 Legislature	1,424,400	1,454,700	1,403,115.80	51,584.20
11 Office of the Auditor General	1,164,700	1,164,700	1,045,987.45	118,712.55
12 Office of the Deputy Governor	31,023,100	29,669,200	27,347,081.79	2,322,118.21
13 Office of the DPP	649,900	1,158,900	1,092,840.68	66,059.32
15 Office of the Premier	17,008,900	17,515,500	17,274,683.13	240,816.87
20 Ministry of Finance	20,157,400	19,679,200	19,028,376.82	650,823.18
30 Min. of Agriculture, Lands, Housing etc.	5,752,800	6,247,800	5,906,320.55	341,479.45
35 Min. of Communications & Works	13,393,300	13,393,300	13,190,224.98	203,075.02
40 Ministry of Education	9,854,200	10,064,200	9,742,829.94	321,370.06
45 Min. of Health & Community Services	19,220,300	19,576,800	19,497,345.73	79,454.27
<b>TOTAL CONS. FUND EXPENDITURE</b>	<b>128,380,300</b>	<b>129,018,300</b>	<b>123,971,974</b>	<b>5,046,326</b>

### **DEVELOPMENT EXPENDITURE**

VOTE 12/120 - OFFICE OF THE DEPUTY GOVERNOR	-	-	-	-
VOTE 15/150 – OFFICE OF THE PREMIER	-	-	673,926	(673,926.06)
VOTE 20/200 – MIN. OF FIN & ECON DEV	-	-	7,159,903	(7,159,903.17)
VOTE 30/300 – MIN. OF AGRIC LANDS HOUSING	-	-	1,916,342	(1,916,342.48)
VOTE 35/350 – MIN. OF COMMS & WORKS	-	-	3,835,588	(3,835,587.76)
VOTE 40/400 - MIN. OF EDUCATION	-	-	-	-
VOTE 45/450 - MIN OF HEALTH, COM SERVICES	-	-	-	-
<b>TOTAL DEVELOPMENT EXPENDITURE</b>	<b>38,715,300</b>	<b>39,874,960</b>	<b>17,931,226</b>	<b>21,893,733</b>

**GOVERNMENT OF MONTSERRAT**  
**DEVELOPMENT FUND**  
**Statement of Assets and Liabilities as at 31 March 2018**  
(with comparative figures for 31 March 2017)

	<b>2018</b>	<b>2017</b>
BRITISH DEVELOPMENT AID CLAIMS OUTSTANDING (1)	2,936,926	3,063,006
DONOR AGENCIES EXPENDITURE OUTSTANDING (2)	2,444,635	2,409,854
CONSOLIDATED FUND RECEIVABLE	13,653,128	17,325,324
<b>TOTAL ASSETS</b>	<b>19,034,690</b>	<b>22,798,184</b>
<b>LIABILITIES</b>		
DEPOSITS WITHIN THE DEVELOPMENT FUND (3)	14,242,184	16,970,718
LOCAL FUNDS (4)	1,656,455	2,691,416
British Development Claim Deposits	-	-
Consolidated Capital Fund	6,808,246	10,931,965
<b>ADD REVENUE OVER EXPENDITURE</b>	<b>-3,672,197</b>	<b>-7,795,915</b>
<b>TOTAL LIABILITIES</b>	<b>19,034,690</b>	<b>22,798,184</b>

**NOTES TO BALANCE SHEET**

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

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

*Notes to the Financial Statements*  
*Financial Year Ending March 31, 2018*

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

**Note 1. Accounting Policies**

***Basis of preparation***

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

*The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Consolidated Fund. Consideration is however given to the Government's legal and regulatory framework in relation to public finances.*

*The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2017 to March 2018) as the Financial Statements.*

*The original budget was approved by the Legislative Assembly on June 16, 2017. The original Approved Budget for the fiscal year 2017-18 was \$159,517,300 (Recurrent \$128,380,300; Capital \$31,137,000). This budget was amended by subsequent supplementary budgets during the fiscal year in accordance with the relevant Supplementary Acts passed by the Legislative Assembly notably to cover expenditure on the recurrent budget related to include funds to cover mandatory pre-arrival training and other expenses for the acceptance of the Police vessel, MV Heliconia Star, legal fees and costs relating to the St. Patrick's Day Festival.*



## **Reporting entity**

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

*The Annual Statements of the Public Accounts show the financial performance of the Government of Montserrat for the financial year ended 31st March 2018 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury Department, operates a centralized treasury function that collects moneys and administers expenditure payments for all Ministries and Departments of Government.*

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

### **Government Ministries and Departments**

*05 Police & Fire*

---

*07 Legal*

---

*08 Magistrate's Court*

---

*09 Supreme Court*

---

*10 Legislature*

---

*11 Office of the Auditor General*

---

*12. Office of the Deputy Governor*

---

*13 Office of the Director of Public Prosecutions*

---

*15 Office of The Premier*

---

*20 Ministry of Finance and Economic Management*

---

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

---

*35 Ministry of Communication & Works*

---

*40 Ministry of Education Youth Affairs and Sports*

---

*45 Ministry of Health & Community Services*

---

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

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

---

Financial Services Commission

---

Montserrat Social Security Fund

---

Montserrat Land Development Authority

---

Montserrat Port Authority

---

Montserrat Philatelic Bureau

---

Montserrat Community College

---

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

---

Montserrat Utilities Limited

---

Montserrat Volcano Observatory

---

Bank of Montserrat Ltd.

---

Montserrat National Trust

---

Montserrat Info-Communication Authority

---

Montserrat Arts Council

---

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

### **Reporting currency**

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

### **Foreign Currency Transactions**

*Transactions in foreign currency other than the Eastern Caribbean Dollar are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2018, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating income in the year realized. Losses on exchange are treated as operating loss in the year realized. These are offset against the surplus.*

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

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

### **Payments by Third Parties**

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

### **External Assistance**

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

MULTILATERAL AGENCIES	
BRITISH DEVELOPMENT AID/DFID	87,248,446
CDB	7,482
UNICEF	32,124
PAHO	15,155
TOTAL	87,303,207

### **Note 2. The Consolidated Fund**

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

The balance in the shown excludes the bank account held for the operations of the Montserrat Ferry and to subsidize the two main airlines operating in and out of Montserrat. A subvention is paid quarterly to the Access Division from the Consolidated Fund to finance these operations. The balance on account at the end of the financial year was \$945,327.05

### **Note 3. Operating Account - ECCB**

Operating Account ECCB represent the balance on an account held at the Eastern Caribbean Central Bank (ECCB) on behalf of the GOM; used primarily for making

*disbursements to regional institutions. Reimbursement of this account is made with the use of funds from the Consolidated Fund Account.*

**Note 4. Development Capital Fund**

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

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

*The Government of Montserrat holds several accounts at Crown Agents in the UK in Pound Sterling and US dollars. The amount in the accounts represents the value in the local currency after the deduction of losses on the rate of foreign exchange. GOM recorded a gain of EC\$138,955.45 attributed to the gradual climb of the pound during the 2018 fiscal year.*

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

*Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) is the reserve fund held by ECCB on behalf of the Government of Montserrat. This account was set up following an agreement with ECCB and Participating Governments in order to encourage fiscal discipline among participating members. This account is also used to disburse or settle any profit or loss distribution. During the financial year, a total of \$1.1m was transferred to GOM's main operating account to fund local projects following the passage of two major hurricanes that had adversely impacted the local infrastructure.*

**Note 7. Volcano Relief Account**

*This bank account has been in existence for a number of years under the authority of the Volcano Relief Fund Act 2003 to finance specific causes in an emergency triggered by volcanic events. This account represents an asset of the GOM which has now been brought on the ledger in the previous FY for purpose of reporting accounts held by GOM. There has been no movement in this account balance.*

**Note 8. CDB Loan Payment Account**

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

**Note 9. EU Savings Account**

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

#### **Note 10. Equity BOM**

*The value represents Government owned shares held at the Bank of Montserrat Ltd. During the 2017-18 financial year, BOM launched an Additional Public Offer (APO) for the re-capitalization of the bank. As a result of this initiative, Bonus Shares were issued whereby existing shareholders were given one common share for every six shares owned. The number of shares beneficially held by GOM therefore increased from 2,013,720 to 2,349,340. The book value per share as at March 31<sup>st</sup> 2018 was \$6.82, thereby placing GOM's interest in the Bank of Montserrat at value of \$16,022,499.*

#### **NOTE 11. RAC Grenada Bonds**

*The amount in the financial statements is in reference to the principal balance remaining on an investment namely; Fixed Rate Non-Callable Bonds held with the Government of Grenada. The investment funds were derived from the now defunct Radio Antilles Corporation (RAC) as a donation to the GOM. Returns on this investment are now paid directly to the Treasury Consolidated Fund following the closure of the bank account that was set up to account for the receipts from these Bonds.*

#### **Note 12. Personal Advances**

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

#### **Note 13. Impersonal Advances and Outstanding Advances**

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

**Note 14. Advances to Other Government Administrations**

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

**Note 15. Other Advances**

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

**Note 16. Miscellaneous Deposits**

*This represents money deposited by third parties with the Government of Montserrat and accordingly is shown as a liability for the reporting entity. (See attached schedule)*

**Note 17. Postmaster Clearance Account**

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

**Note 18. Development Fund Receivable/Payable**

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

**Note 19. Special Funds**

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

**Note 20. Fund Adjustments**

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

- (i) Receipt of 10% settlement of BAICO deposits that were previously written off*
- (ii) Adjustment to Crown Agents accounts due to increase in the rate of the pound sterling (See note 5) and loss on US transaction*
- (iii) Recognition of RAC Bonds (See note 12)*
- (iv) Receipts from GOM bank accounts previously operating outside the TCF*

**Note 21. Contribution to Local Projects**

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

**Note 22. Previous Years' Charge**

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

**Note 23. Tax Revenues**

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

**Schedule of Tax Revenue**

Tax Revenue	
Taxes on Income, Profits and Capital Gains	17,204,458
Taxes on Property	699,664
Taxes on Domestic Goods & Services	2,922,634
Licences	2,774,056
Taxes on International Trade & Transactions	17,536,535
Arrears of Taxes	872,508
<b>Total Tax Revenue</b>	<b>42,009,856</b>
Arrears of Taxes	
Company Tax arrears	261,490
Income Tax Arrears	299,998
Property Tax Arrears	311,021
<b>Arrears of Taxes</b>	<b>872,508</b>

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

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

**Taxes on property**

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

**Taxes on Domestic Goods and Services**

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



## **Licences**

*This is essentially an extension of the above category of taxes. One of the regulatory functions of GoM is to forbid ownership or the use of certain goods or the pursuit of certain activities unless certain permission is granted by the issuing of a licence at which point a payment is made for the granting or application of such a licence. This revenue stream includes licences such as: Firearms Licences, Liquor and Still Licences, Trade Licences etc. (See Statement of Detailed Recurrent Revenue)*

## **Taxes on International Trade**

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

## **24. Non Tax Revenue**

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

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

### **Rents, Interests and Dividends**

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

### **Other Receipts**

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

## **Note 25. Budget and Grants**

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

## **Note 26. Recurrent Expenditure**

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

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

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

### **Goods and Services**

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

### **Transfers and Subsidies**

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

<b>Transfers and Subsidies</b>	
Contributions to Regional and Int'l Institutions	2,064,770
Grants to Local Institutions	3,688,683
Subvention to Statutory Bodies	7,524,646
Subvention to Montserrat Ferry Services	3,650,000
Subvention to Overseas Mission UK	398,773
Other Subventions	3,822,951
<b>Total</b>	<b>21,149,823</b>

## **Debt**

*Debt refers to all liabilities that require payment or payments of interest and/or principal by the GOM. Government borrowing and debt servicing comprise the Plymouth 2nd Port Development Loan and the Consolidated Line of Credit (a loan used to provide student loans, business loans and agricultural developments and the Second Power Project that was disbursed during the 2018 FY). (See Statement of Public Debt).*

*Other liabilities as at the end of the reporting period include Montserrat Social Security Fund (MSSF) – Davy Hill Houses \$1,380,497 at 3.5% approved by Cabinet Decision No 470/2014 and the Montserrat Utility Ltd (Generating Set) \$1,499,014.08 Executive Council Decision 529/06. (See statement of Outstanding Liabilities)*

## **Social Services**

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

<b>Social Services Expenditure</b>	
Old Age Benefit	2,005,654
Family and Children Benefit	661
Unemployment Benefit	77,926
Housing Benefit	338,218
Social Protection Other	1,577,785
Legal Aid	5,061
Nutrition & Health Education	165,240
Health Promotion	22,347
Total	4,192,892

## **Other Expenditure**

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

**Total Recurrent Expenditure**

Recurrent Expenditure	
Personal Emoluments	43,874,400
Pension, Gratuities and Other Benefits	11,453,344
Goods & Services	37,641,465
Transfers and Subsidies	21,149,823
Social Services	4,192,892
Other Expenditure	4,623,268
Debt	1,036,783
<b>TOTAL</b>	<b>123,971,974</b>

**Note 27. Investing Activities**

*This refers to funds received from investments held by GOM. This includes principal receipts from the RAC Grenada Bonds (See note 12) and the 10% settlement received on GOM's British American Insurance Company Deposits (BAICO)*

**Note 28. Financing Activities**

*The net cash flow includes all advances issued to include donor funds for projects and other classification of advances detailed further in Notes 13-18.*

**Note 29. Capital Receipts**

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

**Note 30. Capital and Revenue Expenditure**

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

*Capital expenditure includes costs incurred on the acquisition of a fixed asset and any subsequent expenditure that increases the value of an existing fixed asset. Capital expenditures are expenditures that produce benefits across multiple time periods, such as the costs incurred for acquiring new accommodation for GOM, building of bridges and other long-term structures. In contrast, revenue expenditures are*

*expenditures that produce benefits across one single time period such as funds expended for training from a project vote or the funding of technical assistance etc.*

**Note 31. Deposits and Advances**

*The amount represents the net sum of advances and deposits held as below the line (BTL) accounts (See Notes 11-18).*

## Analysis of Consolidated Statement of Budget and Actual Amounts

Chart 1.1

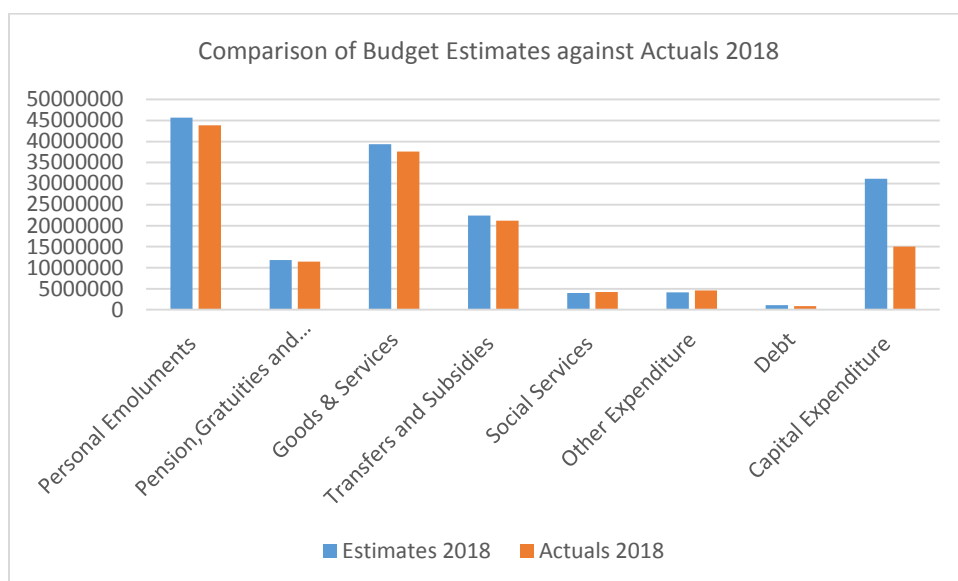


Chart 1.1 depicts the variance between the original budgeted expenses for the 2018 financial year the actual outturn. Actuals as a percentage of original estimates shows the following salient points:

- 4% variance in personal emoluments; down from a 11% variance in the previous financial year.
- The percentage variance stands at 4.3% for Goods and Services at the end of the 2018 FY. This margin is a slight increase on the previous financial year which noted a variance of less than 1% between estimates and the actual spend for that reporting period.
- The actual spend for Capital Expenditure once again fell significantly lower than the budget allocation. Only 48% of the budget allocation was spent compared to 53% of the budget allocation in the 2017 financial year.

Chart 1.2

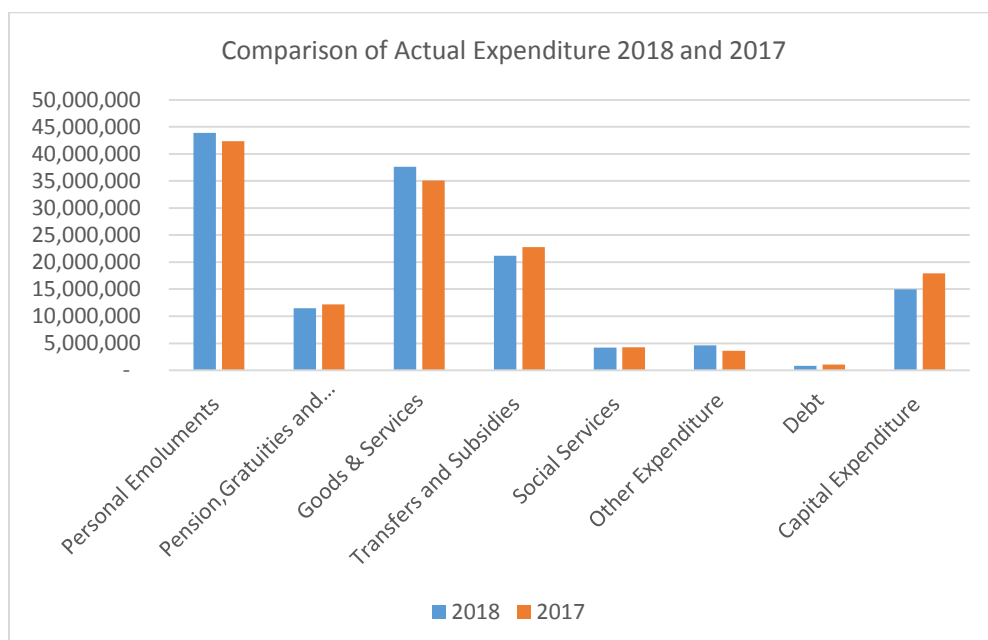


Chart 1.2 shows a comparison between actual spend for 2018 FY and the 2017 FY

- There was a slight increase in Personal Emoluments expenditure of almost 3.5% due in part to the increase in salaries for public servants during the 2018 financial year. Goods and services s increased 6.80% compared to the previous year. It should be noted that the original budget now includes funds for Small Capital Asset Fund (SCAF) previously accounted for as development expenditure. Goods and services also include the emoluments of Technical Cooperation Officers which approximate to \$6.27m.
- The overall assessment of the Capital Expenditure shows a negative variance as has been the trend in recent years. Approximately \$14,990,330 was spent on Capital Expenditure during the financial year which is \$2.9m or 19.62% less than what was spent on capital projects in the previous year – delays in spending were partly due to interruptions caused by passage two major storms in the financial year.

Chart 1.3

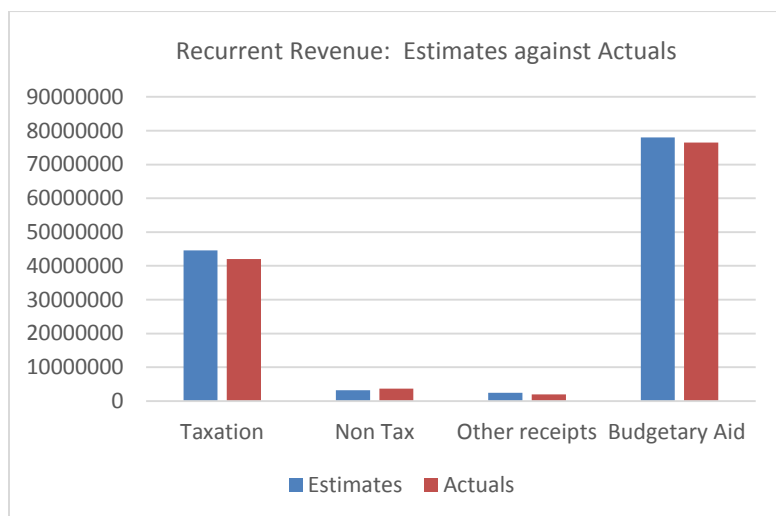


Chart 1.3 depicts actual revenue collections against the estimate for FY 2017/18.

- The chart shows that the overall tax revenue fell short of the budgeted target by 5.78%. This was despite a good performance in certain taxes such as Personal Income Tax, which exceeded the budget target by 5.12%, and Property Tax Arrears, which more than doubled the budgeted amount. There was also a better than expected intake from Customs Officers Fees, which collected 13% over the estimated revenue.
- Budgetary Aid receipts reflect a slight negative variance on the budgeted sum. The approximate shortfall is \$1.5M, or 1.9% on the 2018 estimate. This revenue line continues to be the main source of recurrent revenue for the Government of Montserrat.



Chart 1.4

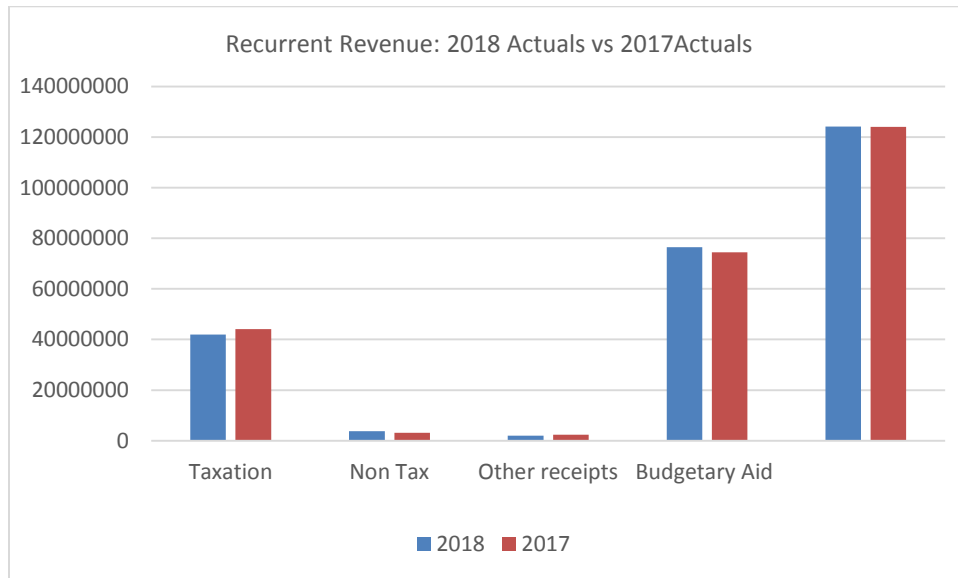


Chart 1.4 captures the variance between actual recurrent revenue in 2018 and 2017.

The data show that tax revenue fell by 4.9% during the reporting period while there was a nominal increase on non-tax receipts. Other receipts also fell by 20% while Budgetary Aid increased by 2.7% or approximately \$2.1m.

Chart 1.5

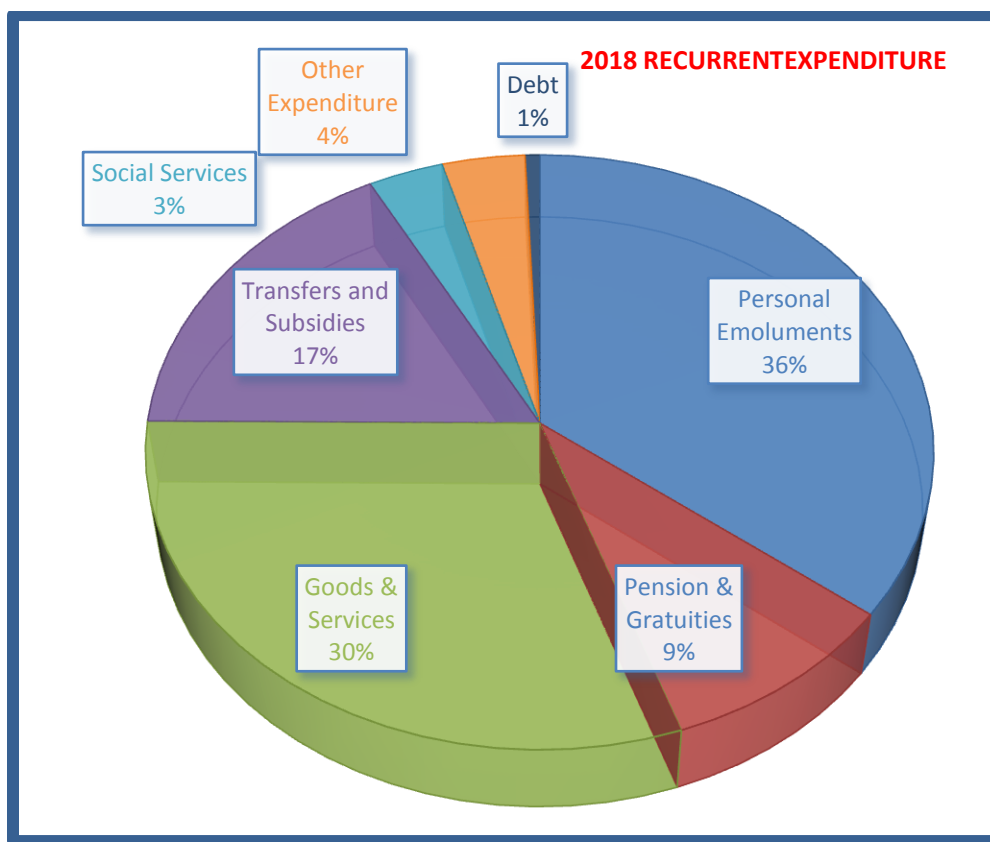


Chart 1.5 shows the spending ratio for the recurrent budget. The spend is consistent with that of previous years where Personal Emoluments consume the largest portion of the recurrent spending i.e. 36% followed closely by Goods and Services which utilized 30%. The ratio of Goods and Services to the overall expenditure increased by 1% from 2017, while a similar comparison show a 1% increase for Personal Emoluments (PE).

The data also shows that the outlay for Transfers and Subsidies represents approximately 17% compared to 20% in the 2017 FY. The balance of budget (16%) was expended on exit and other benefits, social assistance benefits, debt and other miscellaneous expenditure.

Chart 1.6

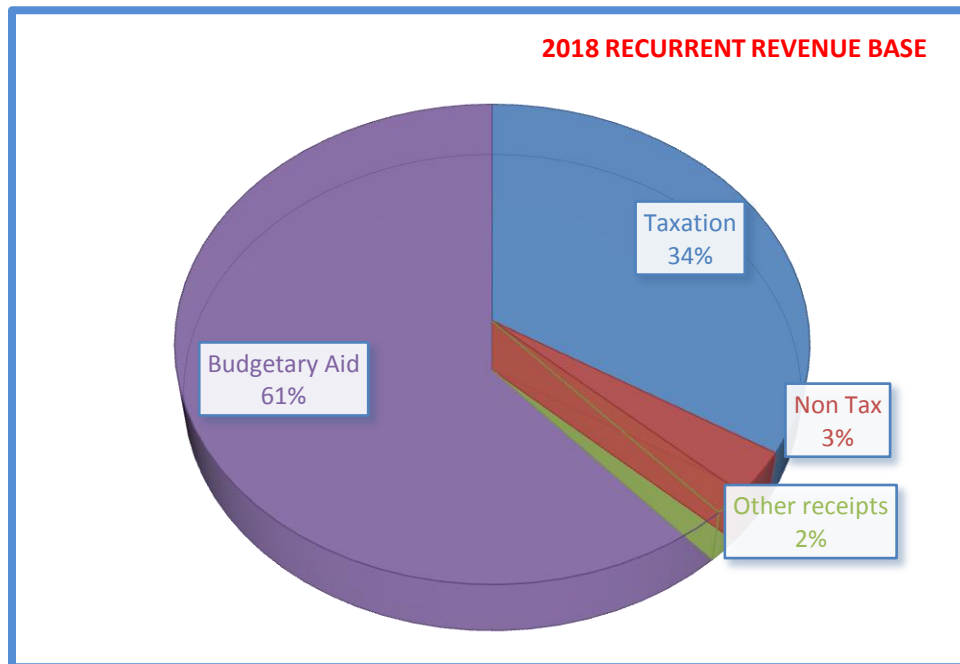


Chart 1.5 illustrates the makeup of the revenue base for the 2017/18 fiscal year.

There were no significant changes in terms of the revenue streams for the recurrent revenue. The budgetary aid remains the main contributor with 61% compared to 60% in the previous financial year, followed by local taxes which contributed 34% compared to 36% in the previous FY.

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

**PART VIII**  
**FINANCE**

**Financial control and accounts**

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

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

**Auditor-General**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Functions of Auditor General**

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

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

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

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

### **National Audit Office**

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

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

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

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

**APPENDIX 3**  
**Status Of Audit Recommendations As Of September 30, 2018**

Reviews	Finding	Recommendation	Current Status	Actions Undertaken	Target Date & Response
Report of the Auditor General on the Audit of the Public Accounts 2017	<p><b>6. Subsidiary Statements not presented.</b> Schedule 1 of the PFMAA mandates that a <u>Statement of Stores and Other Assets</u> be prepared and presented for audit. This statement has not been presented although I am aware that some work has been done to prepare this.</p> <p>7. The Schedule to the Act also requires a <u>Statement of Net Worth of Statutory Bodies</u> to be prepared and presented. This was not done.</p>	<p>In light of the plan to move toward accrual basis of accounting by fiscal year 2021, and that stores and other assets will play a critical part in determining assets, it is imperative that efforts be made to present this statement.</p> <p>Initial Management Response <b>Accountant General, Courtney Crump</b> - This statement has not been presented in the accounts previously. This in part is due to the usual poor response received in relation to the request for the timely submission of the Annual Returns and the incomparable values assigned to assets.</p> <p>Again it is important that efforts be made to prepare this statement.</p> <p>Initial Management Response <b>Accountant General, Courtney Crump</b> - Efforts will be made to prepare this statement in the future but this will be subject to the availability of updated annual statements from Statutory Bodies</p>	In Progress	<p>This output requires the necessary data from all Government Ministries and Departments to reflect a true and fair view of the Stores and Other Assets held at the end of the financial year. The Treasury Department solicited the information by way of the Annual Returns with subsequent reminders before and after the due date.</p> <p>A Power Point Presentation was made on asset management with emphasis on the annual returns to illustrate how the information should be submitted. However the response level was low making it difficult to generate a reliable Statement at this point.</p>	Accountant General
Cont'd	<b>8. Write off of dead accounts in Development Fund Assets and Liability Statement required.</b> This	We are again recommending that the relevant write off requests be prepared and presented to Parliament for its consideration	In Progress	We are in agreement and a Paper has been drafted to make a case for the	Financial Secretary

	statement contains balances for 'inactive/dead' projects with outstanding debit and credit balances from the accounts. Some of these projects have been on the books from since the 1990s, and have been overspent, with no likely prospect of recovery funds. Other projects have credit balances but the cash has already been spent. They distort the monies available for spending. We have been recommending their removal for some time now but although the Treasury Department committed to seeking relevant write-off, there has been no significant change in these balances.	as per the Public Finance Management and Accountability Act 2008.  Initial Management Response <b>Accountant General, Courtney Crump</b> - The Treasury Department has submitted a draft Cabinet Paper to MOFEM requesting the removal of stale projects since April 2017. There has been no update on the status of this request.		write-off, this will need to be presented to Cabinet by the Financial Secretary through the Minister of Finance.	
<b>Cont'd</b>	<b>9. Repayment of loan from Development Fund Bank Account required.</b> In 2014 GOM borrowed monies from the Development Fund Bank Account and lent it to the now defunct Government Savings Bank to assist it in meeting payments to depositors. \$4.5M remain outstanding to date.	We are recommending that GOM make effort to repay this loan.  Initial Management Response <b>Accountant General, Courtney Crump</b> - It was the intention of GOM to repay the outstanding loan from proceeds of the sale of GSB shares. Until there are sufficient funds available to cover the outstanding balance due to depositors, the Department would not be in a position to significantly reduce the outstanding loan.	<b>Not Implemented</b>	The GSB account currently has insufficient funds to cover the balances held for depositors. The account is only supplemented from dividends receipts paid by BOM. Efforts to divest of GSB shares have proven difficult and as such the funds have to be identified to defray this liability.	<b>Accountant General</b>
<b>Cont'd</b>	<b>73. Over-expenditure.</b> During the audit of expenditure we encountered many occasions where expenditure limits as authorized by the Legislative Council were over-expended. <b>74. Clearing over-expenditure</b>	We recommend that no adjustments be made to the appropriations unless an appropriately signed off warrant be obtained from the Minister.	<b>Implemented</b>	The observations made by the Auditors have been duly noted and recommendations agreed.	<b>Ministry of Finance.</b>



	<p><b>without the issuance of an appropriate warrant.</b> After the receipt of the accounts for auditing adjustments were made in SMARTSTREAM, apparently by the MoF, to remove these over-expenditures. However, in accordance with Sections 17 and 18, any monies withdrawn from the Consolidated Fund, shall be authorized by the Minister. We did not receive any signed warrant from the Minister to authorize these movements of funds.</p>				
Cont'd	<p><b>13. Non-compliance with policy directives re recruitment of staff from overseas.</b> GOM has recruited some persons from abroad to enable it to fill some specialist positions within the Montserrat Public Service. Executive Council no renamed Cabinet provided policy directives for the payment packages to be paid. Our review revealed that in addition to payment packages agreed by Cabinet <u>per diems and hotel bills for up to one week</u> are being paid on the recruit's behalf. We have not seen any documented policy to support this.</p> <p>14. A <u>refundable settlement grant</u> of one month's salary was offered to staff recruited from abroad with repayment due should the officer terminate his/her employment within one year of taking up office. There were two occasions</p>	<p>There is need for GOM to relook this policy bringing it in line with current practice or otherwise.</p> <p>We are recommending that Accounting Officers take steps to adhere to the policy directives or that GOM review and regularize this entire recruitment strategy. Additionally, the Human Resource Management Unit (HRMU) should ensure that persons recruiting staff on its behalf are knowledgeable of and adhere to the limits set.</p>	In Progress	<p>The ODG/HRMU is presently advancing revision of the recruitment process with a view towards ensuring timely recruitment with Standard operating procedures for this HR Core Function. The implementation of HRIS would see the inclusion of the Recruitment and Retention Module. A phased approach will be used to roll out critical and priority HRIS Core Areas. Recruitment and Retention is the first module in the listing as priority.</p>	Chief Human Resources Officer (Ag)

	<p>where staff left before the year was up but the settlement grant was <u>not</u> repaid.</p> <p>15. There is a policy directive for the payment of housing allowance to some pay grades. The ceiling set is \$1,500 for pay scales of R9 and Above while \$1,000 is set for grades below R9. <b>(EXCO Decision 95/06)</b> Teachers on a specialized recruitment programme are allowed \$800. <b>(Cabinet Decision 466/2016)</b> There are many occasions where the ceilings have been breached.</p>				
<p><b>Performance Audit: Methods of Payment and Payment Systems in the Montserrat Public Sector</b></p> <p><b>July 2017</b></p>	<p><b>46. Tardiness persists.</b> Generally, the MPS is paying its bills, but not always promptly. In many cases, public-sector clients are given privileges with credit-terms that are not customarily extended to other clients e.g., up to 30 days of credit versus 7 to 14 days of credit or, most commonly, cash on delivery for most other customers. Nevertheless, despite these favourable terms, some Departments of the GOM are well known for tardy payments to various suppliers and merchants. According to several interviewees, a significant number of private enterprises are reluctant to serve MPS clients; some reportedly no longer do business with GOM or MPS clients</p>	<p><b>61. Promptest Payments.</b> Implement the full provisions of the existing regulations with respect to electronic payments, including the requirement in Part XIII, paragraph 69, of the Public Finance (Management and Accountability) Regulations 2009 that stipulates "All payments due shall be made as soon as possible to the persons entitled to receive them.", and establish clear standards for the timely payment of all employees, contractors, creditors and suppliers throughout the G.O.M. and each M.P.S. payment entity.</p> <p><b>Initial Management Response FS Colin Owen – Treasury will establish a clear standard for the payment for GOM by March 31<sup>st</sup>, 2018.</b></p>	<p><b>Implemented</b></p> <p><b>Government of Montserrat – Treasury Department – Operations Manual has been updated and recirculated to All Accounting Officers the standard expected by all GoM August 2018</b></p>	<p>Ministries/Departments. PFMAA Regulations Part 13 guides the payment process in principle. The Treasury sets an internal target of 2 days to approve payments competed by the Ministries first approvers.</p>	<p>Accountant General</p>
<p><b>Cont'd</b></p>	<p><b>50. Recurring complaints about delayed tax-refunds &amp; assessments.</b> Unchanged from previous years' focus-</p>	<p><b>62. Accelerate tax-assessments and tax-refunds.</b> Given our findings that tax-assessments are chronically delayed for up</p>	<p><b>In Progress</b></p> <p><b>MCRS – Accepts:</b></p>		<p>Director General, MCRS</p>



		<p><b>Initial Management Response FS Colin Owen</b> – Training request from MCRS will be considered as part of the normal budget process and budget discussions. [FS stated – No Further Action]</p> <p><b>64. Co-ordinate taxes payable and taxes receivable.</b> It is also highly recommended to institutionalise GOM wide tax monitoring and tax compliance systems that are integrated across all MPS units....</p> <p><b>Initial Management Response FS Colin Owen</b> – This is being addressed through the tax reform programme, new computerised system is being installed and will be in operation before December 2017 and backlog is being addressed. Responsible Officer – Director General with an implementation date of March 31<sup>st</sup>, 2018</p>	<p><b>In Progress</b></p> <ul style="list-style-type: none"> <li>• <b>Modern computerized Tax Administration System</b></li> </ul> <p><b>Confirmed this was done and appropriate resources have been allocated</b></p>		
<b>Cont'd</b>	<b>10. The Electronic Transactions Act 2009</b> provides a fully enabling legislative framework for electronic transactions, payments, contracts, invoices, communication, and information throughout the MPS and the	<b>66. Business-facilitation.</b> As 8 years have elapsed since the effective date of this law, The Ministry of Finance must urgently implement, as soon as it will be practicable, the e-Business Advisory Council, as mandated by the Electronic Transactions Act	<b>Not Implemented</b>	The remit to establish comes under the Governor in council, not MoF, I would assume the OOP would be the Ministry to discuss this	Financial Secretary

	<p>general economy. Importantly, whilst most of its provisions are optional, Part 9 (paragraph 36) of this law <b>mandates the creation of an e-Business Advisory Board</b>. Furthermore, the amendments thereto by Act 9 of 2011 strengthened the Act of 2009 by giving precise details about (1) the number of persons to be appointed to this Board, (2) the role of the Governor in their appointment, and (3) the procedure for the appointment of the Chairman of this Board.</p>	<p>2009. This can be the mechanism for value-added interface with the OECS Business Council and the related business-facilitation unit of the Eastern Caribbean Central Bank, as well as the MCC, and various other private-sector entities and public-sector agencies that are focused on business-related initiatives:</p> <p><b>Initial Management Response FS Colin Owen</b> –MOFEM is not aware of this finding and will renew the evidence and take the appropriate action before the end of the Financial Year if appropriate <b>by March 31<sup>st</sup>, 2018</b>.</p>		with not MoF	
Cont'd	<p><b>52. Very few online payments yet.</b> Small progress has been made towards the institutionalisation of online payments and debit-card/credit-card payments within the MPS in a few isolated instances. So far, (1) the new <b>ferry-service</b>, inaugurated in December, 2016, offers the facility whereby Montserrat-to-Antigua ferry-reservations can be made online via card-payments (although, perversely, there is no provision whatsoever for card-payments to be made at the port-cashiers in person), and (2) the <b>MOVA</b> service is entirely electronic from applications to payments; however, (3) the e-commerce website for the GIS is currently unavailable. Clearly, there are no technical or technological impediments to having modern card-payment infrastructure and online</p>	<p><b>68. Card-payments inward.</b> Within 6 to 8 weeks, the Ministry of Finance ought to enhance the GOM's entire payments infrastructure, as a high priority, including installing wired/wireless card-reading machines at every touchpoint in the MPS. For the twin purposes (a) of revenue maximisation to the GOM and (b) of optimal value for money to stakeholders, the deployment of credit-card/debit-card payment-facilities both in person, at cashiers, and online, ought to follow the sequence of the relative magnitudes of revenues at stake: e.g., starting with high-volume client-facing locations such as the airport, the ferry port, <b>MUL</b>, and the <b>Treasury Department</b> in the first wave of implementation. In the secondary phase of implementation, all other Ministries, Departments, statutory corporations, and public-service agencies would follow</p>	Implemented	<p>All now in service and working.</p> <p>Touchpoint machines have been implemented across Government – and are now in use at the following locations.</p> <ol style="list-style-type: none"> <li>1. MCRS <ol style="list-style-type: none"> <li>a. John A Osborne Airport</li> <li>b. Montserrat Port Authority</li> </ol> </li> <li>2. MCW <ol style="list-style-type: none"> <li>a. Traffic et al</li> </ol> </li> <li>3. Police Headquarters <ol style="list-style-type: none"> <li>a. Temporary Drivers licences</li> </ol> </li> <li>4. Treasury Department <ol style="list-style-type: none"> <li>a. Main Office, Little Bay</li> </ol> </li> </ol>	<b>Financial Secretary</b>

	payments throughout the MPS, as interviews with the Director of DITES also confirmed.	<p><b>Initial Management Response FS Colin Owen –</b> Touchpoint machines have been procured from the Bank of Montserrat and we are in the process of implementing across Government - this will be completed by the end of the Financial Year at the following locations.</p> <ol style="list-style-type: none"> <li>1. MCRS <ol style="list-style-type: none"> <li>a. John A Osborne Airport</li> <li>b. Montserrat Port Authority</li> </ol> </li> <li>2. MCW <ol style="list-style-type: none"> <li>a. Traffic et al</li> </ol> </li> <li>3. Police Headquarters <ol style="list-style-type: none"> <li>a. Temporary Drivers licenses</li> </ol> </li> <li>4. Treasury Department <ol style="list-style-type: none"> <li>a. Main Office, Little Bay <b>by March 31<sup>st</sup>, 2018</b></li> </ol> </li> </ol> <p>Please note statutory corporations, and public-service agencies at not covered by the MOFEM. <b>[FS stated – No Further Action]</b></p>		Pick up has been slow, but we are seeing gradually increase in use which is as expected.	
Cont'd	<b>56. Overseas suppliers require credit-card payments.</b> A recurring theme among Permanent Secretaries and Heads of Department was the great inconvenience of having to deal with overseas suppliers without having a GOM credit-card facility for this purpose. In some cases, officers are compelled to resort to using their personal credit-cards. In other cases, not having credit-card facilities for MPS-requested purchases and prepayments (e.g., for hotel-reservations, airfares,	<b>69. Card-payments outward.</b> Issue all Permanent Secretaries and Heads of Department with GOM credit-cards for regular purchases of goods and services from overseas suppliers (essential requirement in modern business-practices), as well as for purchases from those local merchants that accept card-payments. This will avoid the perennial inconvenience reported by many interviewees in having to use personal credit-cards and/or to use much more expensive forms of international payment, which have become significantly	<b>Not Implemented - Disagree</b>	No change in initial response	Financial Secretary - No further action planned

	conference-fees, and most suppliers of imported goods) requires the use of much more expensive methods of payment (e.g., drafts or international interbank funds-transfers).	more expensive and take longer since, like several other indigenous Caribbean banks, Bank of Montserrat lost its correspondent-banking relationship with Bank of America in August, 2016...  <b>Initial Management Response FS Colin Owen</b> - Recommendation not accepted due to internal issues and risks. Corporate credit card is held in the MOFEM under the Financial Secretary and all PS and HoD have access to the use of the card. Formal process in place. <b>[FS stated – No Further Action]</b>			
<b>Cont'd</b>	<b>42. E-government.</b> Governments around the world and within the Caribbean have progressively adopted electronic channels for information, for communication, and for payments of taxes, licences, and fees of all kinds.	<b>78. E-Government.</b> Provide a central e-Government portal to enable online registration of all tax payers so that stakeholders can view all of their public-sector payments, obligations, and/or refunds receivable in one consolidated account in a secure electronic environment. This will be especially helpful in achieving the highest possible rate of compliance with the large percentage of stakeholders in the Montserratian Diaspora worldwide (e.g., income-taxes and property-taxes).  <b>Initial Management Response FS Colin Owen</b> –This will be address through the new computersied tax system. <b>Responsible Officer - Director General by March 31<sup>st</sup>, 2018.</b>	<b>Not Implemented</b>	This is still at the conceptual state.  Will form part of GoM future E-Government Strategy. MCRS medium term goal	Director General/Comp Taxes – future consideration
<b>Cont'd</b>	<b>49. Lack of monitoring.</b> From the evidence that we found, there is no system that is documented for checking,	<b>73. Annual employee-surveys.</b> Each Ministry and each Department must perform annual surveys of employees in each civil-	<b>Implemented</b>	ODG now implemented and will pick up the areas mentioned as part of the	Office of the Deputy Governor

	<p>for monitoring, or for reviewing overdue payments on the part of GOM Ministries and Departments. The two exceptions that we discovered were (a) the Ministry of Finance itself, which commenced a recent initiative to arrive at a comprehensive listing of all payments by aging-categories for the most recent fiscal year (April 1, 2016, to March 30, 2017) and (2) the Treasury Department's advising Ministries/Departments, in the final quarter of the 2016/17 fiscal year, of instances where action needed to be taken by Accounting Officers to facilitate completion of payment of overdue invoices.</p>	<p>service unit that handles receipts/payments, to assess (a) attitudes to ICT, (b) the scope, the scale, and the intensity of usage of ICT, (c) new failures or successes in service delivery, and (d) remaining performance gaps, with ensuing personalised plans for human resource development at the department level and, in turn, at the personal level with objective metrics for successful outcomes.</p> <p><b>74. Annual customer-surveys.</b> Each Ministry and each Department must perform annual surveys of customers of every civil-service unit that handles receipts/payments, to assess (a) public attitudes to ICT, (b) citizens' usage of e-Government ICT, (c) stakeholders' perceptions of new failures or successes in service-delivery, and (d) remaining performance-gaps (e.g., citizens' actual service-experiences versus citizens' emerging needs, preferences, and expectations), with ensuing personalised plans for H.R. development and ICT enhancements towards optimisation within each civil service unit</p>		<p>annual survey – this is a good use of resources developing a scheme that is already in place.</p> <p>ODG - under the auspices of the EEP we have recently completed both an employee and customer survey. We intend to repeat on an annual basis and we will ensure that we include the areas indicated.</p> <p>We plan to map the checks and balances and educational sessions into the HRIS in order to gauge how involved employees are, the ICT utilization rate etc., versus how satisfied customers are with the payment systems, its monitoring and check mechanisms for payment.</p>	
<p><b>Compliance Audit of IRD 2013-2015</b></p> <p><b>Income Tax</b></p>	<p>There were instances in which payable and refundable assessments were issued to taxpayers simultaneously</p>	<p>Due diligence is needed when issuing payable and refundable assessments simultaneously.</p> <p><b>Initial Management Response Comptroller Violette Silcott</b> – Instances where refunds are paid to entities without offsetting the outstanding amounts is a clear indication of</p>	<p><b>Implemented</b></p>	<p>All physical files must accompany Control Sheets and Assessments simultaneously for vetting and subsequent approval by the Supervisors.</p> <p>This was put into effect</p>	<p>Deputy Comptroller (Des)</p>



		negligence on the part of the officer. This is a normal procedure within the administration to offset refunds against any outstanding tax type. Management have reviewed this anomaly and a decision has been made to place the onus on the approvers to ensure that files are physically vetted for outstanding amounts before signing off.		immediately to remedy the anomaly.	
<b>Withholding Tax</b>	Treasury receipt #185193 dated 6 March 2015 for \$1,600.00 was issued in the name of Public Administration International. The supporting documents for this payment quoted an amount of £8,000.00. Withholding tax of 20% is £1,600 hence the payment should have been EC\$6,699.20 using a rate of 4.1870 which was quoted on the same document. There was an underpayment of \$5,099.20.	Officers should exercise due care and attention during filing to observe irregularities.  <b>Initial Management Response Comptroller Violette Silcott</b> - With regard to the underpayment of Withholding Tax for Public Administration International a letter will be sent to the Deputy Governor's Officer requesting that the outstanding amount of XCD\$5099.20 be deducted from any further payment to the entity. A review of Smart Stream shows that we are still making payments to the entity and therefore our view that this can be facilitated.	<b>In Progress</b>	Letter sent to Deputy Governor on August 21, 2018 outlining the anomaly for correction.  Awaiting response as to when the matter can be remedied.	Deputy Comptroller (Des)
<b>Property Tax</b>	In some instances receipts issued by the bank were illegible. This was also of concern for management.	The Inland Revenue Department and Treasury should collaborate to communicate to the bank the problem of illegible receipts.  <b>Initial Management Response Comptroller Violette Silcott</b> - With regard to the receipts being illegible a letter would be sent to the Accountant General informing of this anomaly and for him to make direct contact with the banking institutions to address this,	<b>Implemented</b>	Communication was sent to the Accountant General along with follow up emails to address the issue. We have seen tremendous improvement in this regard and we have not received any further complaints from the officer that processes the	Deputy Comptroller (Des)

		as a matter of urgency.		Property Tax receipts.  The issue has been addressed. Need to procure when communication was sent.	
<b>Insurance Levy</b>	Insurance Services (M'rat) Ltd has not paid insurance levy since 2010. For previous payments no information for premiums was filed to show whether the correct amounts were paid.	<p>The insurance companies should be reminded of their obligations under the Insurance Levy Act. Where they fail to comply they should be penalized according to the measures stipulated in the Act.</p> <p><b>Initial Management Response Comptroller Violette Silcott</b> - The query in regards to the insurance levy payments for Insurance Services (M'rat) Ltd had already been discussed with the present manager (Mr Roderick West) of Caribbean Alliance Insurance Co. Ltd which took over from Insurance Services which ceased operations a few years ago.</p>	<b>Not Implemented</b>	<p>Communication was sent to all insurance companies to provide a schedule of all premiums and renewal premiums but to date not one of the entities has complied with our request. This was in an effort to ascertain the legitimacy of the payment made for insurance levy.</p> <p>This still needs to be addressed as efforts of Inland Revenue Staff were shifted with the new Income Tax system and its requirements for operation which demanded considerable time and effort during the latter part of 2017 and also 2018.</p>	Deputy Comptroller (Des)
<b>Insurance Levy</b>	Nagico Insurance paid an amount quarterly but did not comply with the percentage (4%) required by the Act. No payments were seen for 2013. Total amount underpaid for 2014 was	<b>Initial Management Response Comptroller Violette Silcott</b> - This query will be reviewed and the establishment will be contacted formally to provide feedback as to the anomaly and seek to have the amounts	<b>Not Implemented</b>	This will be reviewed and the necessary communication sent to provide feedback in remedying the anomaly.	Deputy Comptroller (Des). December 15 <sup>th</sup> , 2018. This is given that this is

	<p>\$25,735.11.</p> <p>United Insurance did not pay the correct amount for the levy. Total amount underpaid for 2013-2015 was \$10,842.48</p> <p>Sagicor Insurance paid quarterly amounts; however, no premium information was submitted.</p>	<p>outstanding paid.</p> <p><b>Initial Management Response Comptroller Violette Silcott</b> - A senior officer was asked to address queries 5 and 6 and based on her findings to formally communicate with the insurance companies to remedy the matter.</p>	<b>In Progress</b>		<p>our peak period and therefore the entire staff will be fully engaged. This comment seeks to address the four outstanding insurance issues highlighted.</p>
<p><b>Impact of Tourism on the Economy of Montserrat</b></p> <p><b>September 2017</b></p>	<p>Access to Montserrat is unsatisfactory. A key recurring theme in our interviews/survey was that access to the island is expensive, inconvenient, and inadequate (e.g., only 2 small airlines). This is consistent with previous studies and the Tourist Board's Exit-Surveys.</p>	<p><b>Improve access to Montserrat.</b> Growth of arrivals requires more direct flights, more convenient airline connections and ferry-schedules, and bigger aircraft to handle families and groups, as well as the many visitors who experience seasickness and/or prefer the speed of flights.</p> <p><b>Initial Management Response Permanent Secretary Daphne Cassell</b> - The Tourism Division notes the findings and recommendations made by the Auditor General and are generally satisfied with the reports' findings.</p>	<b>Not Implemented</b>	None Undertaken	<p>Permanent Secretary OotP - Awaiting approval of the New Tourism Authority</p>
<b>Cont'd</b>	<p><b>The Tourism Division is under-resourced.</b> Despite the importance attributed to the hospitality-sector in the Sustainable Development Plan, too few persons (currently, only four) are dedicated to tourism-development, and the marketing budget is extremely small (both as a percentage of the GOM's overall annual budget, and even when viewed on a per-capita basis). The Tourism Master Plan (p. 36)</p>	<p><b>Reinvigorate and expand the Tourist Board.</b> In line with its original mandate in the Tourist Board Act and to realise the vision of the Tourism Master Plan, it is urgent to re-establish a strategically managed, stand-alone national tourism-entity with well-funded and effective marketing campaigns.</p> <p><b>Initial Management Response Permanent Secretary Daphne Cassell</b> - The majority of these findings are hinged on a new Tourism</p>	<b>Not Implemented</b>	None Undertaken	<p>Permanent Secretary OotP</p>

	emphasises that <b>the marketing budget was cut from E.C.\$2 million in year 2011</b> (under the previous Tourist Board) to <b>E.C.\$180,000</b> per year.	Authority being established. This would place the Division in a better position to effectively prioritize its initiatives and deliver on these initiatives with more impact given adequate financial support to implement.			
<b>Cont'd</b>	<b>Training is widely lacking.</b> Most interviewees acknowledged this point; this is also highlighted in the Montserrat Tourism Master Plan: 2015 to 2025 (p. 103). In the absence of a local training institute for the required technical skills, businesses engage primarily in on-the-job learning for their staff. The lack of a systematic approach to training and development creates a steep learning curve for new recruits and limits the progression of long-term careers.	<p><b>Budget adequately for maintenance and training.</b> All vehicles, equipment and premises need regular maintenance for high performance. Likewise, every employee needs a strategic skills-enhancement programme (e.g., set an annual minimum for the number of hours of training per employee) and a career-building plan (developed collaboratively with tangible milestones and outcomes, and revised at least annually).</p> <p><b>Initial Response from Permanent Secretary Daphne Cassell</b> - Training for stakeholders in the Hospitality Industry is a requirement; many Accommodation Owners and Taxi Drivers do not understand the power of digital marketing and therefore rely heavily on the Division's web promotions to advertise their business/services. A series of training workshops would be essential in providing these stakeholders with at least the basics and this has been identified as a key strategy for 2019/20.</p>	<b>Not Implemented</b>	None Undertaken	Permanent Secretary OotP
<b>Cont'd</b>	<b>Poor/under-use of electronic systems.</b> At a basic level, many businesses in Montserrat have limited and inadequate internal administrative systems. Some have made excellent progress towards online reservations	<b>Expand card-payments.</b> Alongside the GOM's current-year thrust to deploy card-machines at multiple public-sector locations, the Tourism Division can assist service-providers throughout the hospitality-sector to enhance the entire payments-system and	<b>Not Implemented</b>	None Undertaken	Permanent Secretary OotP

	and credit-card payments, but too few have improved from an all-cash and manual-process historical basis towards substantial use of electronic data-entry, of electronic accounting, and of electronic approval and processing of cheque-payments, coupled with increasing use of direct deposits to bank-accounts.	<p>infrastructure, as a high client-service priority, including installing wired/wireless card-reading machines at every visitor-oriented touchpoint.</p> <p><b>Initial Response from Permanent Secretary Daphne Cassell</b> - In an ideal economy, the Tourism Division would be able to assist hospitality stakeholders in terms of electronic transactions and reservation payment systems, however, in a declining economy as in Montserrat, stakeholders cannot depend exclusively on The Division, they would need to exercise initiative and keep updated with market trends to learn ways to be competitive in the industry.</p>			
Cont'd	<b>Inadequate infrastructure &amp; attractions.</b> Many visitors complain that there are too few things to do, and not enough places to go/meet on the island. Business-hours and days of opening are too limited in most cases, do not adequately match visitors' times of arrival/departure, and thus limit visitors' satisfaction and total spending here.	<p><b>Diversify and grow high-value niche-markets.</b> Extend the effectiveness of Montserrat's positioning within existing markets and identify other rewarding niches (e.g., weddings, honeymoons, anniversaries; cycling tourism; surfing and beach-culture; sports tourism; medical tourism; cultural immersion; and culinary festivals).</p> <p><b>Initial Response from Permanent Secretary Daphne Cassell</b> - There's a suggestion for more activities /experiences to attract new tourists to encourage them to return. Although the Division agrees to this point, such activities should not be solely Tourism Division's responsibility but rather a partnership between the Private Sector with guidance from the Tourism Division.</p>	Not Implemented	None Undertaken	Permanent Secretary OotP

<p><b>Environmental Audit on Managing Clinical Waste in the Public Health Sector</b></p> <p><b>September 2017</b></p>	<p>6. The Glendon Hospital has a draft waste management policy; however, it must be noted that the Heads of Units at the hospital were unaware of its existence...We found that the policy was unfinished and lacking in content...There is no policy for, or mention of, pharmaceuticals and other pharmacy chemicals disposal. We conclude that the draft policy and procedures did not define duty of care requirements and it was unclear, who, if anyone, had responsibility for monitoring adherence to known procedures.</p>	<p>There is the need to implement an approved or well detailed management policy with clear responsibilities and duty of care requirements and use of hierarchy of waste management principles must set the policy framework. Management must consider the inclusion of pharmaceutical disposal.</p> <p><b>Initial Management Response Secondary Care Manager Arlene Ponteen</b> – The policy was drafted in 2009 and reviewed with an assortment of policies at a daylong meeting convened with staff that same year. Relevant sections of the policy are provided to various categories of staff during orientation and training. The Sister Tutor conducted this training for staff in previous years and in 2017 co-opted the designated Infection Control Nurse to deliver training. We accept that a MoHSS policy is required that would include all health facilities.</p>	<p><b>Not implemented</b></p>		<p>Secondary Care Manager</p>
<p><b>Cont'd</b></p>	<p>18. At the time of this walkthrough it was noted that yellow plastic bags were being used to dispose of both red and yellow plastic bags waste throughout the facility. There was a shortage of red plastic bags and therefore there was a risk or possibility of clinical waste vis-à-vis infectious waste being deposited into the wrong containers.</p>	<p>Management should ensure that different types of receptacles are adequate in terms quantity, quality and or durability and that they are continuously available in order for waste to be appropriately treated and segregated. Adequate monitoring of order levels must be done to avoid shortage of necessary supplies as was the situation with the red plastic bags.</p> <p><b>Initial management response Secondary Care Manager Arlene Ponteen</b> – The change of the ferry operator affected the reliability of the garbage bags supply (including red bags) from St. Kitts. MoHSS</p>	<p><b>Implemented</b></p>		<p>Secondary Care Manager</p>

		now places orders in advance to ensure that the stock out that resulted earlier in the year does not recur.			
<b>Cont'd</b>	35. The auditor was informed that residuals and ash from the incinerator are transferred to the landfill site in red bins and are buried in a specific area..the general concept is that this location within the landfill site should be clearly identified and recorded. However, it was observed that this requirement has not been adhered to. The location of the area is known to environmental health officers but there is no signage or markings.	<p>Signs should also be placed at the landfill site for location of the area(s) where incinerated ash or residuals are buried. A trash compactor is required to conserve space and to extend the landfill site's life span and to reduce landslides and cave-ins. The landfill site is also lacking in terms of the right tools and or equipment to enable the workers to be more effective and to work efficiently.</p> <p><b>Initial Response Secondary Care Manager Arlene Ponteen</b> – Some improvements are being undertaken at the landfill. There will be signage of the area earmarked for the disposal of clinical waste identifiable by the relevant staff. A submission was previously made for heavy equipment to be assigned to the landfill. This request was not granted. MoHSS will continue to lobby for appropriate support in this area with the resources available.</p>	<b>In Progress</b>		Secondary Care Manager

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

