



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 2020





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

20 July 2021

AUD 7/24

Honourable Minister of Finance
Ministry of Finance and 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 2020.

Yours respectfully

Marsha V. E. Meade, B.A., M.Sc.
Auditor-General (Ag)

TABLE OF CONTENTS

ABBREVIATIONS USED	v
REPORT OF THE AUDITOR GENERAL.....	1
CHAPTER 1 GENERAL MATTERS.....	4
CHAPTER 2 TREASURY ACCOUNTS FOR FY 2019/2020	14
CHAPTER 3 RETURNS BY ACCOUNTING OFFICERS FOR FY 2019/20	30
CHAPTER 4 OTHER FINANCIAL AUDITS.....	44
CHAPTER 5 PERFORMANCE/SPECIAL AUDITS	48
CHAPTER 6 IT AUDITS.....	57
CHAPTER 7 AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE.....	62
APPENDICES.....	67

ABBREVIATIONS USED

BAICO	British American Insurance Company Limited
BOM	Bank of Montserrat
BNTF	Basic Needs Trust Fund
CDB	Caribbean Development Bank
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CLICO	Colonial Life Insurance Company Limited
COBIT	Control Objectives for Information and Related Technologies
DFID	Department for International Development
DITES	Department for Information and e-Government Services
ECCB	Eastern Caribbean Central Bank
EU	European Union
FISCAM	Federal Information Systems Control Audit Manual
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
HRMU	Human Resource Management Unit
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IRD	Inland Revenue Department
MATLHE	Ministry of Agriculture, Trade, Lands, Housing & the Environment
MCW	Ministry of Communication and Works
MEYAS	Ministry of Education, Youth Affairs & Sports
MOFEM	Ministry of Finance and Economic Management
MHSS	Ministry of Health and Social Services
MCSA	Montserrat Civil Service Association
MFSC	Montserrat Financial Services Commission
MICA	Montserrat Info-Communication Authority
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPS	Montserrat Public Service
MSSF	Montserrat Social Security Fund
MVO	Montserrat Volcano Observatory
MUL	Montserrat Utilities Limited
NIST	National Institute of Standards and Technology
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PFMAA	Public Finance Management and Accountability Act
PFMAR	Public Finance Management and Accountability Regulations

RMPS	Royal Montserrat Police Service
SAI	Supreme Audit Institution
SMEs	Small and Medium Enterprises
UKOT	United Kingdom Overseas Territories

PREAMBLE

Vision Statement

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



Mission Statement

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

The Goal

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



**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 2020**

QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

1. The Public Accounts of Montserrat for the financial year ended 31 March 2020 as defined by Schedule (Section 41) to the Public Finance (Management and Accountability) Act (herein after 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 described in the Basis of Qualified Opinion paragraph, the accompanying 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 31 March 2020 and the revenue and expenditure of Government Ministries and Departments for the financial year ended 31 March, 2020 in accordance with the cash basis of accounting.

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

3. The 2019/20 Public Accounts were qualified for the following reasons:

- a) The fixed asset statement presented is materially misstated as not all transactions and assets were included, some items no longer existed at the end of the reporting period, and some were not stated at their correct economic values. In some instances, valuation reports were not provided for audit review and of those provided, pertinent information was missing;
- b) The arrears listing contains significant amounts that are deemed uncollectible for various reasons including that some of the entities are no longer in existence or some individuals are no longer alive. The figures thus presented in the statement provides an inaccurate picture of how much money can be collected;
- c) Some expenditures were incurred without the authorization of a warrant provided by the Minister as mandated by Section 24 of the PFMAA.

4. The audit was conducted in accordance with accepted auditing standards, except for full independence of our Offices as required by ISSAI 10¹. 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.

¹ ISSAI 10 mandates that SAIs obtain full independence from the Executive Management of the Public Service. Our SAI has only partial independence as the budget for the Office of the Auditor General is controlled and managed by the Ministry of Finance and staff recruitment, management and dismissal are all managed by the Human Resource Management Unit.

EMPHASIS OF MATTER DEFICIT FINANCING

5. Without modifying the opinion, your attention is drawn to the following matter on the Consolidated Fund section of the Consolidated Statement of Assets and Liabilities:

Recurrent Expenditure exceed Recurrent Revenue by \$2.48M. This therefore indicates that some expenditure is being financed through use of reserves rather than from current year receipts. A significant principle of government accounting is that a government should implement a balanced budget.

RESPONSIBILITIES OF THE ACCOUNTANT GENERAL AND ACCOUNTING OFFICERS

6. 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.

7. The Accountant General and Accounting Officers are also responsible for overseeing the financial reporting process of Ministries and Departments.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. 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.

9. 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 her opinion. Reasonable assurance is a high level of assurance but it 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.

10. 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, based on an understanding of the Government of Montserrat and its environment, including the internal controls.
- 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 can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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.

11. 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 of the public accounts for the year ended 31 March, 2020.

SUBMISSION OF REPORT

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



MARSHA V. E. MEADE, B.A., M.Sc.
AUDITOR-GENERAL (Ag.)
OFFICE OF THE AUDITOR GENERAL
MONTERRAT, WEST INDIES
20 JULY, 2021

CHAPTER 1 GENERAL MATTERS

1.1 This chapter is intended to provide a broad overview of areas covered during the audit of the Public Accounts and the other audits undertaken. More detailed information, including control weaknesses and non-compliance with legal and other directives, can be found in Chapters 2 to 6. Chapter 7 will provide information on the operation of the Office of the Auditor General.

Constitutional and Legal Basis for the Audit

1.2 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 Order² and Section 42(1) of the Public Finance (Management and Accountability) Act 2008.

Scope and Scale of the Audit

1.3 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 Collectors of Revenue for the 2019/20 fiscal year. These statements are for the central Government's Ministries and Departments only. Information of the audit status of statutory agencies and Government-owned companies is provided in Chapter 4.

Audit Objective

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

- a) The financial statements presented by the Accountant General fairly present, 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.

Criteria and Standards Used

1.5 The Public Finance Management and Accountability Act (PFMAA), 2008, and the Public Finance Management and Accountability Regulations (PFMAR), 2009, were the main criteria used to conduct this audit. INTOSAI Auditing Standards were the main guidelines used to conduct the audits.

Audit Approach and Coverage

1.6 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

² See Appendix 2 for extract from Montserrat Constitution Order 2010

propriety of the Government's financial transactions. Examination of subsidiary books and records are conducted to determine the accuracy of the accounting records. The audit of all 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 was also tested.

1.7 Sample testing together, physical verification, cash surveys and site visits were employed as considered necessary within the constraints of available human resources.

1.8 We audited twenty-one 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 Departments³ were included in our sample. However, by adopting a risk-based approach, we focused the audit on those entities that had a performance materiality level⁴ of 0.75% expenditure for the year⁵. As a result, 98.8% of total expenditures was subjected to substantive testing.

Summary of Significant Accounting Policies

1.9 The Public Accounts are prepared on the modified cash basis of accounting. The cash method recognises income when it is received and expenses when they are paid. The recording of government transactions falls into three main categories: Recurrent Revenue, Recurrent Expenditure and Capital Expenditure. Liabilities are recognised in the form of Deposits and Special Funds.

Audit Findings

1.10 Where possible, audit results have been discussed with relevant accounting personnel at the Treasury and with Accounting Officers within Ministries/Departments. In each case, audit findings have been discussed at exit meetings and communicated via either an audit report or memoranda addressed to the relevant Permanent Secretary or Department Head.

Conclusions from the Audit of the 2019/20 Accounts

1.11 As outlined in the audit certificate, the audit opinion on the Public Accounts for the financial year ending 31 March, 2020, was qualified for the following reasons:

- a) **Arrears of Revenue.** At close of the fiscal year, Arrears of Revenue stood at \$29,327,671. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they have no real prospect of collection. Their inclusion tends to

³ Ministries information would be included with their sub-units and presented at summary level for 14 Ministries and departments.

⁴ 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.

⁵ Any unit Ministry/Department with expenditure greater than \$1,024,359 was subjected to substantive testing.

distort collectible amounts. Action should be taken to remove them from the arrears listing.

- b) **Over-expenditure.** Our review highlighted eight instances, across six Ministries/Departments, where monies were expended in excess of that authorised for the line item. The amounts over-expended ranged from a low of \$8 to a high of \$336,084. This represents a breach of the financial regulations, which requires that all expenditures be authorised by warrant under the hand of the Minister, per Section 24 of the PFMAA. It is incumbent on Accounting Officers to regularly monitor their expenditure, and we recommend that timely reconciliations be undertaken to prevent these recurring over-expenditures.
- c) **Fixed assets statement misstated.** On examining the Statement of Fixed Assets, we noted that not all transactions and assets were included, or existed at the end of the reporting period, or were stated at their correct economic values. Assets' values in the Public Accounts were not agreeing with those reported in some Ministries or individual Department's registers of assets. In addition, the depreciation policy was not consistently applied as the rates for classes of assets were not applied in all instances.

1.12 **Emphasis of Matter.** Although we have not modified our Opinion for this matter, we wish to draw your attention to a situation relating to deficit spending to finance some operations.

Analysis of financial Statements

1.13 **Revenue Collected.** The overall revenue for the year totaled \$134,099,159, which was \$4,532,604 more than the amount collected in the previous financial year. Non-tax Revenue showed the largest improvement, with Fees, Fines and Permits showing the largest increase of \$3.36M, of which \$3.22M related to three revenue lines recently introduced for the ferry operations.

1.14 **Summary of Recurrent Revenue.** A brief summary of recurrent Revenue is given below.

Recurrent Revenue for Fiscal Year 2019/20				
	Approved Estimates \$	Actual Revenue 2020 \$	Actual Revenue 2019 \$	Increase (Decrease) \$
Tax Revenue	48,747,500	44,707,608	45,599,468	(891,860)
Non-Tax Revenue	9,424,700	10,950,050	5,967,261	4,982,789
Special Budgetary Assistance	79,600,000	78,441,501	77,999,826	441,675
Total Revenue	137,772,200	134,099,159	129,566,555	4,532,604

1.15 **Expenditure Control.** In addition to the Appropriation Act, four Supplementary Estimates and three Virement Warrants were issued to facilitate recurrent expenditure management

1.16 Recurrent Expenditure. Total Recurrent Expenditure for the financial year was \$136,581,144. This was \$5,797,817 more than expenditure incurred in the prior financial year. Transfers and Subsidies had a significant decrease of \$5.87M, whilst a substantial increase of \$6.27M was reported for Goods and Services.

1.17 At the start of the fiscal year, the GOM brought the accounting for the operations of the ferry service under the remit of the Office of the Premier. Total cost to run this service over the fiscal year amounted to \$9.7M.

1.18 Summary of Recurrent Expenditure. A brief summary of the Recurrent Expenditure (by type of expenditure) is given below.

Recurrent Expenditure for Fiscal Year 2019/20				
	Approved Estimate \$	Actual Expenditure 2020 \$	Actual Expenditure 2019 \$	Increase (Decrease) \$
Personal Emoluments	48,363,900	46,996,856	45,028,775	1,968,081
Pension & Gratuities	13,564,400	13,831,662	11,881,434	1,950,228
Goods & Services	48,974,000	46,464,804	40,195,992	6,268,812
Transfers & Subsidies	17,401,300	16,863,547	22,730,593	-5,867,046
Social Services	5,283,300	4,931,457	5,130,122	-198,665
Other Expenditure	6,610,300	6,373,164	4,700,073	1,673,091
Debt	1,121,500	1,119,654	1,115,338	4,314
Total	141,318,700	136,581,144	130,782,327	5,798,817

1.19 Payment of Invoices. We investigated a population of 23,437 invoices to determine whether payments were made within the policy deadline of 7 days. We found that 23 percent were paid by the target deadline and eighty-three percent were paid within thirty days. However, we are concerned that seventeen percent remained outstanding after 30 days, with some remaining unpaid after sixty days, as this could lead to increased costs to the GOM.

Summary of the Government's Financial Performance.

1.20 Deficit. A deficit is realised where a country pays more for goods and services than what it collects from its revenue sources. For this financial year, a deficit of \$2.48M was reported. This is \$1.26M more than the deficit reported for the 2018/19 financial year. A summary of the GOM's financial performance over the 2018/19 and 2019/20 fiscal years is provided below.

	2019/20 EC\$	2018/19 EC\$
Revenue	134,099,159	129,566,555
Expenditure	136,581,144	130,782,327
Surplus/(Deficit)	-2,481,985	-1,215,772

Summary of Government Financial Position

1.21 **Cash Position.** A profile of cash available at the end of the fiscal year, together with the prior year comparison, is provided below.

Description	Balances (EC\$) 31 March 2019	Balances (EC\$) 31 March 2020
Consolidated Fund	6,620,186	3,374,084
Development Capital Fund	26,038,877	14,986,700
Miscellaneous Funds	9,251,394	9,009,652
TOTAL	41,910,457	27,370,436

1.22 **Capital (Project) Expenditure.** Authorised capital expenditure was \$68,771,200. Actual expenditure was \$25,249,936 being 36.7% of the authorized allocation. This low utilisation rate is undermining the GOM's goal of implementing "key infrastructure projects that will open the doorway for faster, self-sustaining growth of our economy in years to come"⁶. Moreover, actual or perceived delay in implementation poses challenges in getting donors' approval when additional funding for new projects is being sought.

1.23 **Concerns over some Project Completion and Potential Loss of Funds.** Some project activities were not completed within the agreed project timeframes. Hence, there is the concern that the remaining unused funds for these activities would be withdrawn by the donors.

1.24 **Other Project concerns.** Projects are usually of finite duration; however, we noted one project that had an open-ended duration, thus making it impossible to hold persons to account for the project's completion. Substantial sums of money were incurred on several projects, yet they were running over their budgeted time, and major project activities were not completed.

1.25 **Increasing Arrears of Revenue.** Arrears of Revenue amounted to \$29,327,671, recording an increase of \$5,776,805 over amounts remaining uncollected at the previous year end. Over 73% remained uncollected for more than one year. Accounting Standards generally require that 100% provision be made for such amounts.

1.26 **Public Debt.** Payment for Public Debt amounted to \$1,119,653. Balances for external and domestic debt are reported as \$9.5M and \$1.95M, respectively.

1.27 **Outstanding Liabilities continue to increase.** This Statement provides information on monies owed by the Government for goods and services procured, for outstanding contributions to regional and international organisations, and for monies owed to depositors

⁶ Budget Speech 2019/20, paragraph 6

of the now defunct Government Savings Bank. Amounts outstanding at the end of the reporting period totaled \$6,465,432.

1.28 Contingent Liabilities. These relates to possible outcome of litigation charges brought against the Government and amounted to \$22.7M at the end of the reporting period.

Transparency, Accountability and Governance within Public Sector

1.29 Adoption of Accrual Accounting. Accrual accounting is a method of accounting that recognises expenses when they are incurred and revenues when they are earned rather than when payment is made or received. Under this method, all items of expenses and revenues relating to the current year are taken into consideration. This method also allows an entity to recognise its assets in the accounts when they are owned, and liabilities recognised when they occur, whether or not cashflow has occurred.

1.30 The main objective of accrual accounting is to allow the true nature of each transaction to be known, that is, it records the impact of transactions. The current cash basis system used by the Government of Montserrat does not allow the true financial position of the GOM to be reflected in a Statement of Financial Position. Large expenses, (for example, those related to mounting pension liabilities both for past service and for projected benefits), are not being captured in a timely manner; thus, adequate provision for payment is not being made.

1.31 The introduction of the accrual basis of accounting was earlier raised as an important issue, with the former Financial Secretary, in financial year 2017. He then stated that “we have adopted an Accrual Basis of accounting in line with IPSAS as a policy priority” and that “we are aiming for 2021” to implement this basis of accounting. We have not however seen any significant move to implement the accrual basis of accounting.

1.32 For several years, the IPSAS Board has urged the adoption of accrual accounting by all Governments, as this basis provides more information to facilitate better decision-making. Therefore, we are again urging that it be adopted.

1.33 Publishing Annual Reports together with financial information. An Annual Report should be a comprehensive report on the operations of an entity, the outcome of its activities, and financial performance, throughout the reported year. In addition to providing information for decision making, the annual report is considered to be the main accountability mechanism for an entity providing disclosures to all stakeholders.

1.34 Over the years, the MOFEM has published various documents: e.g., the annual Citizens Guide to the Budget, each year’s Budget Speech, the previous year’s annual audited Public Accounts and occasionally, the Quarterly Budget Performance and Outlook Reports. These individual documents are sometimes not easily and logically accessible on the MOFEM’s web page and this restricts stakeholders’ ability to independently assess the full operations of the government, but this ability is important to having robust discussions on improvement to economic conditions. In this case, the issue for the public is not only the documents are separate/not integrated, but also that there are gaps in the date-sequence of

some publications. **To improve transparency, accountability, and governance, it is important to develop and publish Annual Reports, of an integrated report nature. This is essential to achieve the GOM's Policy Agenda, items 4.1 and 4.2.**

1.35 Inclusion of performance information in Annual Reports. Performance information/targets relating to all government entities are included in the Annual Estimates. IPSAS recommends that “where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public”⁷. Reporting on them will provide an avenue for stakeholders to make objective assessments when holding managers and Heads of Departments to account for resources utilised in operations. The presentation of the performance information would “assist users to assess the relationship between a Ministry's/Department's usage of resources and its results, and how resource availability may influence achievement of performance objectives”⁸.

1.36 Currently, very few departments provide a report of their operations to the Legislative Assembly hence, there is no formal mechanism for determining if Ministries/Departments are meeting the targets set. This situation can be improved if Ministries/Departments are mandated to table such reports in the Legislative Assembly. This will improve decision-making, accountability, and governance within the Public Service. **We therefore recommend the publishing of information about the achieved performance versus targets for every, Ministry, Department and State-owned entity.**

Other Financial Audits

1.37 Lateness of audited accounts. Statutory Agencies and Government-owned companies are required to compile their financial statements and to submit them for audit within 3 months of the close of the fiscal year. Of the thirteen, statutory Agencies and State-owned Enterprises only the Bank of Montserrat and the Montserrat National Trust had audited financial statements up to financial year 2020.

1.38 Outstanding Audits. The outstanding audits for Statutory Agencies and State-Owned Enterprises as at 31 March 2021 can be seen below.

Outstanding Audits for Statutory Bodies and State-Owned Enterprises

ENTITY	Year(s) Outstanding							
	2013	2014	2015	2016	2017	2018	2019	2020
Financial Services Commission					√	√	√	√
Montserrat Arts Council					√	√	√	√
Montserrat Community College	√	√	√	√	√	√	√	√
Montserrat Info-Communication Authority								√
Montserrat Land Development Authority - Corporate						√	√	√

⁷ IPSASB Reporting Practice Guide 3 – Reporting Service Performance Information, March 2015, paragraph 45

⁸ IPSASB Reporting Practice Guide 3 – Reporting Service Performance Information, March 2015, paragraph 43

Montserrat Land Development Authority – Housing Management							√	√
Montserrat National Trust								√
Montserrat Philatelic Bureau			√	√	√	√	√	√
Montserrat Port Authority								√
Montserrat Social Security Fund							√	√
Montserrat Utilities Limited							√	√
Montserrat Volcano Observatory			√	√	√	√	√	√

Performance and Special Audits

1.39 Montserrat Social Security Fund: The Fund has an adequate framework for governance and this will greatly improve with increased utilisation of available technology. Most urgently, all of the actuarial reviews of the past 9 years have warned that the MSSF is no longer sustainable. The retroactive addition of GOM's employees to the MSSF (in 2012) without adequate contributions to fund their full actuarial cost placed an immediate (and continuing) unaffordable burden on the Fund. The introduction of the option of early pensions then greatly worsened the Fund's already weak financial position, as the number of pensioners has more than doubled since then.

1.40 Losses over \$14 million on investments with CLICO/BAICO were another major blow to the reserves. With low and falling returns on the portfolio, poor diversification of the assets, and annual deficits since year 2008, the reserves are rapidly falling and cannot sustain current benefits beyond the next few years. Outflows to pay current pensioners already far exceed the total contributions and investment income to the MSSF, resulting in losses that grow larger each month. Prompt actions by the Cabinet to boost both inflows and reserves are paramount.

1.41 GOM's Strategic Planning and Budgeting Processes: 2016-2018. With heavy reliance on the UK Government's aid for the recurrent budget, and on external donors' funding for the capital budget, the Government of Montserrat faces severe constraints in planning and budgeting. The wait for external approval delays decisions and actions, including the final Budget and the Premier's annual Budget Speech. Fluctuating prices for fuel, for utilities, and for imported items create rising costs and prices on the island, contributing to inflation for the public service. Without appropriate budgeted increases for (a) contingencies, (b) inflation of prices, and (c) adequate periodic increases in public servants' nominal salaries, the real spending in the public sector has risen at a low rate and, in several areas (e.g., tourism), declined in nominal terms as well as real terms over the past decade. In turn, the average rate of real economic growth has been very low, and the island's GDP remains below pre-1995 levels more than 25 years since the volcanic crisis.

1.42 Together, these factors require (a) gradually higher spending simply to maintain existing services, programmes, and projects, and (b) further budgeted increases to support real growth. However, the effective value of external aid (in local currency) and the real value of local revenues have tended to be below optimal levels and, in some years, either stagnant or falling. Recurring shortfalls in revenues/collections below the budgeted inflows then compel the Ministry of Finance to ask all Ministries and Departments to curtail their budgeted

spending, which is already limited, towards the latter part of each fiscal year. In its annual negotiations and Financial Aid Missions to Montserrat, the DFID has tended to put downward pressure on the growth of GOM's recurrent spending, including requesting that the public service's establishment headcount be frozen.

1.43 Overall, this cycle of external shocks and dependence on aid causes inefficiencies, increases unit costs, reduces outputs, and delays outcomes throughout the MPS. Constraints on public spending directly limit the economy, while hindering the development of the private sector, thereby delaying achievement of the Sustainable Development Plan 2008 to 2020. Repairs and maintenance of infrastructure have been under-funded and delayed over the past several years. Prior to the new funding of GBP 30 million agreed between the DFID (now FCDO) and the GOM under the 5-year Capital Investment Programme for Resilient Economic Growth (CIPREG) programme (for projects and investments spanning the years 2019 to 2024) for Montserrat, funding for investments in new infrastructure was slow and well below what was needed. Local implementation was often inadequate; a number of projects, therefore, either have not started/finished when expected, or have stalled. A more realistic and flexible approach to planning and to budgeting is clearly necessary. More funding, immigration, and investments are required in the short term to ensure real and sustainable growth in the long term, both for the economy and for the society in line with the SDP's Goals.

1.44 **Special Financial and Compliance Audit of the Montserrat Ferry Service Operations:** This audit was an assessment of the financial records with an aim to provide reasonable assurance whether the financial operations were in compliance with GOM's directives, and whether any resulting statements were presented in accordance with the Accountant General's directives.

1.45 Our observations and investigations revealed necessary processes that were not in place, and this impacted the control environment. The audit identified areas for improvement related to the adequacy, efficiency and effectiveness of the management control framework supporting the management of departmental expenditures, revenues assets and liabilities. These main areas of concern as described in Chapter 2 (of the main report), require further investigation and remedial action by management. As a result, we were unable to provide reasonable assurance that the financial statements were free of material misstatements due to error or fraud.

1.46 For further details on the above Performance/Special Audits, see Chapter 5.

IT Audits

1.47 **Montserrat Land Info (MLI) Online Mapping Portal.** The objectives of this audit included determining whether the Portal met the original project objectives and delivered the anticipated benefits and whether it met user's needs.

1.48 The Geographic Information Systems Centre (GISC) successfully achieved the goals and objectives pertaining to the development and implementation of the MLI Online

Mapping Portal. This user-friendly web portal, provides users with access to Montserrat's geo-spatial database, for a small cost.

1.49 However, the geo-spatial data do not give a true representation of Montserrat's current terrain and infrastructure as the database is very old. Therefore, efforts should be made to update it, as the utilisation of this GIS technology could be very beneficial in the continued and future development of the island.

1.50 **Overseas Territories Regional Crime Intelligence System (OTRCIS).** The objective of this Information Security (IS) review was to establish if the OTRCIS software and the related computer and communication (internal & external) systems are properly secured against unauthorised access and modification of information whether in storage, processing, or transit, and against denial of service to authorised users.

1.51 We have concluded that the OTRCIS software is being used within a very robust system and that it is properly secured against unauthorised access and modification of information. This was achieved by the establishment of very stringent Outsourcing, IT Operations, Application, Information Security, Disaster Recovery and Business Continuity policies, procedures, and controls by both the contractor and the Royal Montserrat Police Service.

1.51 The only weaknesses that were found were Environmental and Physical Access related factors; it is advisable that the RMPS consider and address the highlighted shortcomings and recommendations in a timely manner. See Chapter 6 for further details on these audits.

CHAPTER 2 TREASURY ACCOUNTS FOR FY 2019/2020

2.1. **PFMAA Mandate.** Sec 41(1) of the PFMAA 2008 requires the Accountant General⁹ within the Treasury Department to prepare several statements making up the Public Accounts and to submit them to the Auditor General for audit examination. As per the PFMAA the accounts were to be submitted within 4 months of the financial year end.

2.2. **Timeliness and usefulness of Public Accounts Information.** For accountability and decision-making purposes, it is important that financial information be accessible to key stakeholders and the general public in a timely manner. Further, for information to be useful, the International Public Sector Accounting Standards (IPSAS) states that it should be presented within 6 months of the financial year.

2.3. **Actual submission.** Following, the onset of the COVID-19 pandemic and with the GOM's suppression effort to curtail virus spread, government offices were closed for approximately two months (March 25 to May 24, 2020). This, and other administrative matters, affected the Treasury's ability to compile and submit the accounts for auditing in a timely manner. As a result, we received the first draft of the accounts in November 2020, four months late.

2.4. **Target Audit Completion Date Not Kept.** Given the late receipt of the accounts, coupled with a further lock down of GOM offices for an additional month (February, 2021), we could not meet the target completion date of having audited accounts by the end of October, 2020.

Basis of Accounts Preparation

2.5. The financial statements preparation is largely governed by the PFMAA. They are also compliant with the IPSAS – Cash Basis Part 1. The cash basis of accounting recognises transactions of a revenue or expenditure nature when received or paid.

Primary Statements Received

2.6. Twenty-one statements were submitted for audit to meet the PFMAA mandate and to produce the accounts to meet the IPSAS standards. Some statements are replicas of others but they are produced differently. At other times, the statements are produced at both summary and detailed levels. All the statements were audited. To minimize repetition, however, we will report only on those that we consider to be the primary statements.

Statement of Assets and Liabilities of the Consolidated Fund

2.7. Table 1 below highlights movements in cash assets and liabilities over the period 1 April 2019 – 31 March 2020.

⁹ See Appendix 1 for accounts to be submitted by the Accountant General

Table 1
Consolidated Fund
Statement of Assets and Liabilities

	2019 \$	2020 \$	Increase/ (Decrease) \$
Assets			
Cash	41,910,457	27,370,436	-14,540,021
Investments	15,527,467	16,374,395	846,929
Advances	583,906	644,789	60,883
Total	58,021,830	44,389,620	-13,632,210
Taxpayer's Equity			
Deposits	22,978,598	10,779,907	-12,198,691
Consolidated Fund	35,043,232	33,609,713	-1,433,519
Total	58,021,830	44,389,620	-13,632,210

2.8. **Investments.** The net increase in Investments of \$846,929 comprised an increase of \$916,243 in Bank of Montserrat shares and a reduction of \$69,314 in the RAC investments.

2.9. **Deposits.** Movements on deposits include an increase in Miscellaneous Deposits of \$99,010; closure of the Postmaster Clearance account of \$96,062; and a reduction in Development Fund Payable account included write-off of some dead accounts valuing \$11,748,671.

2.10. **Consolidated Fund.** The Consolidated Fund is being presented here as there is no individual statement to reflect this. Table 2 below provides an overview of the Consolidated Fund.

Table 2
Consolidated Fund

	2019 EC\$	2020 EC\$
Balance brought forward	42,890,771	35,043,232
Fund Adjustments	-5,913,490	1,286,858
Recurrent Revenue	129,566,555	134,099,159
Recurrent Expenditure	-130,782,328	-136,581,144
Surplus/(Deficit)	-1,215,772	2,481,985
Transfer of Local Costs	-718,276	-238,392
Balance carried forward	35,043,232	33,609,713

2.11. **Fund Adjustments.** These are adjustments made to the Consolidated Fund to allow underlying accounts to show a true and fair view. It is made up as follows:

- (i) Adjustments to recognize exchange losses on the Crown Agents account held in pound sterling;
- (ii) Write down of the advances as approved by SR&O 7 of 2020; and
- (iii) Write down of Postmaster General Clearing Account.

2.12. **Surplus/(Deficit).** Recurrent expenditure was more than the recurrent revenue collected resulting in a deficit of \$2,481,985 as is shown below. As sufficient revenue was not received to finance the expenditure, it means that the goods and services procured had to be financed from prior years savings.

	(EC\$)
Receipts	134,099,159
Less Expenditures	136,581,144
Surplus/(Deficit)	2,481,985

2.13. **Transfer of Local Costs.** For this fiscal year, the transfer of local funds, that is, contributions to local projects amounted to \$238,392 leading to a 67% reduction in unfunded local project expenditure when compared to local project expenditure incurred last fiscal year.

Statement of Cash Flows

2.14. Total cash available at fiscal year-end amounted to \$27,370,436. Table 3 below provides an overview of the cash flows from the various activities undertaken by Government. As seen, net cashflow for this fiscal year was negative \$14,540,021.

Table 3
Statement of Cash Flows

Particulars	2019 Restated ECS	2020 ECS
Net Cashflows from Operating Activities	-5,351,676	-10,223,769
Net Cashflows from Investing Activities	9,790,447	-4,368,120
Net Cashflows from Financing Activities	-235,365	51,868
Net Cashflows	4,203,406	-14,540,021
Balance brought forward at 1 April 2019	37,707,051	41,910,457
Balance carried forward at 31 March 2020	41,910,457	27,370,436

Statement of Cash Receipts and Payments

2.15. The cash can be further broken down into its sources and uses and compared with those of the last fiscal year as shown in Table 4 below.

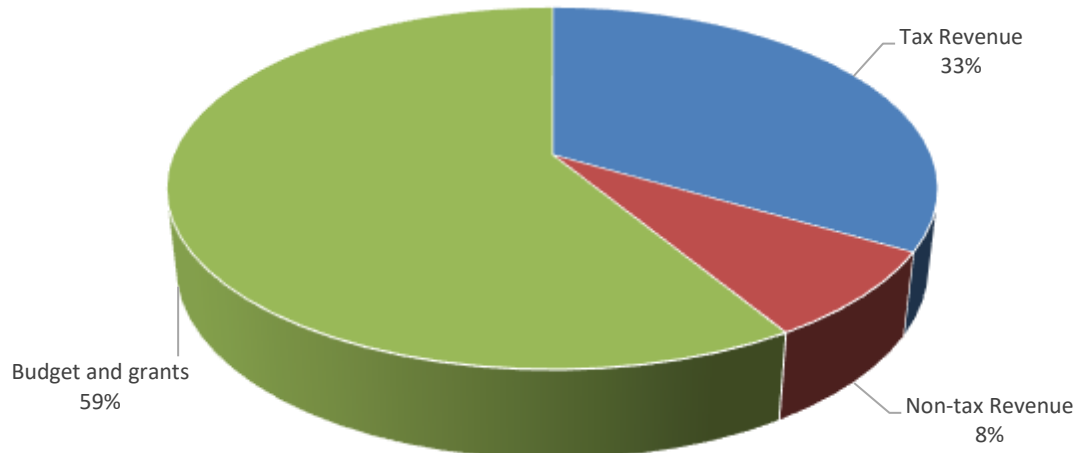
Table 4
Statement of Cash Receipts and Payments

Receipts (Source)	2019 EC\$	2020 EC\$
Tax Revenue	45,599,468	44,707,608
Non-tax Revenue (Other)	5,374,899	9,947,782
External Assistance – Budgetary Aid	77,999,826	78,441,501
External Assistance – Development Grants	17,567,676	12,713,845
Capital Receipts	88,931	206,813
Receipts from Investments	572,744	1,221,642
Net Receipt Advances and Deposits	0	110,661
Total Receipts	147,203,545	147,349,852
Payments (Use)		
Personal Emoluments	45,028,775	46,996,856
Pensions, Gratuities and Other Benefits	11,881,434	13,831,662
Goods & Services	40,195,992	46,464,804
Transfers and Subsidies	22,730,593	16,863,547
Social Services	5,130,123	4,931,457
Other Expenditure	4,700,073	6,373,164
Debt	1,115,338	1,119,653
Capital Expenditure – Development Fund	6,600,037	15,961,016
Revenue Expenditure – Development Fund	5,382,409	9,288,920
Advances and Deposits (Net)	147,408	0
Total Payments	142,912,182	161,831,080
Cash flow Increase/(Decrease)	4,291,363	-14,481,228
Exchange rate impact on Crown Agents A/c	-87,957	-58,793
Net Cash flow Increase/(Decrease)	4,203,406	-14,540,021
Cash at beginning of the year	37,707,021	41,910,457
Cash at end of the year	41,910,457	27,370,436

Statement of Recurrent Revenue

2.16. **Appropriated Revenue.** The \$137,772,200 was allocated for Recurrent Revenue collection for fiscal year 2019/20. Actual revenue collected amounted to \$134,099,159, being 97% of projected collections. Diagram 1 below provides an insight into major revenue flows.

DIAGRAM 1
Recurrent Revenue 2019/20



2.17. Revenue Surpluses and Shortfalls. Revenue collections showed a shortfall of \$3,673,041 when actual collection is compared against budget. Table 5 below records surpluses or shortfall in the various categories of revenue.

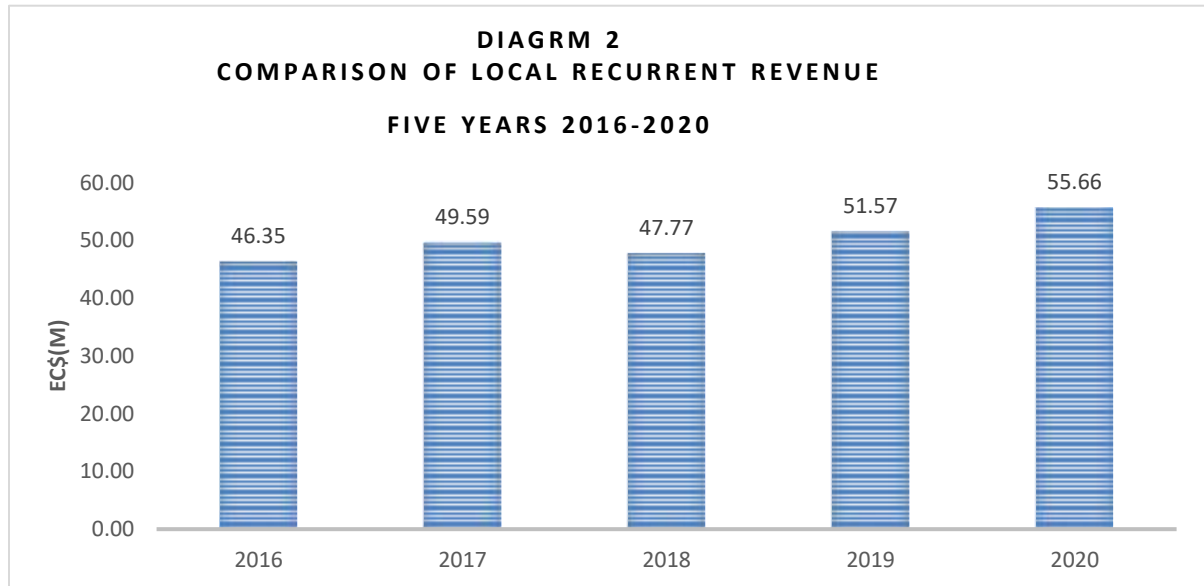
Table 5
Revenue Surpluses and Shortfalls

SOURCE OF REVENUE	BUDGETED EC\$	ACTUAL EC\$	SURPLUS EC\$	SHORTFALL EC\$
Taxes on Income, Profit & Capital Gains	20,897,000	19,703,428	0	1,193,572
Taxes on Property	735,000	669,841	0	65,159
Taxes on Domestic Goods & Services	2,861,800	2,105,042	0	756,758
Licences	2,959,000	2,959,822	822	0
Taxes on International Trade & Transaction	20,494,700	18,187,728	0	2,306,972
Arrears of Taxes	800,000	1,081,746	281,746	0
Fees, Fines and Permits	5,118,700	5,405,662	286,962	0
Rents, Interest and Dividends	1,553,000	1,822,877	269,877	0
ECCB Profits	0	0	0	0
Reimbursements	115,000	1,228,034	1,113,034	0
Other Revenue	2,638,000	2,493,477	0	144,523
Budgets and Grants	79,600,000	78,441,501	0	1,158,499
TOTAL	137,772,200	134,099,159	1,952,442	5,625,483
Net Shortfall				3,673,041

2.18. Total Recurrent Local Revenue. Projected Recurrent Local Revenue was \$58,172,200. Actual collection was \$55,657,658, resulting in a shortfall of \$2,514,542 when compared to

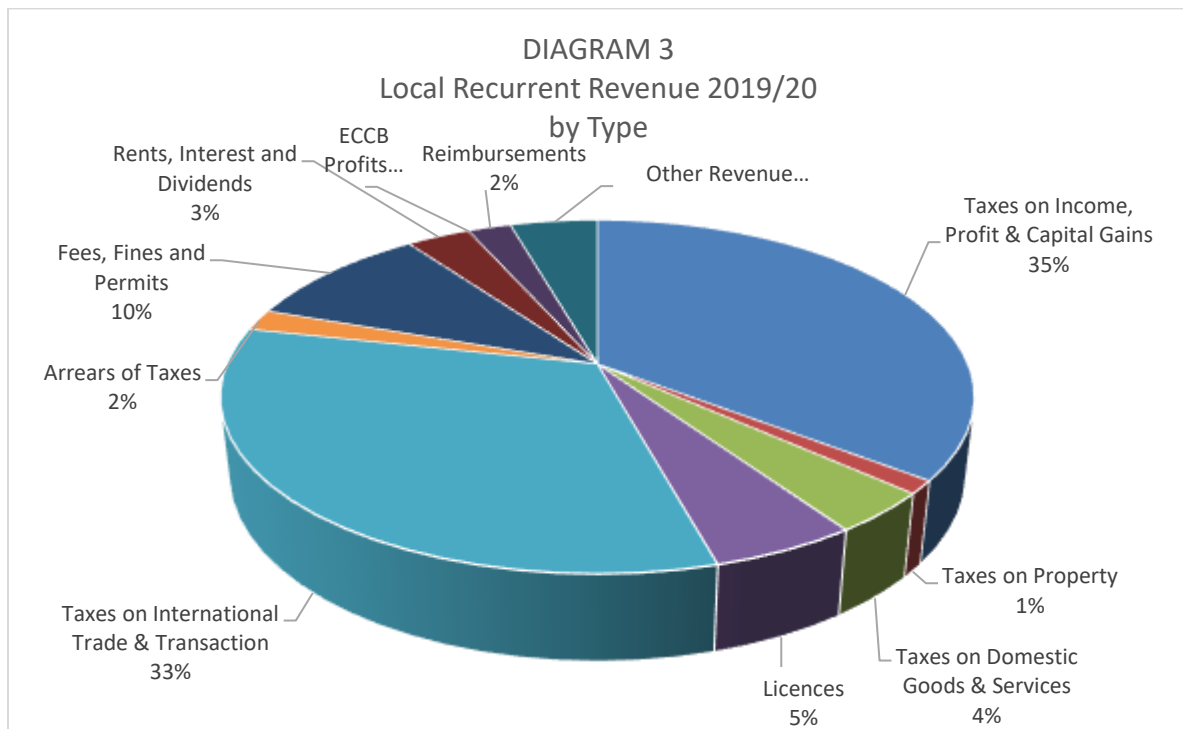
authorised collections for the year. However, despite this shortfall, collections increased by \$4.09M, a 7.93% increase on collections from the prior fiscal year.

2.19. The collection of local tax has been steadily increasing over the past five years, except for 2018 when there was a slight decrease when compared to collections in 2017. The trend in this collection can be seen by the movements outlined Diagram 2 below.



2.20. Actual Local Recurrent Revenue collected can be split into Tax and Non-Tax elements. For this fiscal year, Tax Revenues collected were \$44.71M whilst Non-Tax Revenue amounted to \$10.95M.

2.21. Diagram 3 below shows local revenue collected by type of revenue stream, with percentages, for the 2019/20 fiscal year.



2.22. **Special Budgetary Assistance.** Approved special budgetary assistance was projected to be \$79,600,000. Actual receipts totaled \$78,441,501 leaving a shortfall of \$1,158,499.

2.23. Table 6 below is intended to show the pattern and the amounts received for budgetary assistance over the reporting period.

Table 6
Budgetary Aid 2019/20

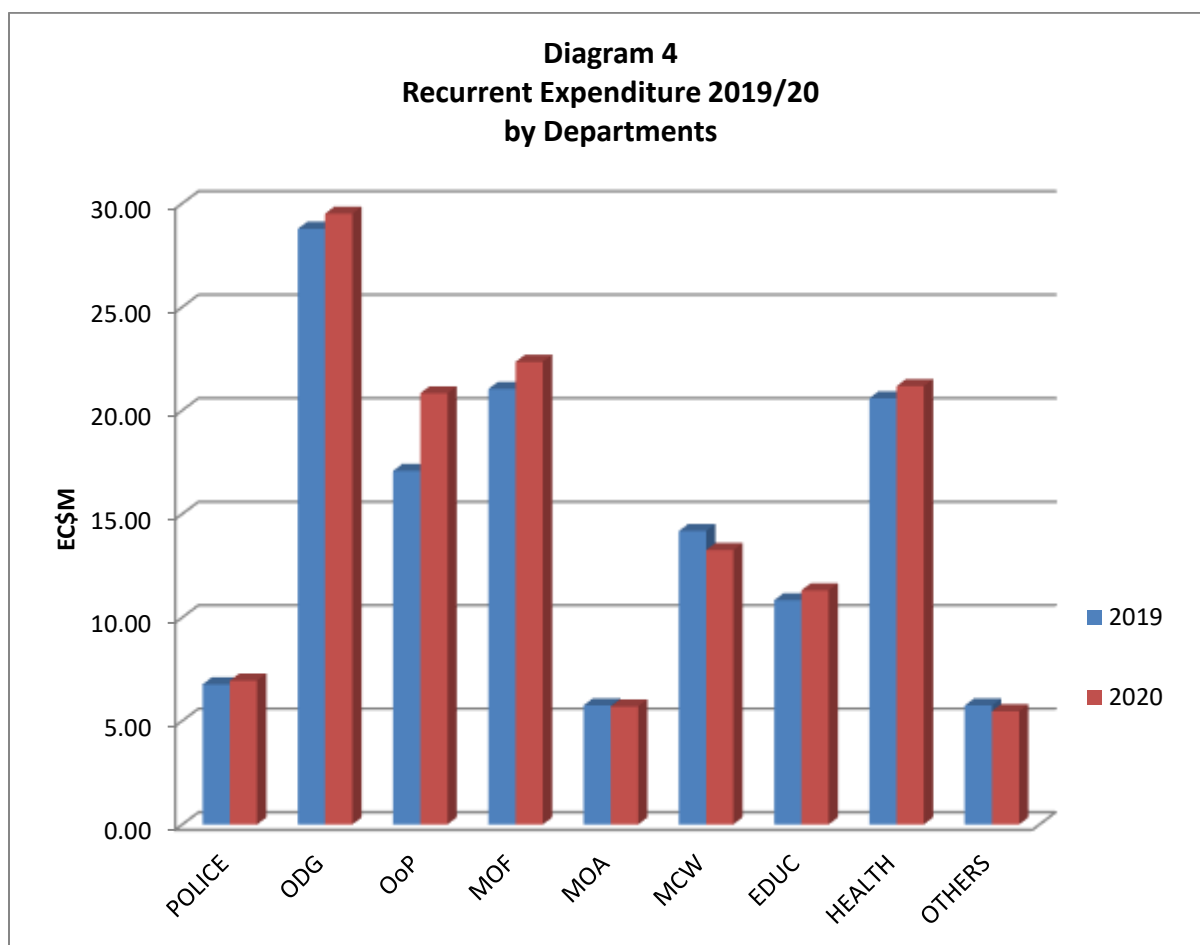
Date	Particulars	Receipt #	£	EC\$
9/4/2019	Tranche 4, 2018/19	037440	88,312	307,833.92
3/6/2019	1 st Tranche 2019/20	038366	9,875,457	32,984,025.41
25/09/2019	2 nd Tranche 2019/20	042068	7,355,190	24,345,677.61
17/12/2019	3 rd Tranche 2019/20	043731	5,721,651	20,066,403.59
2/3/2020	4 th Tranche 2019/20	045166	217,537	737,560.66
Total Budgetary Aid			23,258,147	78,441,501.19

Statement of Recurrent Expenditure

2.24. **Appropriation and Expenditure Control.** The Appropriations Act, Ordinance #3 of 2019, was passed by the Legislative Assembly on the 28th day of May 2019 and authorised recurrent expenditure of \$137,772,200. Three Supplementary Estimates valuing \$3,546,500 were also passed, these bringing the Revised Estimates to \$141,318,700. Three Virement Warrants were also authorised to allow Accounting Officers to move monies between Subheads under their control.

2.25. **Actual Expenditure.** Monies spent to acquire goods and services over the reporting period amounted to \$136,581,144 leaving an unspent budgeted balance of \$4,737,556. However, when compared to monies actually spent for the previous fiscal year, we observe a 4% increase.

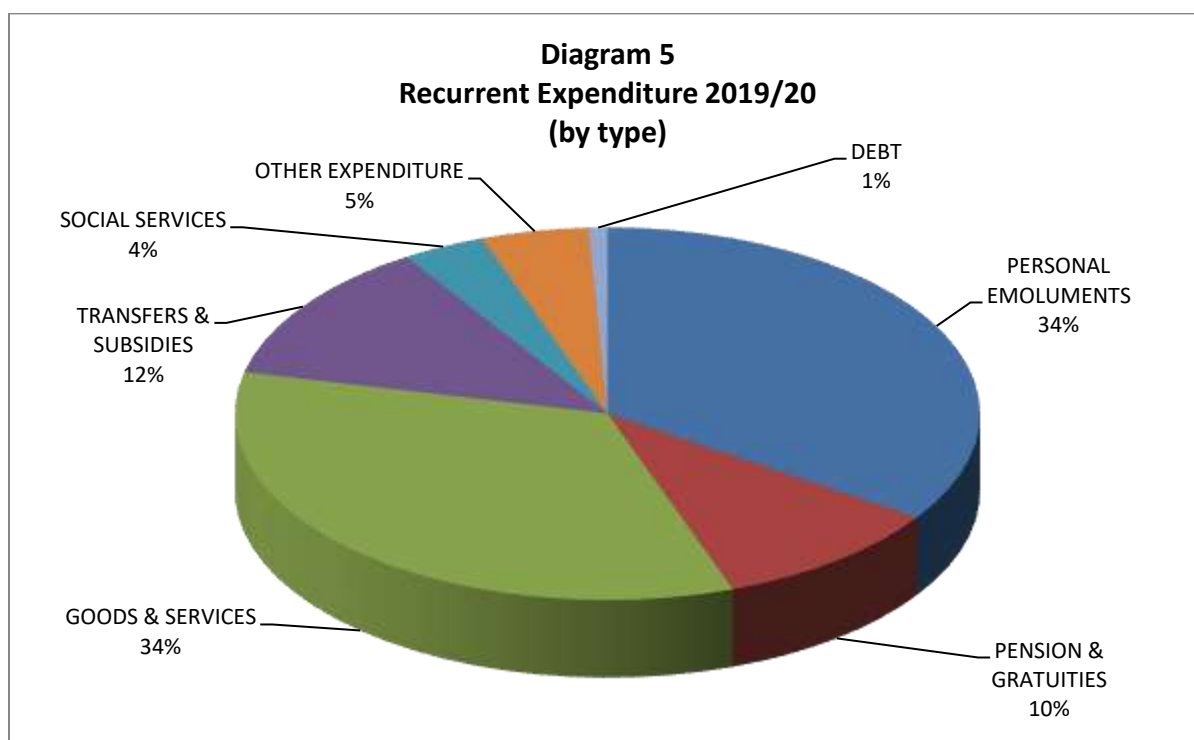
2.26. Diagram 4 below shows actual Recurrent Expenditure by Ministries and Departments. Those Departments that do not form a part of any Ministry, except for Police, are grouped under Others¹⁰. They are primarily non-ministerial departments.



2.27. **Trend of Expenditure Usage.** Over the past years, Personal Emoluments, Pensions and Gratuities, Goods and Services, and Transfers and Subsidies were the major categories of expenditure, utilising over 10% of expenditure per category. A trend analysis has indicated that, for the year under review, Recurrent Expenditure continued to be utilised in the same pattern.

2.28. **Expenditure classified by type.** Diagram 5 below shows expenditure classified by type and gives relative percentages used per classification.

¹⁰ These departments include the Magistrate Court, Supreme Court, Legal Department, Legislature, Office of the Auditor General and the Office of the Director of Public Prosecution.



Statement of Expenditures in Excess

2.29. **Over expenditure.** The Public Finance (Accountability and Management) Regulations 2009, require Accounting Officers to ensure that the spending amounts that are provided in the Estimates are not exceeded. This directive has not been complied with, as expenditure lines have been exceeded on eight subheads across six Ministries/Departments resulting in overspending on line-items totalling \$363,770. The over-spent line-items are outlined in the Table below:

Table 7
Over Expenditures for fiscal year 2019/20

Vote	Head	Sub-head	Particulars	Total Authorised EC\$	Actual Expenditure EC\$	Excess Spending EC\$
05	052	210	Personal Emoluments	161,000	170,874	(9,874)
05	052	275	Sundry Expenses	200	261	(61)
12	120	218	Gratuities, Pensions & Related Benefit Schemes	12,944,600	13,280,684	(336,084)
15	150	212	Wages	6,900	10,426	(3,526)
20	203	229	Furniture, Equipment & Other Resources	1,815,700	1,815,708	(8)
20	203	292	Debt Servicing – Foreign	502,900	504,067	(1,167)
40	406	280	Programme, Production and Promotion	700,400	701,585	(1,145)
45	455	236	Professional and Other Fees	982,500	994,366	(11,866)

2.30. **Management controls not effectively applied.** Accounting Officers are required to put in place effective internal controls to ensure compliance with applicable laws,

regulations, accounting controls and other government policies. Such controls include reconciliation of account balances and ensuring that expenditure remained within the limits stipulated by the various Appropriation Acts. Addressing these in a timely manner will enable Accounting Officers to be in a position to make the relevant applications to avoid these over expenditures.

Statement of Assets and Liabilities of the Development Fund

2.31. The assets and liabilities of the Development Fund are provided below in Table 8.

Table 8
Assets and Liabilities of the Development Fund

ASSETS	2020 EC\$	2019 EC\$
British Development Aid Claims Outstanding (1)	5,928,879	7,624,660
Donor Agencies Expenditure Outstanding (2)	521,715	2,449,255
Consolidated Fund Receivable	7,658,933	19,956,633
TOTAL ASSETS	14,109,528	30,030,548
LIABILITIES		
Deposits Within the Development Fund (3)	22,197,125	26,184,480
Local Funds (4)	10,066	710,018
Consolidated Capital Fund	15,433,748	(3,167,453)
Development Fund Adjustment	(11,233,713)	
Add Expenditure Over Revenue	(12,297,699)	(8,097,664)
TOTAL LIABILITIES	14,109,528	30,030,548

2.32. **Write-offs.** SRO. No. 7 of 2020, Resolution to Write-off Public Money, authorised the write off of \$11,241,196 of non-recoverable project balances. The actual write-off was \$11,233,713, a shortfall of \$7,483. The reduction was due to the collection of project revenue after the submission for write-off was made.

Development Fund Revenue

2.33. **Contributions toward capital development projects.** Various Agencies provided contributions to facilitate implementation of capital projects. These contributions are highlighted in Table 9 below.

Table 9
Development Fund Revenue: Fiscal Year 2019/20

Agency	Amount Received EC\$
LOCAL	238,392
DFID (now FCDO)	196,123
Pan American Health Organisation	5,832
European Union	11,980,150
UNICEF	281,740
Total	12,702,237

2.34. COVID 19 assistance. In addition to the foregoing, \$250,000 was received from the Eastern Caribbean Central Bank (ECCB) to assist the GOM's response to managing COVID 19. This money was given to aid the purchase of medical equipment.

Statement of Development Fund Expenditure

2.35. Appropriation Accounts. The Appropriations Act, #3 of 2019, authorised capital/project expenditure of \$68,372,300 for the fiscal year. Two Supplementary Appropriations valuing \$398,900 were added during the year bringing the Revised Appropriations to \$68,771,200. Actual spending for the year amounted to \$25,249,236 being only 37% of the authorised capital expenditure for the year.

2.36. Development Expenditure by Department. Development expenditure, for the reporting period, is presented by department in Table 10 below.

Table 10
Development Expenditure: Fiscal Year 2019/20 (by Departments)

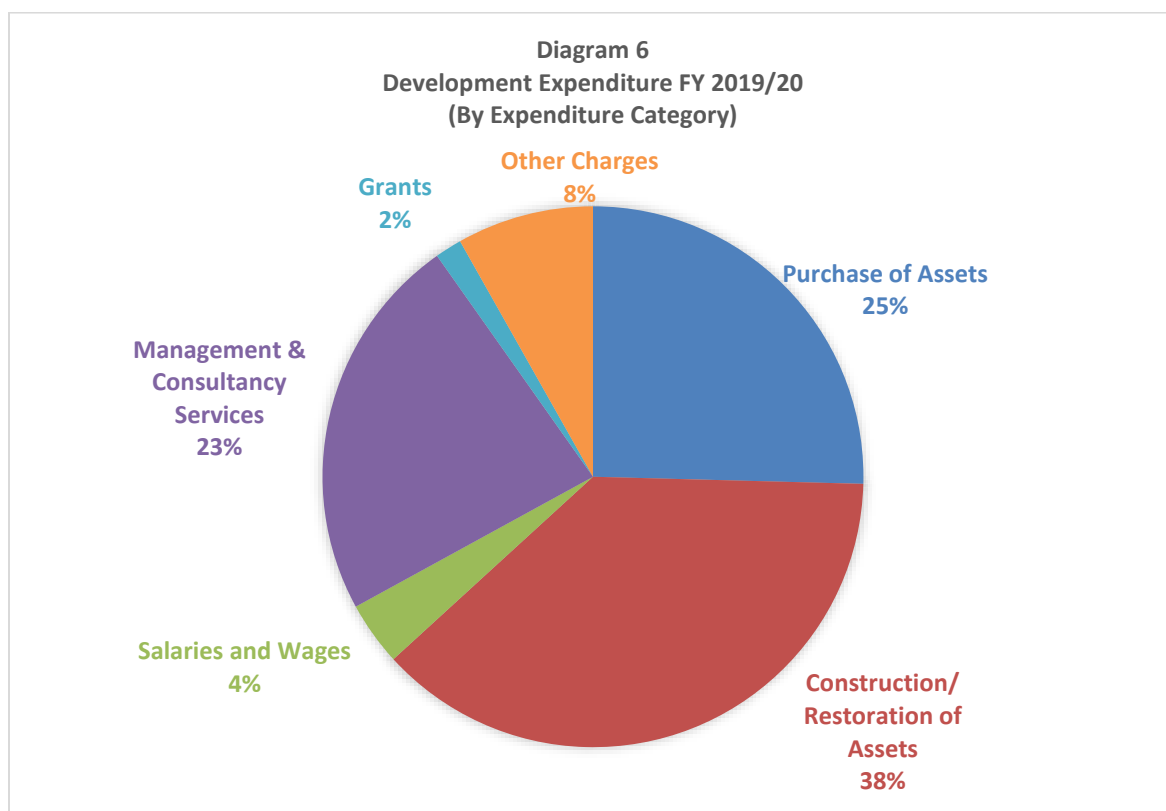
Ministry/Department	Authorised EC\$	Actual EC\$	% Used
Office of the Deputy Governor	2,105,800	432,595	21
Office of the Premier	17,094,996	9,524,996	56
Ministry of Finance	1,758,300	454,824	26
Ministry of Agriculture	1,211,300	181,001	15
Ministry of Communications & Works	38,063,700	14,047,175	37
Ministry of Education	3,519,500	489,204	14
Ministry of Health	5,018,600	120,142	2
TOTAL	68,771,200	25,249,936	37

2.37. Development Expenditure by Funding Agent. Table 11 below provides a view of authorised expenditure and recorded results for the Development Fund, by funding agency.

Table 11
Comparison of Development Fund Estimates and Results: Fiscal Year 2019/20

Development Fund Expenditure	Authorised EC\$	Actual EC\$	Variance EC\$
DFID	33,949,400	10,461,238	23,488,162
EU	25,911,500	13,832,421	12,079,079
LOCAL	264,500	238,392	26,109
CDB	8,340,500	516,681	7,823,819
DARWIN	62,600	41,931	20,669
OTEP	12,100	12,035	65
RSPB	600	0	600
UNICEF	230,000	147,239	82,761
TOTAL	68,771,200	25,249,936	43,521,264

2.38. **Development Expenditure by Type.** Diagram 6 below provides an overview of how the monies were spent.



Statement of Advances

2.39. Advances are categories of monies owed to the Government of Montserrat. An increase of \$61,073 is recognised when compared to the amount outstanding at the end of the prior reporting period. The categories of advances and their amounts are listed below.

Details	2019 EC\$	2020 EC\$	Increase/(decrease) EC\$
Personal Advances	412,550	370,092	(42,458)
Outstanding Imprests	30,506	129,774	99,268
Other Gov't & Administrations	140,660	144,923	4,263
Total	583,716	644,789	61,073

Statement of Deposits

2.40. Deposits registered an overall decline of \$12,198,691. The Development Fund Receivable account decreased by \$1,297,701 and the Postmaster Clearing Account, which had a balance of \$96,092 was closed. The Miscellaneous Deposits account saw an increase of \$195,102.

Statement of Public Debt

2.41. **External Debt.** At the end of the fiscal year, Total External Public Debt, all of which was owed to the Caribbean Development Bank, amounted to \$9,511,876.

2.42. Principal repayment on external debt was recorded as \$501,664, this being 0.90% of actual local recurrent revenue. This is well within the ECCB's debt sustainability threshold of 60% of the Government's revenues.

2.43. Interest payments for the year on external debt amounted to \$266,215, this being 0.48% of actual local recurrent revenue for the year.

2.44. Overdue and other interest charges amounted to \$405.

2.45. No new external debt was undertaken, or loans guaranteed, during this reporting period.

2.46. **Domestic Debt** – These are monies owed to local institutions and repaid by the Ministry of Finance. At the end of the reporting period, the amount due to these institutions stood at \$1,945,970. Individual balances are shown in Table 12 below.

TABLE 12
Summary of Domestic Debt as at 31 March 2020

Institution	Particulars	Balance Owed as at 1 April 2019	Principal Paid during year	Interest Paid during year	Balance Owed as at 31 March 2020
MSSF	Davy Hill Housing Project	1,104,398	157,771	36,583	946,627
MUL	MONLEC Generating Set	1,165,900	166,557	38,620	999,343
	TOTAL	2,270,298	324,328	75,203	1,945,970

Statement of Contingent Liabilities

2.47. This refers to provisional estimates of the costs arising from possible litigation of activities brought against a few Ministries/Departments. Contingent Liabilities at the end of the fiscal year amounted to \$22.7M.

Statement of Outstanding Liabilities

2.48. At the end of the reporting period, Outstanding Liabilities for goods and services valuing \$2,307,508 were reported. Of this amount \$1,157,726 was for outstanding pension liabilities. Outstanding contributions of \$2,922,442 was owed to thirteen regional entities whilst a further \$1,235,482, was owed to depositors of the now defunct Government Savings Bank. This brings the total of outstanding liabilities to \$6,465,432.

Statement of Arrears of Revenue

2.49. **Arrears of revenue audited.** In accordance with good audit practice, we focused our audit on items that are considered material to users' understanding of the accounts. Hence, our audit covered balances that were 1%, or greater, of the total arrears' receivable.

2.50. **Stock of Arrears of Revenue.** For the year under review, the Stock of Arrears of Revenue stood at \$29,327,671 and the included items are itemized in Table 13 as follows:

Table 13
Arrears of Revenue

Subhead and Account Description	Mar-20	Mar-19
150-13599 Rents	25,000	0
152-13001 Advertising and Broadcasting Fees	7,335	7,666
156-16099 Other Revenue	33,758	0
205-12210 Trade Licences	19,275	15,500
221-53531 Emergency Fuel Supplies	90,429	533,359
206-11001 Company Tax	11,122,957	6,407,605
206-11002 Income Tax – Personal	10,755,708	9,460,125
206-11501 Property Tax	4,192,304	4,207,471
206-12501 Import Duty	252,429	276,335
206-12505 Consumption Tax	226,187	312,164
206-12507 Customs Processing Fee	3,168	58,700
206-13011 Customs Officers Fees	16,840	6,175
207-16099 Money Order Reimbursements	0	30,656
300-160 Lease of Government Lands	0	0
350 Telecom Licences	233,325	331,575
351-13032 Public Works Department's Laboratory	4270	
352-16042 Revenue from PWD's Plant & Workshop Operation	74,566	0
353-12211 Cable TV Licences	0	0
353-13032 Aircraft Landing Fees	7,550	8,168
353-13037 Scenic Flights	331,119	331,119
353-13502 Concessions Rental - Airport	10,477	19,130
353-16019 Navigational Charges	10,470	11,026
400-13599 Rent	0	78,001
450-16018 Hospital Receipts	456,072	397,914
454-14505 Reimbursements	1,454,434	1,058,176
TOTAL	29,327,671	23,550,866

2.51. **Increasing Arrears.** When we compare the Arrears of Revenue balance for this reporting period with that of the previous year, we note a large increase of \$5.7M, or 25%.

2.52. **Stock of Arrears over 12 months.** Aging of the arrears of revenue has shown that 73% of the stock is outstanding for more than 12 months.

2.53. **Write-off of Arrears.** The Resolution to Write-off Public Money authorised the write-off of \$402,000, which was for items that had been outstanding for more than 20 years.

2.54. **Action needed to reduce mounting arrears.** A number of these statements contain sums that are no longer considered to be collectible for various reasons including that some of the entities or individuals are no longer in existence or alive. **For these, we are recommending that the necessary requests for write-off be made so that the GOM's**

receivables will no longer be materially overstated. Where amounts are still considered collectible, we recommend that all options be explored to have the amounts collected.

Statement of Stores and Other Assets

2.55. **Statement of Stores.** In my last report, I indicated that the Treasury Department had procured and was testing an Asset Register Software to facilitate the preparation of the Statement of Stores and Other Assets. Although a Fixed Asset Schedule was provided, we did not receive any statement including stores.

2.56. **Statement of Fixed Assets.** As stated above a Fixed Asset Schedule was produced and submitted for audit verification. An asset capitalisation policy, an essential part of any accounting system, was provided. This document provides guidance to enable one to understand the basis on which items were recorded as fixed assets; and to determine the standardisation and consistency of policy application.

2.57. **General Findings.** On examining the Statement of Fixed Assets, we found some items that could not be verified as they were not presented for verification. Some assets were on the Asset Registers, at Departments, but had no price or valuation. Asset values in the Public Accounts were not agreeing with the values reported in individual Department's Asset Registers. Several listed Items were obsolete, used for parts, or otherwise impaired, and should be removed from the listing. Some items were included on the listing but reported to be missing. In some cases, more than one Department included the same item on its Asset register.

2.58. In addition, the depreciation policy was not consistently applied. In some instances, we found that the rates prescribed for classes of assets were not applied in all situations.

2.59. **Overall View is that the Fixed Assets Statement is misstated.** Given the foregoing findings, it is our view that the Fixed Assets Schedule is materially misstated.

Statement of Net Worth (Statutory Bodies)

2.60. **Effort to include statement recognised.** We applaud the effort of the Treasury Department to start putting together this statement. However, of the twelve statutory agencies/State-Owned Enterprises, accounts were submitted for only six of them. Additionally, there are no up-to-date audited and published accounts for most of these entities. The statements included are therefore misleading.

2.61. **Adherence to principles of good governance not followed.** The GOM inject large sums of money into the operation of these entities each year. Moreover, these entities are mandated, by their governing legislation to provide audited accounts within three months of the close of each financial year. For good governance, it is important that these accounts be brought up to date and thereafter, kept current and compliant with applicable laws, regulations, policies, and standards. Importantly, these widespread patterns of long delays in accounting and/or audited reporting greatly increase the likelihood of errors, omissions, fraud, and of malfeasance, all ultimately at the tax-payers' expense. Having financial reports

completed years after also increases the probability that relevant employees will not be available to assist with audits relating to their periods of tenure, that the persons responsible for any malfeasance will not be held accountable, and/or that they will no longer be in their posts by the time that subsequent audits would be completed. **As the Ministry of Finance has ex-officio membership on many of the Boards of these entities, we urge that the Minister of Finance and Financial Secretary use their good offices to get management of these entities to bring their accounts up-to-date by the stipulated deadline.**

Statements Mandated but not Received

Statement of Investments

2.62. Again, the statement detailing the Government's investments at the end of the fiscal year has not been presented for audit.

CHAPTER 3 RETURNS BY ACCOUNTING OFFICERS FOR FY 2019/20

3.1. **General directive.** In accordance with Section 41 (b) of the PFMAA, Accounting Officers are required to submit the accounts set out in paragraph 2 of the Schedule to the Act¹¹. It states that “each Accounting Officer shall within three months prepare and submit to the Minister and the Auditor General, with a copy to the Accountant General, in respect of the financial year and in respect of the votes, revenues, resources and monies for which the accounting officer is responsible, the accounts and information set out in paragraph 2 of the Schedule to this Act”.

3.2. **Annual Returns Requirement.** Both Paragraph 2 of the Schedule and Accountant General’s directives require Accounting Officers to submit the following:

- a) An Appropriation Account showing services for which monies were expended;
- b) A Statement of Commitments Outstanding for the supply of goods and services;
- c) A Statement of Revenues Received for each source of revenue’
- d) A Statement of Arrears of Revenue
- e) A Statement of Performance providing each class of output
- f) A list of all outstanding commitments;
- g) Any other statements that the Accountant General may from time to time require, such as:
 - Statement of Fixed Assets
 - Statement of Inventory
 - Statement of Estimated Assistance and 3rd Party Settlements
 - Statement of Undrawn External Assistance
 - Statement of Contingent Liabilities.

Submission of Annual Returns

3.3. The PFMAA requires the Annual Returns to be submitted to the Auditor General within 3 months after the end of the fiscal year. We received Annual Returns from most Accounting Officers within the stipulated deadline; some returns were submitted late. My office has not received any Annual Returns from the following entities:

- Office of the Director of the Public Prosecution
- Supreme Court
- Registrar
- Legislature Department
- Ministry of Finance and Economic Management (Headquarters, Statistics and Internal Audit)

It is important for all Accounting Officers to adhere to the times set out in the PFMAR and the reminders sent out by my office and the Treasury Department.

¹¹ See Appendix 4 for submissions required from Accounting Officers.

Returns Received

Statement of Appropriation Accounts

3.4. In accordance with Paragraph 2 of the Schedule, Accounting Officers are charged with preparing an Appropriation Account to show how the monies granted to support the operations are expended.

3.5. **Recurrent Expenditure.** During the financial year 2019/20, expenditure was incurred under 42 Heads of expenditure as outlined on the Statement of Detailed Expenditure included within the Treasury Statements. Recurrent Expenditure incurred by Ministry/Department is shown in Table 13.

Table 13
Recurrent Expenditure for Fiscal Year 2019/20
(by Department)

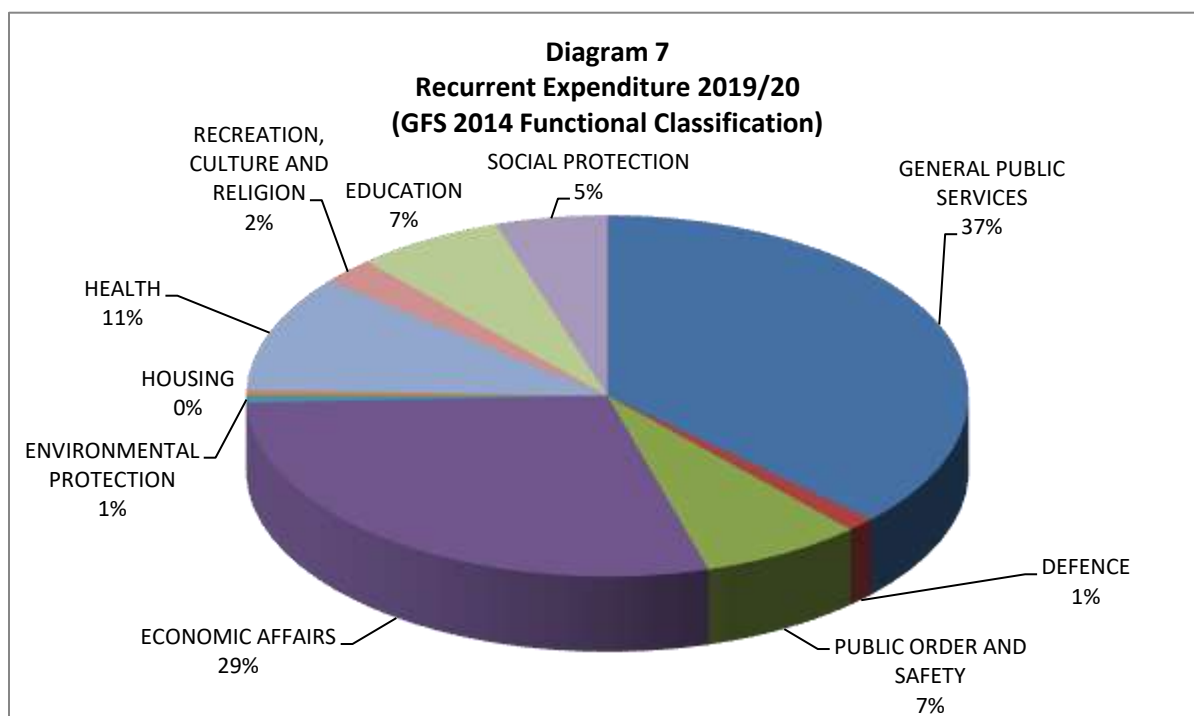
Vote	Details	Revised Estimate EC\$	Actual Expenditure EC\$	Variance EC\$	Actual Expenditure %
05	Police	7,130,700	6,949,938.07	180,761.93	5.1%
07	Legal	1,431,300	1,173,624.21	257,675.79	0.9%
08	Magistrate's Court	179,000	144,335.61	34,664.39	0.1%
09	Supreme Court	835,800	814,206.45	21,593.55	0.6%
10	Legislature	1,654,600	1,610,687.24	43,912.76	1.2%
11	Office of the Auditor General	1,232,200	1,058,774.87	173,425.13	0.8%
12	Office of the Deputy Governor	30,665,400	29,512,185.69	1,153,214.31	21.6%
13	Public Prosecution	803,900	675,988.74	127,911.26	0.5%
15	Office of the Premier	21,784,700	20,833,936.86	950,763.14	15.3%
20	Ministry of Finance	22,583,100	22,365,624.51	217,475.49	16.4%
30	Ministry of Agric., Housing, Lands & Env.	6,089,800	5,701,629.02	388,170.98	4.2%
35	Ministry of Communication & Works	13,639,300	13,255,644.50	383,655.50	9.7%
40	Ministry of Educ., Youth Affairs & Sports	11,693,800	11,305,646.26	388,153.74	8.3%
45	Ministry of Health & Social Services	21,595,100	21,178,851.97	416,625.13	15.5%
	Total	141,318,700	136,581,143.57	4,737,556.43	100%

3.6. Recurrent Expenditure Variances, in summarised form, together with the prior year's comparatives, are detailed below:

	2020 EC\$	2019 EC\$	Increase/(Decrease) EC\$
Authorised Expenditure	141,318,700	132,728,600	8,590,100
Actual Expenditure	136,566,037	130,732,328	5,833,709
Unspent Balance	4,752,663	1,996,272	2,756,391

3.7. **Recurrent Expenditure Utilisation.** When reviewing the above, one will note that both the authorised spending and the actual expenditures increased when compared with the 2018/19 figures. However, in terms of expenditure utilisation, we note a decrease of 1.9 percentage-points in the utilisation of budget allocation, with utilisation moving from 98.5% in fiscal year 2018/19 to 96.6% in 2019/20.

3.8. **Recurrent Expenditure by Functional Classification.** Diagram 7 below provides a further analysis of expenditure incurred by GFS functional classification. Except for General Public Services and Economic Affairs which saw an increase of 6.5% and a reduction of 6.8%, respectively, expenditure fell largely in line with projections at the beginning of the year as outlined on page 32 of the Budget Speech for the fiscal year 2019/20.



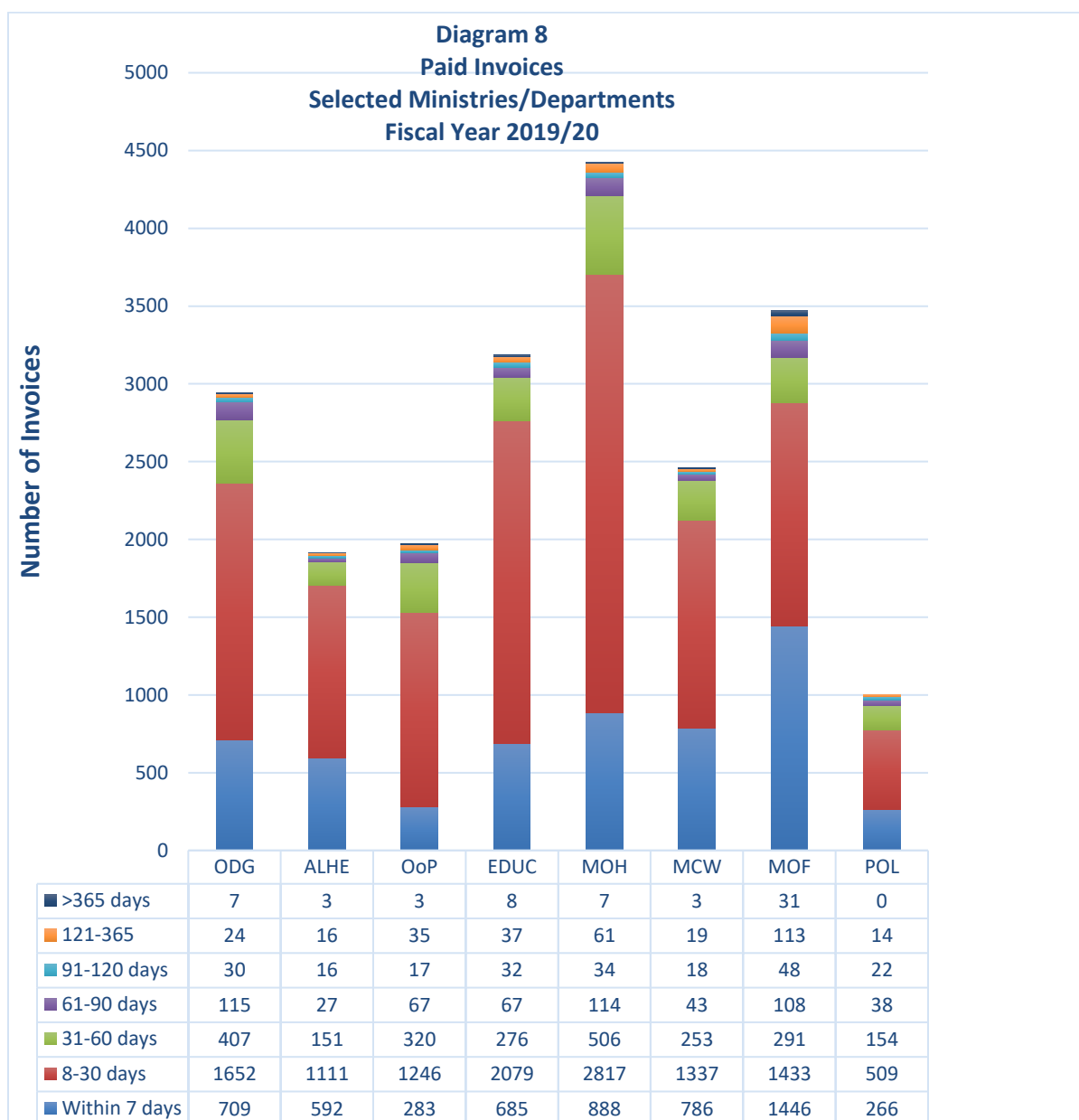
3.9. **Misclassification of Expenditure.** We have seen a reduction in the errors and failures of internal control. However, we continue to encounter misclassification of expenditure in the samples selected for audit. Such misclassification was found at three entities: the Office of the Premier, the Ministry of Agriculture and the Ministry of Health. While this did not impact the overall financial statements, it impacts decision making. **Accounting Officers are reminded to pay attention to this control weakness and adhere to the chart of accounts.**

3.10. **Payment of invoices.** To encourage economic activity, the GOM has a policy of paying its invoices within seven days. This is admirable given that the private sector normally allows customers thirty days to clear outstanding payments before their invoices begin to impose interest and/or fees for late payment. We conducted an analysis of the Department's payment of invoices over the reporting period to determine whether they were adhering to the GOM's payment policy. A total of 23,437 invoices were included in our analysis. We are only reporting here on the major spending Ministry/Departments, with invoices representing ninety-one percent of the total population. Our analysis revealed that 24% of invoices were paid within the seven-day deadline, with 83% being paid within thirty days.

3.11. **Late Payment are posing reputational and economic risks to the GOM.** We note, that some invoices remained unpaid for more than six-months. Most of these late payments were to small businesses, with limited capital and possible access to financial resources or the invoices were from overseas vendors. Not paying its bills on time poses a reputational

risk to the GOM and can even attract a higher cost of doing business. These businesses may either charge interest on the outstanding payments or increase the quoted prices of doing business in the future if the GOM persists in making late payments to them. **Accounting Officers are therefore encouraged to pay their invoices within the stipulated deadlines.**

3.12. The diagram below shows the payment pattern of invoices for selected Ministries/Departments.



Statement of Outstanding Liabilities

3.13. **Total Outstanding Liabilities** amounted to \$6,465,432 and represent an increase of \$1,637,036 or 34% when compared with outstanding amounts at the end of the prior fiscal year.

3.14. **Outstanding liabilities for goods and services supplied.** These amounted to \$2,307,508.

3.15. Section 68(2) of the PFMAR states that “Expenditure properly chargeable to the account of a given year must, as far as possible, be met within that year and must not be deferred for the purpose of avoiding an excess on the amount provided in the estimates”. Expenditures that are incurred but remaining unpaid at the end of the financial year, without mitigating circumstances, are therefore breaches of the Regulations.

3.16. Using a sample of entities that had outstanding bills amounting to more than one percent of total outstanding liabilities, we investigated 98% of the outstanding amount. The reasons given for non-payment in the correct accounting year are detailed below.

Ministry/Department	Insufficient Funds \$	Work completed or invoiced received during COVID lockdown, or MOF requested cessation of payment \$	Invoices rejected by Treasury \$	Late Reconciliation with entity \$	Total \$
RMPS	142,285	5,710	0	0	147,996
ODG	1,157,726	97,780	0	0	1,255,505
OoP	320,670	0	0	66,910	387,580
MALHE	3,357	9,648	1,193	0	14,197
MCW	87,087	61,164	1,025	0	149,276
MOE	0	45,563	0	0	45,563
MHSS	272,738	0	0	0	272,738
TOTAL	1,983,863	219,865	2,218	66,910	2,272,855

3.17. *Bills Outstanding for more than 6 months.* Although Accounting Officers were encouraged to pay bills on time, we found instances where bills remained outstanding for more than six months. This indicates weaknesses in the systems for the monitoring and payment of invoices.

3.18. *Bills Outstanding due to insufficient funds.* \$1,978,567 or 87.1% of the bills sampled was reported as outstanding due to insufficient funds being available. A further review of this category highlighted that 58.5% of the total was for outstanding pension liabilities. These are statutory payments that are charged to the Consolidated Fund (as per Section 87 of the Montserrat Constitution) and should automatically be provided for when they become due for payment.

3.19. *Bills Outstanding due to late reconciliation with entities.* 2.9% of our sample fell into this category, this indicates a breakdown in the systems for monitoring and paying invoices. **Accounting Officers are urged to ensure that expenditure is charged to the account of a given year and avoid deferring payments which will affect the next years’ allocation.**

3.20. **Outstanding Liability – GSB Unsettled Deposits.** Liabilities outstanding to the depositors of the now defunct Government Savings Bank amounted to \$1,235,482.

3.21. **Outstanding Liability – Regional Contributions.** These amounts owing for contributions to regional and international institutions totalled \$2,922,442. Further investigation into the reasons for the outstanding contributions revealed that 17% related to invoices not being received; 14% were due to COVID 19 pandemic restrictions; 22% were for late reconciliation with entities; while 46% were late, but they were made in line with an agreed payment plan.

Statement of Revenue Received

3.22. **Local Recurrent Revenue.** This refers to monies that are designated for collection by Accounting Officers and are in their control. It excludes revenue grants from all funding agents. Table 14 below presents the revenues collected locally by Ministries and non-Ministerial Departments.

Table 14
Local Revenue Collected by Ministry/Department Fiscal Year 2019/20

Vote	Details	Budgeted Amount \$	Actual Collection \$	Variance \$
05	Police	282,600	346,620	64,020
08	Magistrate Court Service	40,000	77,902	37,902
09	Supreme Court	15,500	68,335	52,835
10	Legislature	800	3,467	2,667
11	Audit Office	25,000	30,000	5,000
12	Office of the Deputy Governor	271,100	350,122	79,022
15	Office of the Premier	3,276,700	3,513,494	236,794
20	Min. of Finance & Econ. Mgt.	48,396,200	46,010,000	-2,386,200
30	Min. of Agriculture	1,089,000	859,985	-229,015
35	Min. of Communication & Works	3,894,000	3,504,549	-389,451
40	Min. of Education, Youth Affairs & Sports	375,500	260,584	-114,916
45	Min. of Health and Social Services	505,800	632,684	126,884
	Total	58,172,200	55,657,742	-2,514,458

3.23. When compared to collections of the prior fiscal year, we note an increase of \$4,090,929, representing an 8% improvement in collections.

Statement of Arrears of Revenue

3.24. **Submission of Arrears of Revenue.** Section 62 of the PFMAR mandates that the Arrears of Revenue Returns be submitted to the Auditor General within 60 days of the close of the financial year. None of the GOM's Ministries and Departments met this deadline. Submissions were, however, made as part of their Annual Returns which are normally required to be submitted within 90 days after the close of the financial year. These late submissions impacted our ability to complete this audit in a timely manner.

3.25. **Increasing Arrears.** The arrears amount continues to increase. For this reporting period, we noted an increase of \$5.9M.

3.26. **Management and Collection of Arrears.** Section (52)(1)(c) of the PFMAR state that Accounting Officers are responsible for ensuring that “all persons liable to pay revenues are informed by bills, demand notes or other appropriate notices of debts due, and that they are reminded promptly and frequently of revenue which is in arrears”.

3.27. One department gained the Legislative Assembly’s approval for write-off of a part of its arrears. However, despite assurances that action was taken, such as preparation of a Cabinet paper to begin the write-off process, and forwarding documents of the outstanding debts to the Attorney General’s Chambers to facilitate collection, we have not seen any actual movement in reducing or collecting these arrears.

3.28. **Removal of Uncollectible Arrears.** The Arrears listing contains many accounts for persons or entities from whom there seems no possibility of collection as many listed persons have died over the ensuing years, or are no longer resident on the island and several of the owing entities are no longer in business. The figures presented thus provide an inaccurate picture of how much money can be collected. **Therefore, we reiterate that Accounting Officers must review these accounts and take the necessary steps to have the issue addressed.**

Statement of Development Expenditure

3.29. **Capital Expenditure Utilised.** Appropriation Warrants authorised spending of \$68,771,200. Actual expenditure was \$25,249,936, this being 36.7% of the amount allocated. Expenditure utilisation ranged from a high of 56% in the Office of the Premier to a low of 2% in the Ministry of Health.

3.30. The overall utilisation rate is similar to that obtained in the prior financial year. Ministries and Departments fail to utilise the funding that they have received, there is a risk that funding partners will withhold additional funding for the GOM’s current projects, will retract unused funding previously approved or will refuse to enter into any new funding arrangement. **Efforts should therefore be taken to ensure that project activities are undertaken within expected timeframes so that funding can be utilised as projected.**

3.31. **Threat of funds withdrawn due to failure to complete projects within agreed timelines.** Some project activities were not completed within the allotted time frame and there is a risk that the associated funding will be withdrawn. Such projects include:

- Montserrat Priority Infrastructure Project
 - Resource Development Expenditure Limit (soft components like training)
 - Emergency Shelters
 - Social Housing Project
 - Solid Waste Project

3.32. **Social Housing Project (3016093A 3254) is not fully realising intended results.** The social housing project intended to provide houses of varying bed-room sizes, comprising of 2-bedroom, 3-bedroom and 4-bedroom dwellings. The project encountered many challenges. The original building designs were developed by a consultant and forwarded to the Ministry of Housing. It was determined that the designs needed to be reconstructed to meet the Montserrat Building Code. After some time, the design for the 2-bedroom dwelling was approved and three houses were constructed, but they incurred substantial cost overruns and went beyond their budgeted durations. The other designs were never approved.

3.33. According to project documentation, seven households were to benefit from decent housing, and during construction of their new homes, were to be transferred to rented private accommodation. However, some households that relocated pending construction of new residences could not be re-housed. One house size was too big for the intended lot and hence the house could not be constructed. Due to several constraining factors, the project was closed without achieving all of the intended results.

3.34. **Emergency Shelters (3016093A 3254) completed without all identified shelters obtaining assistance.** This project was to undertake remedial works on buildings designated as emergency shelters for disasters such as hurricanes. The project was to upgrade the standard of the buildings, for all shelters, thus providing necessary health and safety requirements during disasters and included upgrades to toilet and shower facilities; upgrades to kitchens; upgrades to generators and emergency water supply.

3.35. Some of the intended recipient shelters were removed from the project as the scope and the cost of upgrades were considered to be too big for the available resource allocation. In addition, some of the activities were scaled back. This resulted in the project's being closed without all identified shelters benefiting from the project.

3.36. **Sea Defences (3254) project funds reallocated.** This project was designed in 2016 and centered around the replacement of sea defences at Little Bay, that is, the building of a new port at Little Bay. Initially, it formed a part of the Priority Infrastructure Project and, in 2017, \$1.18M was received to proceed with this project. However, this was a small fraction of the cost of the new port, and no work was completed under that project. It was later felt that this project would be better suited to the Capital Investment Projects for Resilient Economic Growth (CIPREG) programme. Thus, the previously allocated funds were subsequently withdrawn, with permission being given for distribution of those funds amongst other Priority Infrastructure projects.

3.37. **Liquid Waste Management (3516092A 3254) running over budgeted time and cost and not yet completed.** The initial project concept included the construction of a sewerage treatment plant at Margareta Bay. This element was subsequently removed from the project and the project focused on several other elements (1) Look Out Warden Assisted Homes – facilitation of remedial sewage collection works; (2) Look Out Warden Assisted Homes - provision of new Balancing Tank to take sewage away from the Homes; (3) Margetson Memorial Home – implementation of mini sewage treatment plant; and (4) New Windward Ponds - construction of two additional wells, at New Windward, for disposal of liquid waste.

Projected cost was \$1,020,000. At the end of the reporting period, the project had incurred \$1,035,000, overspending its original allocation by \$15,000 but was not yet completed.

3.38. Airport Improvement Project (3518113A 3254) continued. In my last report, I noted that after several years the project, for the construction of a new air traffic control building, remained incomplete and that the necessary funding needed to be obtained to enable completion of this project. I am happy to report that, subsequent to the end of the reporting period, the project resumed, and the construction elements of the project is now well advanced, with completion expected by late 2021. Please see the air traffic control building, in construction, below.



3.39. Fibre Optic Cable Phase 2 (1514067A/2014067A (3294)) over budgeted time. This project focused on upgrading GOM's Wide Area Network (GOMWAN) to an all-fibre optic network with the objective of installing and utilising an ultra-high-speed connectivity on GOMWAN. The project came on stream in the 2012/13 financial year, was halted and then resurfaced in 2017. It was redesigned to be completed in several phases. The projected cost for the entire project was \$3,185,100 and the redesigned project was anticipated to be completed no later than December 2018.

3.40. The project encountered several delays, but, by the end of the reporting period, 31 March 2020, several of the phases had been completed. However, some critical elements, for example, the running of the sub-sea cable, were yet to be completed, with the project running over the original budgeted completion time by 15 months. Cost incurred by the end of the financial year was \$1,631,050.61. Subsequent to the reporting period, the cable was successfully laid and connected ashore in Montserrat during August, 2020.

3.41. 750 KW Solar PV and Storage Project (2019122A 3294) completion running behind schedule. This project formed part of The Montserrat Energy Policy 2016-2030 which

centered on developing sources of renewable energy. This element of the project focused on introducing solar energy and sought to procure, to install, and to commission a 750KW Solar System with resilient Battery Storage. The estimated total investment was EC\$10,053,000 and project completion time was expected to be the end March 2020. By the end of the reporting period, \$6,865,617 had been spent on the project but completion was running behind schedule due to the COVID -19 pandemic, which reached Montserrat early March 2020, suspending that project until the next fiscal year.

3.42. LED/Solar Street Lighting Project (3519121A 3294) running within budgeted cost but over budgeted time. This project was implemented in accordance with “GoM’s aims to promote and implement the use of renewable energy and energy efficiency measures in the public sector” and intended to reduce Montserrat’ fossil fuel dependency, promote sustainable energy and therefore contribute to the country’s competitiveness by installing renewable energy systems and retrofitting public lights with energy efficiency technologies. The proposed scope of the project was to cover LED and Off Grid LED Solar Street Lights, all Government of Montserrat compounds LED Lighting, Air and Sea Ports LED Lighting, Little Bay Playing Field LED/Solar Lighting and lighting for the Warden Supported Facility.

3.43. A minimum of fifty per cent (50%) of the streetlights which in 2016 totalled 391 were to be converted to LED Lighting and /or Solar Street Lighting by March 2020, with a projected cost of \$3,532,000. By the end of the reporting period, a total of \$3,487,215.02 had been expended, but the project was not yet complete.

3.44. Major Element of the Economic Infrastructure Development Project (2015077A 3294) not undertaken. This project started in financial year 2015/16. The main objective of this project was to boost economic activities on island. Proposed project activities included (a) Road works to Rendezvous; (b) completion of permanent roads on island; and (c) facilitation of other infrastructure activities. Projected cost of this project was \$3,089,549. In financial years 2017/18 and 2018/19, a total of \$1,000,000 was withdrawn from this project leaving an approved balance of \$2,089,549. By the end of the reporting period \$1,621,853.63 had been spent on the project, but the major deliverable, the roadworks to Rendezvous, had not being undertaken.

3.45. No definitive ending date for the Infrastructure Development Project (2015077A 3294). A project is a non-recurring planned work or activity, to achieve a particular goal, at a particular cost, within a set period of time. Whilst we were able to determine the planned project activities and actual cost incurred on the project, we were unable to determine whether project duration was met or overrun as the project documentation, under timeframe for the project, stated that it would be completed “once all project funding/activities have been utilised”. With such indeterminate project duration, it is impossible for anyone to be held to account for not completing projects on time.

Statement of Fixed Assets

3.46. Subsection 2(e) of Section 41 of the PFMAA mandates that Accounting Officers prepare and submit to the Accountant General, “a statement of assets signed by the

accounting officer containing details and values of all unallocated stores under his control at the end of the financial year, together with the details and values of any other classes of assets under the control of the accounting officer as the Accountant General may from time to time determine". The Accountant General has asked each Accounting Officer for the submission of a Fixed Asset Statement.

3.47. This is the first time that this Statement is being presented; therefore, there was a high risk of errors or omissions in constructing and presenting this Statement. To reduce the risk to an acceptable level, and in keeping with international auditing standards, we conducted an audit of the fixed assets presented to determine the accuracy and the completeness of the details presented on this statement, e.g., whether it included all relevant transactions taking place throughout the reporting period; assets belonged to the organisation, existed at the end of reporting period, and were truly reflected their actual economic value.

3.48. Our fieldwork focused on material items within the Fixed Asset Statement. The salient points from our review are provided below.

(i) Royal Montserrat Police Service.

- 280 assets were recorded in the Fixed Asset register. Of this amount, 239 assets representing 85% of the assets, did not have a purchase price, and/or a purchase date, and/or any value listed in the Asset Register.
- Some assets were not recorded in the WASP mobile asset system.
- Some donated assets were entered, but others were not entered.
- Some of the listed vehicles were not seen. We were told that they might have been sold by auction, but there was no record of the auction available for audit examination.
- Some of the listed computers and printers were not seen.
- Some assets were not working; and others were said to be at the repair shop at the PWD's workshop.
- Existence and valuation of these assets were both, therefore, questionable.

(ii) Office of the Deputy Governor and Related Departments.

- Assets of the Human Resource Management Unit (HRMU) were not tagged with individual asset numbers and entered into the system. As a result, the completeness of the assets entered into the system could not be reasonably ascertained.
- Further, of the assets seen on the HRMU's register, 46% of them did not have a purchase value listed in the Asset Register.
- No assets were seen on the Fixed Asset Register for the Royal Montserrat Defense Force (RMDF). However, we are aware that the RMDF has assets such as vehicles, musical instruments and weapons.
- At the DMCA, approximately 77% of assets in the asset register did not have a purchase price/date and/or any value listed.

- The DMCA has a warehouse of assets stored. These assets, though they were recorded on the Register were not tagged. Given the condition of their storage facility, we were unable to perform audit checks on these assets individually. As a result, the completeness of the Asset Register's recording of the assets and their values could not be verified.
- The omission of assets from the Fixed Assets Register of these entities indicates that the Fixed Asset Listing for the Office of the Deputy Governor is not current, complete, or reliable.

(iii) Office of the Premier and Related Departments.

- A total of 271 assets were included in this sample. 247 of them, representing 91% of the assets had no purchase price and/or date or any value listed in the Asset Register.
- At the Office of the Premier's main office, 55% of the listed assets could not be located as they were not tagged.
- A Dell Latitude laptop, assigned to ZJB, was not presented for audit verification. The price for this laptop was not included in the Asset Register. It was reported as missing; however, no supporting documents were provided to show that necessary steps were taken to report a lost/stolen item.

(iv) Ministry of Finance (Headquarters and associated Departments).

- Examination of the Fixed Asset Register at the Ministry of Finance showed a total of 728 assets. 52% of them did not have any value assigned.
- A number of assets, across the Ministry, were not tagged. This made it difficult to track and to trace assets.
- The beginning date for depreciation was not entered for an asset thus making it difficult for the system to record depreciation for the period and written down value of the asset.

(v) Ministry of Agriculture, Lands, Housing and Environment.

- A total of 641 assets were recorded in the fixed asset register. Of this amount, 344 assets (54% of them) did not have a purchase price and or date or any value listed in the Asset Register.
- All vehicles at the MAHLE Headquarters were entered in the WASP Asset Register. Two vehicles at the Land and Survey Department were not entered into the register.
- We could not physically verify the existence of 4 laptops listed for the Fisheries Unit as they were not on site at the time of our visit.

(vi) Ministry of Communication and Works.

- The Fixed Asset Register shows a total of 690 assets. Of this amount, 409 (59% of them) did not have any purchase price and/or date or other value listed in the Asset Register.

- We noted differences between the purchase prices and/or current stated value between the Fixed Asset Register and the Statement of Fixed Assets. For heavy equipment, the difference was \$387,781 whilst for machinery and tools, the difference was \$149,483.50 and, for land, it was \$153,500. There is need for greater accuracy in reporting purchase price and current valuations of these assets.
- When physically verifying assets, we noted the following:
 - One 1997 Barford Grader does not work, parts to repair it being hard to obtain. This suggests that the Grader is impaired, and management needs to determine whether this asset should be written off the books.
 - Three pieces of equipment had purchase prices and carrying values listed in the asset register, but no supporting invoices. The valuation of these assets could not be determined.
 - An incorrect asset was listed on the Register. It lists the asset in question as a car, but the registration number listed is for a bus that belongs to the Ministry of Education.
 - We could not physically verify some computers and other IT assets that had assigned tag numbers and were included on the Register. The explanation is that the items are not yet on island. Such items should be clearly identified as Goods in Transit in the Asset Register until they are received by the Department.
- A laptop assigned to the Labour Department was not presented for audit verification. No asset cost was reported in the Register and the item was reported as missing. No supporting documents were provided to show that necessary steps were taken to report a lost/stolen item.
- Three desktop computers included on the Asset Register as being at the Labour Department could not be physically verified. Enquiries were then made with management who indicated that the items were replaced. We, however, saw no evidence to support this as there was no records to track the Department's movements of assets.

(vii) Ministry of Education, Youth Affairs and Sports.

- The Fixed Asset Register at the Ministry of Education showed a total of 308 assets. Of this amount, 59% had no purchase price and/or date listed in the Asset Register.
- Included in the total cost for buildings is \$83,000 for St. Peter's Clinic, which is an entity within the Ministry of Health.
- Also included with buildings are the valuations for lands that are being depreciated. IPSAS 17 – Property, Plant and Equipment, subsection 74, provides guidance on when assets could be depreciated. In the case of land, assets have an unlimited useful life and, therefore are generally never depreciated.
- There was some misclassification of assets, for example, the Little Bay Auditorium, a building, is being classified as land.

- Of the 22 computers found in the IT Labs at the Secondary School, only 13 were recorded in the Asset Register.
- Except for 2 back-up Unlimited Power Supply (UPS) at the Brades Primary School, no assets are recorded on the Fixed Assets Register for the Primary Schools. These schools have a large number of desks, chairs and other equipment in classrooms and in offices.

(viii) **Ministry of Health and Community Services.**

- Of the 1,147 assets listed on the Asset Register, 735 assets, representing 64.1% of total assets, had no purchase price and/or date or any value listed in the Asset Register.
- Asset values as presented in the Public Accounts and those held in the Ministry's Fixed Asset Register did not agree, the total difference between these two documents' written down values amounted to \$1,956,037. It was reported that the differences arose as only assets with values greater than \$5,000 were reported in the Asset Register. Not reporting assets that are individually listed at less than \$5,000 could lead to an overall material misstatement of assets where many such unreported assets exists.
- Physical examination of a sample of assets revealed that some assets were being used for parts, but were still included on the Asset Register. As these assets are no longer being used for their intended purposes, and are no longer complete and/or usable, they are considered to be impaired and should be removed from the Asset Register.
- Some items such as air-conditioners and telephone systems were not included on the Asset Register making it incomplete.
- Valuations of lands and buildings were done in 2002 and some were done in 2020. However, where they existed, valuation forms were missing pertinent information such as the name of the person who conducted the valuation, who verified this work and the date that it was done. In some cases, a valuation report was not seen.

3.49. Fixed Asset Register are Materially Misstated. Considering all the issues highlighted, we conclude that the Fixed Asset Register for these Ministries/Departments is materially misstated as not all transactions and assets were included, some listed assets no longer existed at the end of the reporting period, and many were not reported at their correct economic values. In some instances, valuation reports were not provided for audit review and of those provided, pertinent information was missing.

CHAPTER 4 OTHER FINANCIAL AUDITS

4.1 This Chapter will provide an update on the status of financial audits of the Public Accounts, Government-owned Companies and Statutory Agencies. An update will also be given on the status of other financial audits undertaken by the Office of the Auditor General along with audits of some entities receiving significant sums from the public purse.

4.2 Financial audits are undertaken to provide an independent opinion on whether the financial statements prepared and presented by management are free from material misstatements and whether they are presented in accordance with the applicable financial reporting framework.

4.3 Our primary focus here is to report on the status of financial audits at the end of the reporting period. However, we will also report on audits that were undertaken, finalised, and tabled after that date, but before our Report on the Public Accounts for fiscal year 2019/20 was completed.

Public Accounts of Montserrat

4.4 The Report on the Public Accounts for the fiscal year ending 31 March 2019 were completed and tabled in the Legislative Assembly on 28 July 2020. The audit was qualified for material misstatements and for various breaches of regulations.

Montserrat Land Development Authority (MLDA)

4.5 The Financial Statements (Corporate) for the year ended 31 March 2017 and 2018 are being finalised for tabling.

4.6 The Financial Statements for the year ended 31 March 2017 were tabled on 27 April 2021. Meanwhile, the financial statements for the year ended 2018 were submitted for tabling at the next sitting of the Assembly.

Montserrat Social Security Fund (MSSF)

4.7 The Financial Statements for the year ended 31 March 2018 were tabled in the Legislative Assembly on 27 October 2020. We were advised that the auditors were in the process of completing the audit for the year ended 31 March 2019.

The Montserrat Port Authority (MPA)

4.8 The Finance Officer has advised us that audited copies of the Montserrat Port Authority's Financial Statements for the year ended 31 March 2020 were submitted to the Chairman of the MPA's Board for signature and for subsequent tabling in the Legislative Assembly.

Montserrat Financial Services Commission (MFSC)

4.9 The Financial Statements for the financial year ending 31 December 2018 were audited but were not yet tabled in the Legislative Assembly.

Montserrat Utilities Limited (MUL)

4.10 The Financial Controller has informed us that the draft 2020 Financial Statements was submitted to the MUL Board's Finance Committee for discussion and subsequent presentation to the Board for final approval.

Montserrat Info-Communication Authority (MICA)

4.11 MICA's Financial Statements for the financial years ending 2018 and 31 March 2019 were tabled in the Legislative Assembly on 29 September 2020.

Montserrat Volcano Observatory (MVO)

4.12 We have been awaiting the MVO's Financial Statements for audit for a number of years. Finally, in May 2021, we were provided with the statements and some source documents. We have not received all the source documents to adequately plan or commence the audit of the MVO Financial Statements for financial year 2015 onwards. The continued late or non-provision of the accounts for audit breaches the principles of transparency, accountability, and governance.

Bank of Montserrat Limited (BOML)

4.13 The Bank's Accountant has provided us with published copies of the BOM's audited Financial Statements for the fiscal years ending 30 September 2019 and 2020.

Montserrat Arts Council (MAC)

4.14 The 2016 Financial Statements for the Montserrat Arts Council are currently being finalised for tabling.

Montserrat Community College (MCC)

4.15 In my last report, I had advised that we were awaiting responses from the Principal to our queries to enable finalisation of the MCC's accounts for years 2013 - 2015 accounts. Despite several reminders, we did not receive the requested information, and we were unable to conclude these audits within the current reporting year.

Montserrat National Trust (MNT)

4.16 The Montserrat National Trust Statements of Financial Position for the 15 months ended 31 March 2020 were tabled in the Legislative Assembly on 31 March 2021.

Montserrat Philatelic Bureau (MPB)

4.17 In my last report, I stated that the accounts for the fiscal years 2011 to 2015 were returned to the entity for adjustment of material misstatements. We were informed that the accounts could not be adjusted and returned for audit. As a result, a decision was taken to issue a disclaimer of opinion on the accounts. In accordance with ISSAI's 1260 and 1580, I submitted a Report to Those Charged with Governance outlining the audit certificate that I was planning to issue and sought and received written representation. The accounts were finalised and sent to the Ministry of Finance for tabling at the next sitting of the Assembly.

Basic Needs Trust Fund (BNTF)

4.18 The Financial Statements for the fiscal years 2016-2018 were returned to the client for adjustments. The adjustments are being made by new accounting personnel and are taking longer than expected.

Montserrat Civil Service Association (MCSA)

4.19 The Financial Statements for the fiscal years ending 30 September 2014 and 2015 were tabled in the Legislative Assembly on 2 February 2021.

Golden Years Foundation for Care of Elderly (GYFCE)

4.20 We were advised that the 2019 Financial Statements have been audited, but that they are awaiting presentation to, and approval by, the GYFCE's Board.

Montserrat Girl Guides Association (MGGA)

4.21 The Financial Statements for the three fiscal years ending 31 December 2016, 2017 and 2018 were tabled in the Legislative Assembly on 27 October 2020. The accounts for the fiscal years 2019 and 2020 are currently being audited.

St. Augustine Primary School (SAPS)

4.22 The audited accounts for the fiscal years 2008 to 2013 for the St. Augustine Primary School were sent to the Ministry of Finance for tabling at the next sitting of the Assembly.

Cross Cutting Issues

4.23 **Lateness of audited accounts.** Statutory Agencies and Government-owned companies are required to compile their financial statements and to submit them for audit within 3 months of the close each fiscal year. Perusal of the information above will show that not one of them is adhering to this statutory requirement (see also Table 15 below). This intimates that Accounting Officers are not effectively carrying out their fiduciary responsibilities for reducing risk of fraud, and ensuring transparency, accountability, and

overall good governance over these entities. **Urgent attention is needed to correct these serious and prolonged breaches of the PFMAA and other regulatory and statutory requirements.**

4.24 The outstanding audits for Statutory Agencies and State-Owned Enterprises as of 31 March 2021 can be seen below. All of them are behind in their required audits.

Table 15
Outstanding Audits for Statutory Bodies and State-Owned Enterprises

ENTITY	Year(s) Outstanding							
	2013	2014	2015	2016	2017	2018	2019	2020
Financial Services Commission						√	√	√
Montserrat Arts Council					√	√	√	√
Montserrat Community College	√	√	√	√	√	√	√	√
Montserrat Info-Communication Authority								√
Montserrat Land Development Authority - Corporate						√	√	√
Montserrat Land Development Authority – Housing Management							√	√
Montserrat National Trust								√
Montserrat Philatelic Bureau			√	√	√	√	√	√
Montserrat Port Authority								√
Montserrat Social Security Fund							√	√
Montserrat Utilities Limited							√	√
Montserrat Volcano Observatory			√	√	√	√	√	√

4.25 **Slow responses to queries and/or requests for adjustments.** We have noted a number of occasions where responses to queries or requests for adjustments to the accounts take an inordinately long time in coming. Some of the reasons given include accounting personnel being overseas or there are changes to accounting staff. It is management's responsibility to ensure that they procure the right personnel who can be readily available to perform their required duties, to respond timely to auditors' queries and to make requested changes promptly, thus ensuring that audits are concluded in a timely manner.

CHAPTER 5 PERFORMANCE/SPECIAL AUDITS

5.1 Performance Audits review matters of (1) efficiency and effectiveness; (2) governance; (3) value for money; (4) quality of service to the public; (5) waste; (6) probity; (7) financial prudence; and (8) project management practices. The resulting report are submitted to Accounting Officers and are intended to identify good practices; raise issues and concerns; and make recommendations for improvements where necessary; are sent to the Legislative Assembly to facilitate general oversight of public entities. The are subsequently published via multiple channels to allow the public and all other stakeholders to be informed and to hold the Government accountable for its use of public funds and for the satisfactory delivery of public projects, goods and services.

5.2 This Chapter provides a synopsis of the performance audits undertaken during the reporting period. The audit topics were influenced by stakeholders' concerns raised in the news, on social media; or directly with us.

Standards used

5.3 The standards and guidelines used to guide work in this area were developed by the International Organisation of Supreme Audit Institutions (INTOSAI). These were supported by the Performance Audit Manual for United Kingdom Overseas Territories (UKOTs) developed and provided by the United Kingdom National Audit Office (UKNAO).

Performance Audit of the Montserrat Social Security Fund: Governance and Sustainability Background

5.4 The audit sought to examine the level of governance and the quality of the processes of planning, budgeting, and use of investments in the MSSF. We considered (a) the quality of internal records, monitoring and reporting for financial assets, (b) the related management of human and other resources, (c) interviewees' reported issues, limitations, and challenges and their causes, and (d) their impact on the efficiency and effectiveness of participating Departments. Finally, the study aimed to assess the use of investments and the provision of Social Security benefits in relation to the Social Security Act, as well as GOM's Policy Agenda, the Montserrat Energy Policy, and the SDP 2008 to 2020. In particular, we sought to identify the major planning challenges, budgeting deficiencies, issues surrounding investments and reserves, and operational issues facing the MSSF, and, hence, opportunities and recommendations for improving the outcomes of invested assets and their uses for all stakeholders, especially pensioners.

Main Findings

5.5 **Good governance overall but lagging digitally.** There is adequate oversight of strategic planning, budgeting, operational processes, and spending. Internal financial controls are strong. However, there is excessive use of paper, and too little use of all the available digital technologies for information, communication, services, & payments, including the MSSF's website.

5.6 Contribution rates and the ceiling for insurable earnings are too low. The current ceiling on insurable earnings and the rates of contribution are both very low, have not been raised for several years, and are well below the cost of the benefits that are being paid.

5.7 Declining population; smaller workforce. The 2018 Census showed a further decline in the population. Falling and aging population directly leads to (a) reduced contributions to MSSF's revenues, and (b) sharp increases in spending on benefits and especially on pensions.

5.8 The investment portfolio is poorly diversified and returns are too low. Contrary to best practice and to the MSSF's Investment Policy, the portfolio has been heavily concentrated in low-yield and short-term assets, which are unable to achieve the rate of return needed to pay benefits. The Social Security building represents a large portion of the portfolio.

5.9 Large annual deficits; rapid loss of reserves. The Fund has incurred a large deficit every year for the past decade. In just two recent years, it more than tripled: from \$1.42 million (2015) to \$4.63 million (2017). In turn, the reserves are falling rapidly and at a rising rate. Without immediate corrective action to boost contributions to the Fund, all reserves will be gone within as little as 4 years.

Key Recommendations

5.10 Increase contribution rates and the ceiling for insurable earnings. The MSSF should continue to request the Cabinet to act immediately to approve the much-needed increments in the current very low rates of payroll contributions to Social Security. The great urgency of the Fund's situation requires boosting contributions at least one percentage-point per year for both employers and employees for the first 2 or 3 years and then a shared percentage point or less per year thereafter. There is also the need for the Cabinet to create an automatic mechanism to raise the ceiling each year. We strongly recommend that the increment be at least 10% per year for the next 2 to 3 years and 5% per year thereafter. This will immediately boost contribution revenues, reducing the deficits and rapid loss of reserves.

5.11 Gradually raise the qualifying age for full pension. In line with rising life expectancy (hence, more years in retirement), a smaller workforce, and the rising portion of the population over 65 years of age, the MSSF should advise the Cabinet to continue to approve small increments to the qualifying age at which contributors become eligible for full pension-benefits.

5.12 Abolish, suspend, or reduce early pensions. The MSSF should continue to advocate for the Cabinet to act immediately to address the unsustainable burden of early pensions, including reducing the percentage of pension benefit for each month or year that persons claim pension earlier than their full qualifying age. Until the fund is returned to a sustainable basis, suspend any new claims for early pensions, except for cases of hardship.

5.13 Rebuild & diversify the reserves to support payment of benefits. To manage the MSSF's large and growing liabilities to past and current contributors to the Fund, the MSSF must have adequate reserves. As the biggest employer and the biggest stakeholder in the

MSSF, the GOM should begin to make periodic extra contributions to the Fund to replace the accelerating decline in the MSSF's reserves over the past 10 years.

Audit Conclusions

5.14 With an adequate framework for governance, the Montserrat Social Security Fund is effectively managing the administration of benefits, which, in dollar terms, are almost entirely pensions. This will greatly improve with increased utilisation of available technology. Most urgently, all of the actuarial reviews of the past 9 years have warned that the MSSF is no longer sustainable. The retroactive addition of GOM's employees to the MSSF (in 2012) without adequate contributions to fund their full actuarial cost placed an immediate (and continuing) unaffordable burden on the Fund. The introduction of the option of early pensions then greatly worsened the Fund's already weak financial position, as the number of pensioners has more than doubled since then.

5.15 Losses over \$14 million on investments with CLICO/BAICO were another major blow to the reserves. With low and falling returns on the portfolio, poor diversification of the assets, and annual deficits since year 2008, the reserves are rapidly falling and cannot sustain current benefits beyond the next few years. Outflows to pay current pensioners already far exceed the total contributions and investment income to the MSSF, resulting in losses that grow larger each month. Prompt actions by the Cabinet to boost both inflows and reserves are paramount.

GOM Strategic Planning and Budgetary Processes: 2016-2019

Background

5.16 This performance audit focused on (1) the internal organisation, governance, and processes of key departments (e.g., the MOFEM's Budget Unit, the Economic Management Unit, the Policy & Planning Unit, and related stakeholders such as the Monitoring & Evaluation Unit, OOP), (2) the GOM's policy framework for strategic planning and budgeting, and (3) the interaction with the various supporting Ministries and other stakeholders (e.g., consultants and the DFID). These connected dimensions have implications (a) for governance, (b) for departmental effectiveness and efficiency, and (c) for the quality of projected outputs, outcomes, and post-implementation services to the public. In turn, the quality, and the timely completion of public projects particularly (and, more generally, the activities of the GOM and throughout the MPS) affect the entire economy and society of Montserrat. This is important since, in the post1995 era, the central GOM and the wider public sector constitute, directly and indirectly, up to 75% of GDP and roughly 65% of full-time employment in the national economy, and they have numerous multiplier effects.

5.17 The audit sought to examine the level of governance and the quality of the processes of strategic planning and budgeting in the public sector of Montserrat. We considered (a) the quality of templates, internal records, and reporting, (b) the management of human and other resources, (c) interviewees' reported issues, limitations, and challenges and their causes, and (d) their impact on the organisational efficiency and effectiveness of participating Departments. Finally, the study aimed to identify, to measure, and to assess the channels of

communication with other agencies and stakeholders. In particular, we sought to identify the major planning challenges and budgeting deficiencies facing the relevant Departments, and, hence, opportunities and recommendations for improving the outcomes for all stakeholders.

Main Findings

5.18 Good governance overall. An important finding of our research is that, despite some deficiencies within various bodies/committees, there is adequate oversight of strategic planning, of budgeting processes, and of projects. Actual spending is kept strictly in line with actual revenues. This contributes to the SDP's Goal #3.

5.19 Restricted funding. The DFID's emphasis on containing costs and headcount in the MPS creates rising pressures on planning and budgeting in all Departments. Very low to no growth in nominal terms means either stagnation or a decline in real spending and in real economic output. This trend undermines all of the goals within the Cabinet's Policy Agenda and within the SDP.

5.20 Population is declining. The results of the 2018 national census point to a significant decline in Montserrat's population since year 2011. This is contrary to the GOM's Policy Agenda and the SDP's Goal #5, which requires a doubling of the population from current levels. Falling population directly correlates with (a) shortfalls in local tax revenues from budgeted levels, (b) very low growth or declines in real spending, and (c) little or no growth in real economic output.

5.21 Progress made in local economic models, forecasting, and statistical bases. The MOFEM has developed reliable home-grown econometric models and forecasts for Montserrat's economy. Prior to year 2018, we found that a number of economic and statistical surveys had not been done at all, or for a number of years, resulting in outdated information, inadequate datasets, and limited inputs for planning and budgeting. Since then, the Montserrat Statistics Department has launched a website, done a national census and labour-survey (in 2018), and published extensive data (in 2019 and in 2020).

5.22 Limited budgeting for inflation, contingencies, and currency fluctuations. Most Departments that we surveyed complained about (a) being under-funded and (b) having been often denied their various requests for new spending. Compounding this is that (a) GOM's budgeting makes little provision for inflation (e.g., realistic increases in the prices of existing goods and services) and (b) long periods elapse without allowances for public servants for the rising cost of living (e.g., through periodic salary increases). Hence, real spending and real wages have been constrained. This also reduces the competitive ability of the GOM to attract and to retain talent.

Key Recommendations

5.23 Increase the funding for infrastructure. Given the value of the assets at risk, and the range of other risk factors, the MOFEM and the Cabinet should increase their efforts to secure more funding to eliminate the backlog of repairs and maintenance across the public sector.

This also requires adequate funding for investments in essential new projects: e.g., airport, seaports, roads, bridges, hospital, and energy. This will support SDP Goal #1. Increased accessibility and mobility, including provision for the poor, for the elderly, and for the disabled, also support SDP Goals #2 & #5.

5.24 Increase immigration & repatriation. To achieve the SDP Goal #5, the Cabinet, in partnership with the OOP, the ODG, the HRMU, and the Immigration Department, must review and improve the GOM's policies and processes (i) for immigration, (ii) for recruitment, (iii) for foreign businesses and investments, and (iv) for returning nationals. Recommendations include: (a) simplify procedures, (b) put all forms, payments, and processes online, and (c) create a more welcoming and supportive environment for investors, for immigrants and for the Diaspora to come to Montserrat and to remain for the long term. Better immigration also supports (1) rebuilding of the depleted workforce, (2) increased diversity of skills, and (3) improved retention of talent. Diversity also enhances innovation, which boosts competitiveness. A larger population will further support SDP Goal #1.

5.25 Plan better for inflation, contingencies, & currency fluctuations. For example, build more flexibility into the GOM's budgets, using the actual experiences of the past 5 years. Use more conservative forecasts for local revenue and collections to increase the likelihood that actual revenues and collections will match or exceed expectations, rather than falling short. Anticipate and budget gradually higher prices, salaries, benefits, and costs: (a) for inflation of prices, and (b) further increases for real growth.

5.26 Strategically diversify both funding and the economy. The Cabinet and the OOP should expand their efforts to mitigate the risks of overreliance on the DFID as the primary source of funds for the GOM. Furthermore, plan and budget for resilience and diversification to address other risks such as (a) natural disasters, (b) global warming (e.g., health risks), (c) rising sea-levels (e.g., risks to infrastructure), and (d) high dependence on imports (e.g., risks to the supply chain).

Audit Conclusions

5.27 With heavy reliance on the UK Government's aid for the recurrent budget, and on external donors' funding for the capital budget, the Government of Montserrat faces severe constraints in planning and budgeting. Often, the wait for external approval delays decisions and actions, including the final Budget and the Premier's annual Budget Speech. Fluctuating prices for fuel, for utilities, and for imported items create rising costs and prices on the island, contributing to inflation for the public service. Without appropriate budgeted increases for (a) contingencies, (b) inflation of prices, and (c) adequate periodic increases in public servants' nominal salaries, the real spending in the public sector has risen at a low rate and, in several areas (e.g., tourism), declined in nominal terms as well as real terms over the past decade. In turn, the average rate of real economic growth has been very low, and the island's GDP remains below pre-1995 levels.

5.28 Together, these factors require (a) gradually higher spending simply to maintain existing services, programmes, and projects, and (b) further budgeted increases to support

real growth. However, the effective value of external aid (in local currency) and the real value of local revenues have tended to be below optimal levels and, in some years, either stagnant or falling. Recurring shortfalls in revenues/collections below the budgeted inflows then compel the Ministry of Finance to ask all Ministries and Departments to curtail their budgeted spending, which is already limited, towards the latter part of each fiscal year. In its annual negotiations and Financial Aid Missions to Montserrat, the DFID has tended to put downward pressure on the growth of GOM's recurrent spending, including requesting that the public service's establishment headcount be frozen.

5.29 Overall, this cycle of external shocks and dependence on aid causes inefficiencies, increases unit costs, reduces outputs, and delays outcomes throughout the MPS. Constraints on public spending directly limit the economy, while hindering the development of the private sector, thereby delaying achievement of the Sustainable Development Plan 2008 to 2020. Repairs and maintenance of infrastructure have been under-funded and delayed over the past several years. Prior to the new funding of GBP 30 million agreed between the DFID and the GOM under the 5-year Capital Investment Programme for Resilient Economic Growth (CIPREG) programme (for projects and investments spanning the years 2019 to 2024) for Montserrat, funding for investments in new infrastructure was slow and well below what was needed. Local implementation was often inadequate; a number of projects, therefore, either have not started/finished when expected, or have stalled. A more realistic and flexible approach to planning and to budgeting is clearly necessary. More funding, immigration, and investments are required in the short term to ensure real and sustainable growth in the long term, both for the economy and for the society in line with the SDP's Goals.

Special Financial and Compliance Audit of the Montserrat Ferry Service Operations Overview

5.30 Access is an essential component of every country's development agenda. Montserrat has been utilising ferry services to transport people and small cargo between Montserrat and Antigua from 1997 following the eruption of the Soufriere Hills Volcano in July 1995. During this period, several carriers were utilised to provide the service. However, the focus for this review of the ferry financial operations was the periods from January 2016 to June 2018.

5.31 The audit was an assessment of the financial records with an aim to provide reasonable assurance whether the financial operations followed the GOM's directives, and whether any resulting financial statements were presented in accordance with the Accountant General's directives.

5.32 Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk to an acceptable low level. Reasonable assurance is appropriate since the information required should be readily available and persons involved with the planning and execution of the Montserrat Ferry Services are experienced and qualified.

Main Findings

5.33 **Non-Submission of Essential Documents.** Supporting documents were missing. The Access Division did not submit the payment voucher files for the period from May 2016 to December 2016. Most of the payment vouchers and supporting documents for March and April 2016 were also missing. As a result, payments for this period could not be properly verified.

5.34 The approved budgets for fiscal years 2016-2017 and 2017-2018 were not submitted for review. The only submission was the budget for April 2018 to March 2019 several months after it was requested. Additionally, the actual figures for the first quarter (April 2018 to June 2018) were omitted and these were relevant to the audit scope.

5.35 **Manual Sales Reports were not provided.** There was no evidence that manual sales reports were being prepared prior to the establishment of the online ferry system. These were requested but were not presented for review during this audit.

5.36 **Revenues collected were not deposited in timely manner.** Revenue Collections by Jenny Tours are not being consistently deposited in a timely manner. The Access Division has allotted a period of seven days for depositing sales revenue collected from Ferry operations, but this was not adhered to consistently. In some instances, deposits were done several weeks after collection.

5.37 **Differences noted between Online Sales Reports and Agents' Deposits.** Differences were noted between the sales reported on the online ferry system and each agent's deposits.

5.38 **The Close-off Routine at the end of shifts is cumbersome.** Currently, the ferry system cannot generate separate reports for each journey/shift. This makes it quite cumbersome when reconciling the receipts for each journey to the ferry system and the bank deposits. This is especially an issue for Jemmotte Shipping & Tours since sales receipts are deposited after each journey.

5.39 **No documented Fraud Detection Policies and Procedures.** The Division does not have documented fraud detection policies and procedures. IAS 240 requires the review of the auditee's processes and procedures against fraud.

5.40 **Cumbersome Close-off Procedures.** At the end of each shift, the sales agents on duty are responsible for reconciling their cash and paying over monies collected on behalf of different government departments (e.g. security fees, customs charges, departure taxes) to ensure that they agree, as discrepancies are easy to occur. After they have been calculated, the fees are handed over to the various customs officers and immigration officers. This is a cumbersome process that could leave room for errors to occur.

Key Recommendations

5.41 **Improve record management.** Management must review its method of hard copy data storage, with a view to improving accessibility, identification, and retrieval times. The

appropriate steps should be taken to ensure that financial records are stored appropriately, in conformity with generally accepted control procedures.

5.42 Improve the budgeting process. Management should make the necessary arrangements to ensure that budgets are properly prepared and presented for audit in a timely manner.

5.43 Ensure daily deposits. Deposits should be carried out daily and all cash receipts should be deposited in a timely manner. As a result of Management's decision, Jenny Tours was allotted a time frame of 5 to 7 days for depositing collections. This should be reduced further as this allows a lengthy time lapse between collections and deposits. Daily deposits reduce the risk of theft and loss.

5.44 Implement separate reports. Separate sales reports should be generated for both morning and evening journeys in order to make it easier to reconcile each journey's receipts with the agents' sales as reported on the system.

5.45 Strengthen Internal Controls. The Division should implement as a matter of urgency, policies, and procedures, that will facilitate fraud prevention and detection. The necessary training controls should be reviewed on an ongoing basis. For instance, participation in International Fraud Awareness Week, should be encouraged to minimise the impact of fraud by promoting anti-fraud awareness and training.

5.46 Submission of daily reports. Both agents should submit daily sales reports with attached deposit slips for consistency and ensure submission of the access reports by the end of the week. Reports should be stamped "Received" and dated by the Access Division's accountant. Additionally, accurate reconciliations of sales revenue and deposits should be completed by each agent and forwarded to the Access Division.

5.47 Collection of Fees. All fees related to travelling be included as part of the cost of the ticket – customs charges, security charges and departure tax. All monies owed to the GoM should be calculated and paid over at the end of the month rather than being deducted and paid over at the end of each shift. This will significantly reduce costs by eliminating the printing of receipts and will also save time and effort, while speeding the processing of passengers.

Audit Conclusion

5.48 Our observations and investigations revealed necessary processes that were not in place and these gaps impacted the control environment. The audit identified areas for improvement related to the adequacy, the efficiency and the effectiveness of the management control framework supporting the management of departmental expenditures, revenues, assets and liabilities. These main areas of concern as described in Chapter 2, require further investigation and remedial action by management. As a result, we were unable to provide reasonable assurance that the financial statements were free of material misstatements due to error or fraud.

Subsequent Events

5.49 Subsequent to the date of financial position June 2018, several developments have been brought to the attention of the Office of the Auditor General. Commencing June 2019, the accounting transactions of the Montserrat Ferry operations were being recorded on the GoM Accounting System - SmartStream. Therefore, the accounts will now be reflected in the 2019/2020 GoM Public Accounts. The Montserrat Ferry Service still maintains a separate bank account for depositing revenue from the ferry operations; these are paid over monthly to the Treasury Department.

5.50 A pricing and concessionary policy was implemented in October 2019, along with an approval form which will require the necessary authorization and approval by the related Ministry/Department and Access Division. This policy clearly outlines the ferry rates for individuals as well as eligibility for discounts and concessions by individuals and groups.

5.51 For full details of these audits, please visit our website at <http://oag.gov.ms> under Publications or our Facebook page at Office of the Auditor General, Montserrat.

CHAPTER 6 IT AUDITS

6.1. The objective of the IT Audit is to ensure that the government receives value from Information Technology (IT) investments and that the associated security risks are properly managed. This chapter will therefore provide a synopsis of the work undertaken by the IT Audit Unit during the reporting period.

Standards Used

6.2. The standards and guidelines used for these audits include the use of applicable government auditing standards for IT audits, (ISSAIs), together with COBIT 4.1, FISCAM, NIST, and the IDI Handbook for IT Audits.

IT Audit of Montserrat Land Info – Online Mapping Portal

Background

6.3. A Geographic Information System (GIS) is a computer system built to capture, store, manipulate, analyse, manage, and display all kinds of spatial or geographical data. The GISC developed and implemented a GIS-based Land Information System (LIS) project, with aid from the United Nations Development Programme (UNDP). This project was the foundation for the Montserrat Land Info (MLI) Online Mapping Portal which offers access to Montserrat's geo-spatial data.

6.4. The objectives of this Post-Implementation Benefits review, were to:

- (a) Establish whether MLI Online Mapping Portal met the original project objectives and delivered the anticipated benefits;
- (b) Determine whether the MLI Online Mapping Portal adhered to the requirements of the system development methodology; met the specified functional requirements; and met the users' needs; and
- (c) Determine whether those involved in development of the MLI Online Mapping Portal were, and are, properly skilled/trained/qualified.
- (d) Assess the project's cost/benefit analysis and any improvements/changes made to the MLI Online Mapping Portal during the developmental phase;
- (e) Establish if there are any plans for future enhancements; and if pertinent,
- (f) Provide direction for the future of the MLI Online Mapping Portal/platform.

Main Findings

6.5. The main findings and key recommendations of this Post-Implementation Benefits study were as follows:

- The aerial photography dataset of the geo-spatial database is very outdated, as the last aerial photography of Montserrat was taken in 2010. The Geographical Information Systems Centre's (GISC) numerous proposals for financial aid to procure a drone to collect the latest geo-spatial data of Montserrat have been unsuccessful.
- The MLI provides additional revenue for the Government of Montserrat to offset the annual budget for education, health, roads, and so on.
- GIS technology has been utilised in various ways and in several sectors, on island, such as: Crime; Telephone/Network services; Disaster Management; Land Information; Surveying; Tax Management; Statistical Information; Volcanoes; Coastal Management; provide support in Geothermal Energy project; Produced map for trails and hike routes and for Ash Clean-Up project; assisted in the Airport project, and the Look Out and Davy Hill housing projects; conducted Vulnerability Assessment for climate change; risk mapping of low lying areas that are prone to storm surges, landslides, and wind susceptibility; and so forth.
- The Lands & Survey Dept. (LSD) has not been continuously updating the GIS data with cadastre map/sheets, as they do not have any work protocols that mandates the updating of the database. Efforts are already being made by the department to resolve the issue.
- Both the GISC and LSD are short staffed. As a result, this leaves the GISC Manager with very little time to focus on aspects that can progress the department; and the cadastral maps/sheets data of Montserrat at the LSD, being very out-of-date

Key recommendations

6.6. We strongly recommend that MATLHE purchases a drone for the capture of aerial photography of Montserrat's current terrain, in order to update the very outdated imagery dataset.

6.7. We recommend that the GISC, the LSD, and the Human Resource Management Unit (HRMU), renew their efforts to recruit the much-needed qualified personnel for both departments.

Audit Conclusion

6.8. The GISC successfully achieved the goals and objectives pertaining to the development and implementation of the MLI Online Mapping Portal. This user-friendly web portal, provide users with access to Montserrat's geo-spatial database, for a small cost.

6.9. However, the geo-spatial data do not give a true representation of the Montserrat's current terrain and infrastructure as the database is very outdated. Therefore, efforts should be made to update it, as the utilisation of this GIS technology could be very beneficial in the continued and future development of the island.

Overseas Territories Regional Crime Intelligence System

Overview

6.10. The Overseas Territories Regional Crime Intelligence System (OTRCIS) is a networked computerised system that was developed in 1996 by MEMEX Technology Limited and designed to assist the British Caribbean Overseas Territories (Anguilla, British Virgin Islands, Cayman, Montserrat, and Turk & Caicos) Police, Customs, and Immigration Departments in the prevention, detection, and investigation of major crime. The Royal Montserrat Police Service (RMPS) commenced utilising the OTRCIS software, circa 1998/1999, to gather and share information with the other Caribbean Overseas Territories (COTs).

6.11. The objective of this Information Security (IS) review was to establish if the OTRCIS software and the related computer and communication (internal & external) systems are properly secured against unauthorised access and modification of information whether in storage, processing, or transit, and against denial of service to authorised users.

Key Findings

6.12. **Security.** Very secure software. OTRCIS software is very robust and secure with very stringent policies, procedures, and controls in place that ensure the safeguarding of OTRCIS-related computer equipment; and the data that is inserted in the forms, stored on the server, and transmitted across the network; against unauthorised access and modification.

6.13. **Non-operational Door Access Control and External Surveillance Camera Systems.** The buzzer door system for controlling the traffic in and out of office areas at Brades Police Headquarters, and the external security camera system have been non-operational for several years.

6.14. **Insufficient Fire Suppression Apparatus.** Inspections of the main foyer area and IT and Server Rooms at the Brades Police Station, revealed that there are either missing, or no electrical fire extinguishers, installed in either of these spaces.

6.15. **Redundant Emergency System.** There is an Emergency System (ES) comprised of fire alarms, smoke detectors, and temporary lock-up (or jail) cell buzzers, installed at the Brades Police Station that was disconnected approximately three to four years ago by the vendors, after it malfunctioned.

6.16. **Lack of Backup Power Supply.** It was noted that the computer equipment at the Salem Police Station is not protected against power outages, surges, spikes, burnouts, or temporary loss of information, by backup sources of power such as a backup generator and interactive-line UPSs. However, it was indicated that the RMPS has future plans to resolve the current situation.

Recommendations

6.17. **Replacement of Door Access Control and Surveillance Cameras Systems.** We are recommending that the RMPS renew its efforts to procure replacements for the non-operational front buzzer door and external security camera systems with either a keycard-based door access control system that generates audit trails; and/or one that is combined with both internal and external camera surveillance. Another option is a biometric security system with fingerprint or hand geometry readers, or facial recognition scanners.

6.18. **Replacement Equipment.** We are recommending that [a] fire extinguishers be installed in the Server and IT Rooms, and in the foyer; and [b] the Emergency System be reinstated for the early detection and warning of smoke and fire; and [c] facilitation of distress calls from the jail cells.

6.19. At the Salem Police Station, there is a need for Line-interactive UPSs to safeguard against data loss and to protect the computer equipment from power surges, spikes, and burnouts. Also needed is a backup generator to supply a steady, reliable, source of electricity during power outages or other emergency situations.

Audit Conclusion

6.20. The Office of the Auditor General (OAG) has concluded that the OTRCIS software is a very robust and properly secured against unauthorised access and modification of information. This was achieved by the establishment of very stringent Outsourcing, IT Operations, Application, Information Security, Disaster Recovery and Business Continuity policies, procedures, and controls by both the contractor and the RMPS.

6.21. The only weaknesses that were found were Environmental and Physical Access related factors; it is advisable that the RMPS consider and address the highlighted shortcomings and recommendations in a timely manner.

Post-Implementation Study of the Alexandria Library Management System: January 2006 – October 2018

Overview

6.22. From its official inception circa 1950s, the Montserrat Public Library (MPL) utilised the manual Browne Issue library system to manage the loaning of books and resource materials. However, in 2006, the MPL decided to implement the automated library management software called Alexandria, in order to improve upon the previous outdated, manual, library system and to streamline the library services being provided to the general public.

6.23. The main aims of this Post-Implementation Benefits review were to:

a) Determine whether the benefits identified for investing in the Alexandria library management software, were achieved.

b) Determine whether the MPL has any plans for future enhancement of the Alexandria library management software.

Key Finding and Recommendation

6.24. The key finding of this Post-Implementation Benefits study was that the MPL will shortly be utilising Cloud technology. However, the organisation is governed by the Central Library Act, which does not make provisions for the future Information Technology initiatives that the MPL intends to implement; specifically, there are jurisdictional issues. With the use of the Internet and Cloud technology, foreign regulations on information storage and transfer may limit what can be stored and how it can be processed; data may be used by law enforcement of a foreign country without the knowledge of the organisation; privacy and security standards may not always be commensurate; and disputes as a result of the different legal jurisdictions, which cannot be totally avoided.

6.25. Therefore, we are strongly recommending that the GoM establish and approve the Information Communications Technology Bills and Regulations that were pledged in the 2019 Labour Day Address, on 6th May 2019 within the next 2 years. The Ministry of Education, with support from the Montserrat Public Library, should liaise with key stakeholders to ensure the establishment of these appropriate Laws and Regulations and their alignment with the Central Library Act to counter the aforementioned and any other data security issues that could potentially arise with the Cloud hosting option and intended future initiatives.

Audit Conclusion

6.26. From this Post-Implementation Benefits audit, we have determined that the Alexandria Library Management Software has streamlined the library services; and the achievement of planned initiatives would be advantageous for the Library, for its patrons, and for the general public at large, in the long term.

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

CHAPTER 7 AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE

Strategic Assessment

7.1. This Chapter will give a synopsis of the work our Offices and matters affecting our operation during reporting year. A more in-depth report can be found in the OAG Integrated Annual Report 2020 on our website at <http://audit.gov.ms> under Publications. It is however included here to allow our stakeholders to get a better view of our operations thereby allowing for transparency and accountability.

Governance Arrangements

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

Functions of the Auditor General

7.3. The functions of the Auditor General, and by extension that of her office, are enshrined in Section 103 of the Montserrat Constitution. It mandates the Auditor General is to audit and to 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. .

7.4. The Constitution also allows the Auditor General to conduct value-for-money audits to assess the economy, the efficiency and the effectiveness of Government's systems, operations, and transactions.

7.5. We also operate in accordance with the Public Finance (Management and Accountability) Act, (PFMAA) 2008, and other laws and regulations that affect our work.

Risk Assessment and Management

7.6. As future events could adversely affect achievement of objectives or provide opportunities that can be advantageous to our operations, a risk assessment and management strategy is followed. For this purpose, we focus on determining detection risks that can lead to the issuance of an inappropriate audit opinion. We also seek to manage operational risks that can arise from inadequate or failed internal processes, systems, people or external events.

7.7. To manage these risks, we engage in various mitigating activities. These include, but are not limited to, capacity building activities to ensure that the members of the staff that

are assigned to the various audits are equipped with the appropriate skills; updating audit manuals and policies; and engaging with various stakeholders to ensure that adequate resources (human, financial, IT etc.) are provided when needed.

Strategic Plan Progress

7.8. Our Key Strategies for the 2019-20 financial year were:

- a) Establishing the Montserrat National Audit Office (MNAO) to ensure an independent audit office that facilitate accountability and transparency. This did not come to fruition as expected. The Cabinet had approved the National Audit Bill in August 2019. Unfortunately, the Parliament was subsequently prorogued; a general election called; and a new government was installed in November 2019. The Bill was not submitted to the Parliament by the end of the reporting period.
- b) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in the staff's capability and skills; and development of policies, procedures and guidelines that facilitate quality work and meet international audit standards/guidelines. This is an ongoing activity in which we continuously engage in various capacity-building activities to improve our audit skills.
- c) Fully implementing the OAG's Stakeholder Engagement Strategy to improve communications with stakeholders, thus assisting transparency and accountability in public financial management.
- d) Conducting a Peer Review of our operations. This was to take the form of a SAI PMF Assessment – an assessment framework developed by INTOSAI – and conducted by independent international and regional assessors. This had to be postponed as a result of the COVID-19 pandemic.
- e) Establishing a survey of our stakeholder to determine their satisfaction with the OAG's performance, and areas for improvement.

7.9. Overall, we have had mixed results in accomplishing our strategic goals for the year. Some of the challenges we faced that impacted our achievement are highlighted below.

Challenges faced during the year

7.10. We faced many challenges during the year. The most prominent of these were:

- Absenteeism of staff
- Vacancies and prolonged recruitment processes
- Untimely feedback and slow responses from some auditees
- Intermittent network failures and utility outages
- Accommodation issues and
- COVID-19 related work interruptions

OAG Financial Performance

7.11. Approved revenue amounted to \$25,000. Actual collection was \$30,000.

7.12. Approved Expenditure for the 2019-20 fiscal year was \$1,232,200. Actual expenditure totaled \$1,058,775, this being 14% less than that authorised. This arose primarily because some expenditures that were agreed in principle did not receive final authorisation within the fiscal year.

7.13. The major categories of expenditure continue to be compensation of employees and acquisition of goods and services utilising 80% and 17% of the budget, respectively.

Human Resource Management and Development

7.14. The OAG employs 16 persons, 13 auditors and 3 support staff. The composition of our staff is outlined in Appendix 6.

7.15. One Senior Auditor demitted office in August 2019. This vacancy and one for a post of Auditor were filled in October 2019 and February 2020 respectively.

7.16. With respect to performance management and succession planning, we continue to follow ISSAI 1220, to monitor the work of the staff, and to provide feedback on an assignment basis. We also continue to focus on our capacity development initiatives to enable staff skills to be continuously upgraded to meet the challenges of an ever-changing audit environment. To that end, 6 employees were engaged in various professional development programmes. Additionally, the staff participated in general public service in-service training; in-house training; and attendances at regional/international conferences, meetings or workshops.

Work Force Performance

7.17. The following table shows the work undertaken together with state of completion during the fiscal year. The first table in this segment will report on work completed and tabled within the fiscal year.

Tabled Reports	
Type of Audit	Quantity
IT Audit	4
Performance Audit	2
Environmental Audit	1
Financial Audit	
• Statutory	6
• Public Accounts	1
Special Audit	1

7.18. The next table is intended to show the work in progress at the end of the reporting period.

Audits completed or in progress		
Type of Audit	Quantity	Audit Status
Financial		
• Public Accounts 2018/19	1	Completed but not yet tabled
• Statutory Agencies	3	Procurement of private sector audits in progress
	1	Audit in progress
	1	Fieldwork completed. Final adjustments awaited
	1	Audit completed and awaiting tabling
• Private	1	Audit completed and awaiting sign off
	1	Audit completed
	2	Fieldwork completed. Final adjustments awaited
	1	Audit completed. Final accounts awaited.
Performance	1	Audit completed
	2	Exit discussion pending
	1	Audit at report drafting stage
IT	1	Audit completed
	2	Audit in progress
Compliance	1	Audit completed
	3	Audit in progress
Special Audit/Investigation	1	Audit being finalised

Follow-Up on the Implementation of Prior Year Audit Recommendations

7.19. As part of our audit, we provide recommendations that would aid Accounting Officers in improving their operations. It is our practice to see whether these recommendations are implemented. In our review, we found that, as at 31 March 2020, 23% were fully implemented, 6% were partly implemented, 18% were in progress, and 24% were not implemented while we got no response for implementation for 29%. See Appendix 5 for the status of audit recommendations.

7.20. Generally, Accounting Officers are happy to report on the actions they have taken; hence, a non-response to requests for information on implementation of recommendations indicates that no action was taken. Thus, taking this passive acknowledgement of no action together with the not-implemented category, we see that over 53% of the recommendations were not implemented despite Accounting Officers agreeing to the recommendations at the time of the audit. No valid explanation has been provided for this lack of action.

Acknowledgements and Appreciation

7.21. 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 organisations.

7.22. Our work could not have been completed without the input of various stakeholders. I extend sincere thanks to the stakeholders who provided financial and other technical assistance that allowed us to undertake several 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/FCDO, IDI, CAROSAI and its member organisations, UK National Audit Office, the ACCA Caribbean and the Government and peoples of India.

7.23. I am also grateful to Miss Florence Lee, former Auditor General, for her 42 years of dedicated service spent within the Montserrat Public Service, but more particularly for the service rendered in the management of the Office of the Auditor General over the past two decades; her guidance given to our audit staff; her input into the audit work; and her help in the drafting of this audit report but who demitted office before this final report was completed. Thanks, Miss Lee.

7.24. Last year (2020) was challenging with work being delayed primarily due to inaccessibility to information, documents, and personnel, all of which were forced by the COVID-19 related national shutdowns/lockdowns. This was also coupled with inadequate IT equipment (both hardware and software) to aid in meeting the challenges posed by working at home and social distancing restrictions. I am, however, grateful to my staff for rising to the challenges and for performing the audit work to a high standard. I, therefore, take this opportunity to say thank you for your hard work and dedication despite the many challenges encountered during this fiscal year.



Marsha V. E. Meade, B.A., M.Sc.
Auditor-General (Ag.)
Office of the Auditor-General
Montserrat, West Indies
20 July, 2021

APPENDICES

Appendix 1	Consolidated Fund Financial Statements 2019-20	68
Appendix 2	Audit provisions – Montserrat Constitution Order 2010	90
Appendix 3	Accounts to be submitted by the Accountant General	93
Appendix 4	Accounts to be submitted by Accounting Officers	95
Appendix 5	Status of Audit Recommendations	96
Appendix 6	Organization Chart	108

APPENDIX 1
GOVERNMENT OF MONTSERRAT
Consolidated Fund - Statement of Assets and Liabilities as at March 31, 2020
(with comparative figures for March 31, 2019)

FINANCIAL ASSETS		2019	2020
Consolidated Fund Accounts	2	6,620,186	3,374,084
Operating Account at ECCB	3	463,430	219,514
Development Capital Fund Account	4	26,038,877	14,986,700
Crown Agents # 2 Account	5	2,358,247	2,290,322
Fiscal Reserve - A/C # 1 Tranche ECCB	6	4,589,967	4,656,225
Volcano Relief Bank Accounts	7	253,022	253,022
CDB Loan Payment Account	8	1,466,868	1,468,603
EU Savings Account at RCB	9	119,860	121,965
Equity –Bank of Montserrat Limited	10	14,730,362	15,646,604
RAC Grenada Bond	11	797,105	727,791
Personal Advances	12	412,550	370,092
Outstanding Imprest	13	30,696	129,774
Advances to Other Governments & Administration	14	140,660	144,923
Other Advances	15	0	0
TOTAL ASSETS		58,021,830	44,389,620

CONSOLIDATED REVENUE FUND
Statements of Assets and Liabilities as at March 31, 2020
(with comparative figures for March 31, 2019)

		2019	2020
LIABILITIES			
Miscellaneous Deposits	16	2,910,913	3,106,015
Postmaster Clearance	17	96,092	0
Development Fund Payable	18	19,956,634	7,658,933
Special Funds	19	<u>14,959</u>	<u>14,959</u>
TOTAL LIABILITIES		22,978,598	10,779,907
THE CONSOLIDATED FUND			
Balance at the start of the Year		42,890,771	35,043,232
Fund Adjustment	20	(5,913,490)	1,286,858
Revenue (recurrent) for the Year		129,566,555	134,099,159
Expenditure (recurrent) for the Year		<u>(130,782,328)</u>	<u>(136,581,144)</u>
Surplus/(Deficit)		(1,215,772)	(2,481,984)
Transfer to Local Costs	21	<u>(718,276)</u>	<u>(238,392)</u>
TOTAL CONSOLIDATED FUND		<u>35,043,232</u>	<u>33,609,713</u>
TOTAL		<u>58,021,830</u>	<u>44,389,620</u>

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

Accountant General, Montserrat

CASH FLOW STATEMENT as at March 31, 2020
(with comparative figures for March 31, 2019)

		2019	
		Restated	2020
Cash Flows from Operating Activities			
Cash Receipts for:			
Tax Revenues	23	45,599,468	44,707,608
Non-Tax Revenues	24	5,463,831	9,947,782
Budgetary Aid and Grants	25	77,999,826	78,441,501
Revenue Receipts Development Projects		2,930,061	733,696
Cash Paid for:			
Recurrent Expenditure (Excluding SCAF)	26	(131,905,895)	(134,765,436)
Revenue Expenditure Projects		(5,438,967)	(9,288,920)
Net Cash flows from Operating Activities		(5,351,676)	(10,223,769)
Cash Flows from Investing Activities	26		
Cash Receipts for:			
Capital Project Receipts		14,637,615	11,980,150
Receipts for Sale of Tangible Assets			206,813
Investing Receipts Financial Assets		572,744	1,221,642
Cash Paid for:			
Capital Projects		(6,543,480)	(15,961,017)
Other Fixed Assets (SCAF)		1,123,567	(1,815,708)
Net cash flows from Investing activities		9,790,447	(4,368,120)
Cash Flows from Financing Activities	27		
(Increase)/Decrease in Advances		(75,475)	(84,441)
Increase/(Decrease) in deposits		(71,933)	195,102
Effect of exchange rate changes on cash and cash equivalents		(87,957)	(58,793)
Other Receipts and Transfers		0	0
Net Cash flows from financing activities		(235,365)	51,868
Net cash flows		4,203,406	(14,540,021)
Cash and cash equivalents at the beginning of the period		37,707,051	41,910,457
Cash and cash equivalents at the end of the period		41,910,457	27,370,436
		Accountant General, Montserrat	

**Statement of Cash Receipts and Payments for the Government of Montserrat
as at March 31, 2020**

	Notes		Third Party Payments	Third Party Payments
Receipts				
Tax Revenue		2019		2020
Taxes on Income, Profits and Capital Gains		19,649,417		20,474,320
Taxes on Property		657,496		980,696
Taxes on Domestic Goods & Services		2,240,867		2,105,042
Licences		3,278,258		2,959,822
Taxes on Int. Trade & Transactions		19,773,433		18,187,728
Total Tax Revenue	22	45,599,468		44,707,608
Non-Tax Revenue				
Rents and Interest and dividends	23	925,839		1,027,422
External Assistance - Budgetary Aid	24	77,999,826		78,441,501
External Assistance – Development Grants	30	17,567,676		12,713,845
Fees, Fines and Permits	24	2,047,073		5,405,662
Reimbursements	24	344,361		1,228,034
Other Receipts Recurrent	29	2,026,509		2,286,664
Capital Receipts	28	120,487		206,813
Receipt from Investment	20	572,744		1,221,642
Other Receipts and Transfers	31	0		0
Net Receipt Advances and Deposits	30	0		110,661
Total Receipts		147,203,545		147,349,852
Payments				
Personal Emoluments	25	45,028,775		46,996,856
Pension, Gratuities and Other Benefits	25	11,881,434		13,831,662
Goods & Services	25	40,195,992		46,464,804
Transfers and Subsidies	25	22,730,593		16,863,547
Social Services	25	5,130,123		4,931,457
Other Expenditure	25	4,700,073		6,373,164
Debt	25	1,115,338		1,119,653
Capital Expenditure (Development Fund)	29	6,600,037		15,961,016
Revenue Expenditure (Development Fund)	30	5,382,409		9,288,920
Advance and Deposits (net))	30	147,408		0
Total Payments		142,912,182		161,831,080
Cash flow Increase/(Decrease)		4,291,363		(14,481,228)
Adjustments for: Crown Agents Sterling A/c	20	(87,957)		(58,793)
Total Adjustments		4,203,406		(14,540,021)
Cash at the Beginning of the Year		37,707,051		41,910,457
Cash at the end of the year		41,910,457		27,370,436

Consolidated Statement of Comparison of Budget and Actual Amounts as at March 31, 2020
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

	Note	Original Budget	Final Budget	Actual 2020	Budget Variance	Actual 2019
Cash Inflows						
Taxation	23	48,802,500	48,802,500	44,707,608	4,094,892	45,599,468
Non-Tax	24	6,731,700	6,731,700	8,456,573	(1,724,873)	3,820,264
Other receipts	24	2,638,000	2,638,000	2,493,477	144,523	2,146,997
Grants:				-	-	-
Budgetary Aid	25	79,600,000	79,600,000	78,441,501	1,158,499	77,999,826
Development Grants	30	64,380,000	64,380,000	12,952,238	(55,420,063)	17,567,676
Total Inflows		206,144,500	206,144,500	147,051,397	(51,747,022)	147,134,231
Cash Outflows						
Personal Emoluments	26	49,204,100	48,363,900	46,996,856	1,367,044	45,028,775
Pensions, Gratuities & Other Benefits	26	11,836,100	13,564,400	13,831,662	(267,262)	11,881,434
Goods & Services	26	48,576,100	48,957,800	46,464,804	2,492,996	40,195,992
Transfers and Subsidies	26	17,952,800	17,401,300	16,863,547	537,753	22,730,593
Social Services	26	4,130,300	5,283,300	4,931,457	351,843	5,130,123
Other Expenditure	26	4,861,400	6,626,500	6,373,164	253,336	4,700,073
Debt	26	1,211,400	1,121,500	1,119,653	1,847	1,115,338
Capital Expenditures	30	68,372,300	68,771,200	25,249,936	43,521,264	21,708,654
Total Outflows		206,144,500	210,089,900	161,831,080	48,258,820	152,490,981

CONSOLIDATED FUND - April 2019 to March 2020

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
1A - Tax Revenue				
110: Taxes on Income, Profits and Capital Gains	20,897,000	20,897,000	19,703,428	(1,193,572)
115: Taxes on Property	735,000	735,000	669,841	(65,159)
120: Taxes on Domestic Goods & Services	2,861,800	2,861,800	2,105,042	(756,758)
122: Licences	3,004,000	3,004,000	2,959,822	(44,178)
125: Taxes on Int'l Trade & Transactions	20,494,700	20,494,700	18,187,728	(2,306,972)
129: Arrears of Taxes	810,000	810,000	1,081,746	271,746
Total Tax Revenue	48,802,500	48,802,500	44,707,608	(4,094,892)
1B: Non-Tax Revenue				
130: Fees, Fines and Permits	5,108,700	5,108,700	5,405,662	296,962
135: Rents, Interest and Dividends	1,508,000	1,508,000	1,822,877	314,877
140: ECCB Profits	0	0	0	0
145: Reimbursements	115,000	115,000	1,228,034	1,113,034
150: Budget and Grants	79,600,000	79,600,000	78,441,501	(1,158,499)
160: Other Revenue	2,638,000	2,638,000	2,493,477	(144,523)
Total Non-Tax Revenue	88,969,700	88,969,700	89,391,551	421,851
TOTAL RECURRENT REVENUE	137,772,200	137,772,200	134,099,159	(3,673,041)
Development Revenue				
02. British Development Aid Grants – Local			196,123	196,123
04. European Development Fund			11,980,150	11,980,150
10. Local			238,392	238,392
17. UNICEF			281,740	281,740
21. Pan American Health Organisation			17,676	17,676
Total Development Revenue			12,714,081	12,714,081

Accountant General, Montserrat

CONSOLIDATED FUND - April 2019 to March 2020

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	SAVINGS (EXCESS)
CONSOLIDATED FUND EXPENDITURE: -				
05 Police & Fire	7,130,700	7,130,700	6,949,938	180,762
07 Legal	1,781,300	1,431,300	1,173,694	257,606
08 Magistrates Court	179,000	179,000	144,336	34,664
09 Supreme Court	734,300	835,800	814,206	21,594
10 Legislature	1,654,600	1,654,600	1,610,687	43,913
11 Office of the Auditor General	1,232,200	1,232,200	1,058,775	173,425
12 Office of the Deputy Governor	29,118,900	30,665,400	29,512,186	1,153,214
13 Office of the Director of Public Prosecution	803,900	803,900	675,989	127,911
15 Office of the Premier	21,784,700	21,784,700	20,833,937	950,763
20 Min. of Finance	21,384,600	22,583,100	22,365,624	217,476
30 Min. of Agriculture, Lands, Housing etc.	6,139,800	6,089,800	5,701,629	388,171
35 Min. of Communications & Works	13,739,300	13,639,300	13,255,645	383,656
40 Min. of Education	11,693,800	11,693,800	11,305,646	388,154
45 Min. of Health & Community Services	20,395,100	21,595,100	21,178,852	416,248
TOTAL CONS. FUND EXPENDITURE	137,772,200	141,318,700	136,581,144	4,737,556
DEVELOPMENTEXPENDITURE				
VOTE 12/120 – OFFICE OF THE DEP. GOVERNOR	2,105,800	2,105,800	432,595	1,673,205
VOTE 15/150 – OFFICE OF THE PREMIER	16,891,000	17,094,000	9,524,996	7,569,004
VOTE 20/200 – MIN. OF FIN. & ECON. DEV.	1,758,300	1,758,300	454,824	1,303,476
VOTE 30/300 – MIN. OF AGRIC, LANDS, HOUSING	1,160,100	1,211,300	181,001	1,030,299
VOTE 35/350 – MIN. OF COMMS & WORKS	38,063,700	38,063,700	14,047,175	24,016,525
VOTE 40/400 – MIN. OF EDUCATION	3,393,400	3,519,500	489,204	3,030,296
VOTE 45/450 – MIN. OF HEALTH, COMM SERVICES	5,000,000	5,018,600	120,142	4,898,458
TOTAL DEVELOPMENT EXPENDITURE	68,372,300	68,771,200	25,249,936	43,521,264

DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2020
(with figures as at March 31, 2019)

ASSETS	NOTES	2019	2020
BRITISH DEVELOPMENT CLAIMS OUTSTANDING	1	7,624,660	5,928,879
DONOR AGENCIES EXPENDITURE OUTSTANDING	2	2,449,255	521,715
CONSOLIDATED FUND RECEIVABLE		19,956,633	7,658,933
TOTAL ASSETS		30,030,548	14,109,528
LIABILITIES			
DEPOSITS WITHIN THE DEVELOPMENT FUND	3	26,184,480	22,197,125
LOCAL FUNDS	4	710,018	10,066
BRITISH DEVELOPMENT CLAIMS DEPOSITS			
CONSOLIDATED CAPITAL FUND		(3,167,453)	15,433,748
Development Fund Adjustment	5		(11,233,713)
ADD: REVENUE OVER EXPENDITURE		6,303,502	3,136,049
TOTAL LIABILITIES		30,030,548	14,109,528

NOTES TO THE BALANCE SHEET:

- (1) SUM OF THE BALANCES FOR BDD AND WISTS
- (2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS
- (3) SUM OF ALL CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL
- (4) SEE DETAILS
- (5) WRITEOFF/REMOVAL OF IRRECOVERABLE ASSETS AND LIABILITIES

GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
Financial Year Ending March 31, 2020

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. 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 the International Public Sector Accounting Standards (IPSAS) Part 1. The consolidation of the Financial Statements of other entities controlled by the GoM, in particular Statutory Bodies 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.

BUDGET

The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2019 to March 2020) as the Financial Statements.

The 2019/20 appropriation was passed on May 28th, 2019 with an approved Budget of \$206.14m. (Recurrent \$137.77m; Capital \$68.37m). This is a 25% increase over \$164.42 million for fiscal year 2018/19.

The recurrent budget was supplemented during the year increasing the total original approved budget from \$137,772,200 to \$141,318,700 resulting in a 2.57% increase in the overall budget.

Supplementary Appropriation Act 2 of 2020 was passed by the Legislative Assembly after the financial year to ratify the amount of one million five hundred and forty-six thousand five hundred dollars (\$1,546,500) being additional expenditure required to make provisions for Pensions and Gratuities under Office of the Deputy Governor, and five hundred thousand (\$500,000) for Social Protection under Ministry of Health and Social Services. The bill further sought to sanction the amount of eighteen thousand six hundred dollars (\$18,600) under the Development Fund for the Child Safeguarding & Protection Project within the Ministry of Health and Social Services.

On the revenue side of the recurrent budget, a total of \$58.17m was approved as the estimate from local sources compared to EC\$52.7m in the previous financial year 2018/19.

LIABILITIES

Outstanding Liabilities

Outstanding liabilities (short-term) as at March 31st accrued to \$6.4m of which \$1.2m remains due for pension arrears. Additionally, the total sum captures the \$2.9m that remains payable to Regional Institutions at the end of the reporting period, as well as \$1.2m in unsettled for deposits the now defunct Government Savings Bank.

Contingent Liabilities

Contingent Liabilities are expenses that may be incurred by a Ministry/Department depending on the outcome of an uncertain future event such as a court case. These contingent liabilities recognise that future expenditure may arise if certain conditions are met or certain events occur. That is, the risk of a call on the Consolidated Fund in the future will depend on the outcome of a future event that cannot be predetermined by GoM. Total estimate for GoM's quantifiable contingent liabilities at the end of the financial year was \$22m. There remains a number of cases for which an estimate has not yet been assigned.

Reporting entity

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

The Annual Statements of the Public Accounts shows the financial performance of the Government of Montserrat for the financial year ended 31st March 2020 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury Department, operates a centralised treasury function that collects moneys and administers expenditure payments for all Ministries and Departments of Government.

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

Government Ministries and Departments

05 Police & Fire
07 Legal
08 Magistrates Court
09 Supreme Court
10 Legislature
11 Office of the Auditor General
12. Office of the Deputy Governor
13 Department of Public Prosecution
15 Office of The Premier
20 Ministry of Finance and Economic Management

30 Ministry of Agriculture, Lands, Housing etc.
35 Ministry of Communication & Works
40 Ministry of Education Youth Affairs and Sports
45 Min. of Health & Community Services

GoM Statutory Bodies and State-Owned Entities (SOEs)

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

Financial Services Commission
Montserrat Social Security Fund
Montserrat Land Development Authority
Montserrat Port Authority
Montserrat Philatelic Bureau
Montserrat Community College
Montserrat 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 are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2020, 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 fund balance.

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	78,637,624
UNICEF	281,740
EU	11,980,150
ECCB	250,000
PAHO	5,832
TOTAL	91,155,347

Fixed Assets

The fixed assets reported in the Statement of Fixed Assets relate to tangible items that are (a) held for the delivery of public goods and services, rental, or for administrative purposes: and (b) are expected to be used during more than one reporting period.

The following table represents the range of estimated useful economic lives of each class of asset disclosed in the Statement of Fixed Assets:

ASSET DESCRIPTION	Economic Life (Yrs.)
Building	60
Heavy Equipment	20
Land	N/a
Machinery & Tools - A	15
Motor Vessel	30
Science & Engineering/Lab Equip	10
Office Equipment - A	10
Vehicle	10

**Asset descriptions with the suffix “A” represents items that cost \$25,000 and over.*

The assets are initially recognized at their historical costs. The cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use. The expenditure associated with the construction of a new asset and subsequent costs related to improving an existing asset is also recognized in the carrying amount, only if it is deemed to improve the useful life of the asset. Valuations apply to land and buildings only.

Depreciation

Depreciation is calculated on a straight-line basis, based on the useful economic life of each asset.

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 any balance held on GOM's Corporate Credit Card.

Note 3. Operating Account - ECCB

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

Note 4. Development Capital Fund

Development Capital Fund represents the balance on account held at the Bank of Montserrat to finance Development Programs funded mainly by the Department for International Development DFID and the European Union. This account forms part of the Consolidated Fund as prescribed by the PFMAA.

Note 5. Crown Agents #2 Account

The Government of Montserrat holds several accounts at Crown Agents in the UK in Pound Sterling and US dollar. The amount in the accounts represents the value in the local currency after the deduction of losses on the rate of foreign exchange. GOM recorded a loss of EC\$58,793.22 attributed to the fall of the pound at the end of 2020 fiscal year.

Note 6. Fiscal Reserve - A/C 1 Tranche

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

Note 7. Volcano Relief Account

This bank account has been in existence for a number of years under the authority of the Volcano Relief Fund Act 2003 to finance specific causes in an emergency triggered by volcanic events. This account represents an asset of the GOM which has now been brought on the ledger for purpose of reporting accounts held by GOM. There have been no movements 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 that has now been brought on the ledger in the previous FY for purpose of reporting accounts held by GOM. The funds have been earmarked for recurrent expenditure and will be transferred to the Treasury Consolidated Fund.

Note 9. EU Savings Account

This bank account has been active for a number of years and was intentionally set up to receive withholding tax receipts from EU countries on the basis of the Tax Information Exchange Agreement. This account represents an asset of the GOM which was brought on the chart of accounts to enhance monitoring and reporting.

Note 10. Equity BOM

The value represents Government owned shares held at the Bank of Montserrat Ltd. The Government of Montserrat maintains a significant holding in the Bank with 2,349,340 shares beneficially held following the launch of an Additional Public Officer for the re-capitalization of the Bank in 2017. The book value per share during the reporting period increased from \$6.27 to \$6.66 per share resulting in a parallel increase of share equity value in the Statement of Assets and Liabilities to \$15,646,604.40.

The amount presented in the Statement of Asset and Liabilities does not reflect the shares held in the name of the Government Savings Bank. A total of 735,000 shares are registered in the name of the Government Savings Bank – a share equity value of \$4,895,100.00.

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 Government of Montserrat. During the year GOM received \$69,314. The balance on this investment now stands at \$727,791.

Note 12. Personal Advances

Personal Advances represent advances granted to GoM employees who are designated traveling officers for the purchase of motor vehicles to include an advance to cover the insurance premiums, salary advances, medical advances and any other advances approved in accordance with GOM's General Orders. The schedule in the annex provides details of the outstanding amounts as stipulated by the Public Finance Management and Accountability Act. (PFMAA)

Note 13. Impersonal Advances and Outstanding Imprests

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

Note 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. During the reporting period the decision was taken to regard the outstanding sum as sunk liability to the Government of Montserrat therefore the amount was discounted from the records.

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 statement of Miscellaneous Deposits)

Note 17. Postmaster Clearance Account

The Postmaster Clearance Account which was previously used to settle and reconcile GPO receipts was closed at the end of the financial year. Transactions will be maintained above the line to enhance monitoring and reporting of related expenses and receipts.

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 exceeds project expenditure; hence the reported amount is notionally due to the Development Fund.

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 Consolidated 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) Write down of advance balances as approved by SR &O 7 of 2020*
- (ii) Adjustment to recognize exchange losses on Crown Agents accounts held in pound sterling.*
- (iii) Write down of Postmaster General Clearing Account*

Note 21. Contribution to Local Projects

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

Note 22. Tax Revenues

This line in the accounts 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 Revenues and Licences

TAX REVENUE	
Taxes on Income, Profits and Capital Gains	19,703,428
Taxes on Property	669,841
Taxes on Goods and Services	2,105,042
Licences	2,959,822
Taxes on International Trade & Transactions	18,187,728
Arrears of Taxes	1,081,746
Total Revenue	44,707,608

Taxes on Income Profits and Capital Gains

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

Taxes on property

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

Taxes on Domestic Goods and Services

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

Licences

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

Taxes on International Trade

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

Note 23. Non Tax Revenue

In the Cash Flow Statement “non tax revenue” broadly refers to all other revenue streams that are locally generated but not deemed to be tax revenue as detailed in Note 23. (See Statement of Detailed Recurrent Revenue)

Fees Fines and Permits

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

Rents, Interests and Dividends

Revenue received from renting GoM properties or assets are accounted for under this line item. Dividends are also accounted for under this heading as a non-tax revenue. However, for the Statement of Cash Receipts and Payments the dividend received from the Bank of Montserrat is reflected in Receipts from Investments.

Other Receipts

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

Note 24. Budgetary Aid and Development Grants

Budgetary Aid represents the income received from DFID and makes up approximately 60% of the revenue component of the annual recurrent budget. Development Grants show the incoming receipts that support the capital budget for the GOM. The main benefactors for this revenue stream are the EU as well as DFID as shown on the Statement of External Assistance.

Note 25. Recurrent Expenditure

Recurrent expenditure refers to payments made by the Government of Montserrat for all purposes except development expenditure. Funds expended under recurrent expenditures are typically made more than once a year and may even be made on a scheduled basis. Recurrent expenditure includes the following:

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

Pensions, Gratuities and Other Benefits

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

Goods and Services

This generally refers to the goods and services consumed 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. Goods and Services also include an element of capital assets. Particularly the Small Capital Asset Fund (SCAF) managed by the Ministry of Finance and Economic Management affords all Ministry's and Departments the opportunity to submit proposals for capital or fixed assets that cannot be funded through their recurrent or capital budget due to the significant cost of the asset.

The Cash flow Statement specifically shows the total recurrent expenditure net of amounts expended under SCAF. Expenditure for SCAF is depicted as an outflow for investing activities.

Transfers and Subsidies

The government makes grant and subsidy payments to regional institutions, private sector and non-government organisations as well as some statutory bodies to deliver public services or to facilitate their delivery. Payments of this nature are usually given to support on-going services; they can also be for the creation of new assets. The transfers and subsidies are essentially payments 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. The table below shows the payments made in the reporting period.

TRANSFERS AND SUBSIDIES	
Subventions to:	
Montserrat Volcano Observatory	5,147,820
UK Overseas Mission	399,417
Land Development Authority	100,000
Montserrat National Trust	290,000
Financial Services Commission	515,900
Montserrat Arts Council	1,312,500
Info Communication Authority	400,000
Montserrat Philatelic Bureau	155,000
Montserrat Community College	1,084,875
Local Airlines	434,565
Other	1,031,625
Grants and Contributions:	
Local Institutions	1,509,522
Regional Institutions	3,131,928
International Institutions	1,350,395
TOTAL TRANSFERS AND SUBSIDIES	16,863,547

Debt

Debt refers to all liabilities that require payments of interest and a principal sum. GOM total debt stock stands at 12.1 million and takes into account GOM's external debts and two domestic debts as detailed below:

<i>Loan Reference</i>	<i>Description</i>
<i>Port Development Loan MOT1</i>	<i>Payable to the Caribbean Development Bank</i>
<i>Port Development Loan MOT2</i>	<i>Payable to the Caribbean Development Bank</i>
<i>Consolidated Line of credit</i>	<i>Payable to the Caribbean Development Bank (loan used to provide student loans and agricultural developments)</i>
<i>Second Power Project</i>	<i>Payable to Caribbean Development Bank</i>
<i>MSSF- Davy Hill Houses</i>	<i>Payable to the Montserrat Social Security Fund in relation to the Davy Hill Housing Regeneration Program. Loan amount - \$1,380,497 payable at 3.5% p.a.</i>
<i>MUL (Generating Set)</i>	<i>Payable to MUL in relation to the purchase of a generating set. Original debt for \$1,499,014 was approved by Exec Council Decision 529/06</i>

(See Statement of Public Debt).

Total Recurrent Expenditure

RECURRENT EXPENDITURE	
Personal Emoluments	46,996,856
Pension,Gratuities and Other Bene	13,831,662
Goods & Services	46,464,804
Transfers and Subsidies	16,863,547
Social Services	4,931,457
Other Expenditure	6,373,164
Debt	1,119,653
TOTAL	136,581,144

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 that was paid during the reporting period is as follows:

SOCIAL SERVICES EXPENDITURE	
Sickness and Disability Benefit	405
Old Age Benefit	2,840,814
Unemployment Benefit	89,041
Housing Benefit	346,971
Social Protection Other	1,448,663
Legal Aid	3,500
Child Health Programme	6,750
Nutrition & Health Education	162,406
Health Promotion	32,906
TOTAL	4,931,457

Other Expenditure

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

Note 26. Investing Activities

This refers to funds received from investments held by GoM. This includes receipts from GOM financial assets such as receipts from the RAC Grenada Bonds (See note 12), dividends from the Bank of Montserrat as well as sums received from the BAICO Plan of Arrangement. Additionally, funds received for Capital Projects geared to improving the physical infrastructure in Montserrat have been incorporated in the total net flow for Investing Activities. Conversely receipts intended to support the local economic infrastructure has been categorised as Operating Activities.

INVESTMENTS		
BOM Dividend		751,789
RAC Investment		112,980
BAICO		355,138
CDB Loan Rect A/c		1,735
Total Investments		1,221,642

The schedule below provides a breakdown of the investment receipts from GOM financial assets for the 2020 FY.

Note 27. Financing Activities

Financing activities refers to the flow of funds held projects in the Development Fund and the payment and reimbursement of all advances as detailed in Notes 13-18.

Note 28. Capital Receipts

Capital receipts are captured under the recurrent income schedule as part of the broad “non-taxable income” nomenclature. This line item in the Statement of Cash Receipts and Payment fleshes out this sum to show the amount GoM received in relation to the sale of lands, the disposal of GOM vehicles or other fixed assets.

Note 29. Capital and Revenue Expenditure/Development Grants Expenditure

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

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

Note 30. Deposits and Advances

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

PART VIII
FINANCE

Financial control and accounts

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

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

Auditor-General

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

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

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

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

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

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

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

(a) The Governor shall appoint a special tribunal which shall consist of a Chairman and not less than two other members; but the Chairman and at least half of the other members shall be persons who hold or have held office as a judge of a court having unlimited jurisdiction in civil and criminal matters in any part of the Commonwealth or Ireland or a court having jurisdiction in appeals from such a court;

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

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

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

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

Position and remuneration of Auditor General

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

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

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

Functions of Auditor General

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

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

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

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

National Audit Office

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

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

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

Judith Simpson
Clerk of the Privy Council

Appendix 3
Accounts to be submitted by the Accountant General
(Extract from the Public Accounts Management and Accountability Act)

The following accounts shall be submitted to the Auditor General and the Minister by the Accountant General—

- (a) a balance sheet showing the consolidated assets and liabilities of all public funds and other entities wholly funded through the Consolidated Fund;
- (b) a consolidated statement of the cash flow for all public funds and other entities wholly funded through the Consolidated Fund showing the revenues, expenditures, and financing for the year;
- (c) a balance sheet showing the assets and liabilities of the Consolidated Fund;
- (d) a balance sheet showing the assets and liabilities of the Development Fund;
- (e) a statement of the cash flow for the Consolidated Fund showing the revenues, expenditures, and financing of the fund for the year;
- (f) a statement of cash flow for the Development Fund showing the revenues, expenditures, and financing of the fund for the year;
- (g) a summary statement of revenue and expenditure, being a summary of all the statements signed by accounting officers under paragraphs 2(a) and (c) of this Schedule;
- (h) a statement of the amounts outstanding at the end of the year in respect of the Public Debt;
- (i) a statement of the amounts guaranteed by the Government at the end of the financial year in respect of bank overdrafts, loans, public loan issues and other contingent liabilities;
- (j) a summary statement of revenue and expenditure of the Consolidated Fund and Development Fund, being a summary of all the statements signed by accounting officers under paragraphs 2(a) and (c) of this Schedule;
- (k) a statement of the amount outstanding at the end of the year in respect of loans issued by the Government;
- (l) a statement of investments held by the Government at the end of the year showing the original cost and current value;
- (m) a statement of the net worth of all statutory bodies as at the end of the financial year;
- (n) a statement of losses of public moneys and stores written-off and claims abandoned during the financial year and the authority for such write off or abandonment;
- (o) a statement of losses of public moneys and stores reported during the year whether written-off or not;
- (p) a summary statement of arrears of revenue for each revenue head, being a summary of the statements of arrears of revenue signed by accounting officers under paragraph 2(d) of this Schedule;
- (q) a summary statement of commitments outstanding for the supply of goods and services for each vote at the end of the financial year being a summary of the amount included for such commitments in the statement signed by accounting officers under paragraph 2(b) of this Schedule;

- (r) a summary statement of stores and other assets for each vote, being a summary of the statement of assets signed by accounting officers under paragraph 2(e) of this Schedule; and
- (s) any other statement and in the form the Legislative Assembly may from time to time require.

Appendix 4

Accounts to be submitted by accounting officers

(Extract from Public Finance Management and Accountability Act)

The following accounts shall be submitted to the Accountant General by accounting officers—

- (a) an appropriation account signed by the accounting officer showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by the Legislative Assembly;
- (b) a statement signed by the accounting officer and in the form the Accountant General may direct containing the amount of commitments outstanding for the supply, goods, and services at the end of the financial year and any other information the Minister may require;
- (c) a statement of revenues received signed by the accounting officer and in the form the Accountant General may direct showing the amount contained in the estimates of revenue for each source of revenue, the amount actually collected and containing an explanation for any variation between the revenues actually collected and the amount estimated;
- (d) a statement of arrears of revenue signed by the accounting officer showing the amount outstanding at the end of the financial year for each source of revenue and containing information in the form the Accountant General may direct; a nil return should be submitted if appropriate;
- (e) a statement of assets signed by the accounting officer containing details and values of all unallocated stores under his control at the end of the financial year, together with the details and values of any other classes of assets under the control of the accounting officer as the Accountant General may from time to time determine;
- (f) a statement of performance providing each class of outputs provided during the year signed by the accounting officer that— (i) compares that performance with the forecast of the performance contained in the estimates laid before the Legislative Assembly under section 19(1)(b)(iii); and (ii) gives particulars of the extent to which the performance criteria specified in that estimate in relation to the provision of those outputs was satisfied;
- (g) a list of all outstanding commitments or bills remaining unpaid at the end of a financial year; and
- (h) any other statements and in the form the Accountant General may from time to time require.

APPENDIX 5

Status of Audit Recommendations as of 31 March 2020

[illegible]

	<p>to be challenging and does not give a true and accurate mapping of the island.</p> <p>62. In addition, the GISC has submitted three proposals to various stakeholders for the acquisition of a drone as a more cost-effective alternative for aerial photography compared to the previous method of gathering the geo-spatial data. All of which were unsuccessful.</p>	<p>II. There is potential to improve Government revenues through the actual provision of services and the spin-off effects.</p>	<p>complete and new aerial imagery for the island is made available.</p>		
	<p>63. Insufficient Human Resources. A vacancy exists within the GISC which has resulted in there being only two members of staff (Manager and a Technician) to perform the day-to-day operation and technical management of the GISC and MLI Online mapping Portal. The unit's staff compliment should be at three (3); the third</p>	<p>73. Employment of Additional Staff. The existing vacancy in the GISC has resulted in the Manager having to perform regular day-to-day tasks, in addition to effectively manage the department strategically and administratively. Being short staffed leaves very little time to focus on other aspects that can progress the department.</p> <p>74. The same applies to the LSD; there is the need for at least one</p>	<p>Partially Implemented</p> <p>Not Implemented Contact Chief</p>	<p>The Ministry has recruited two additional staff members, one as a substitute for the current GIS Technician post holder position. An additional person was assigned to the department from the Department of youth Affairs, Community Services and Sports to undergo work experience and will be undertraining for a period of one year.</p> <p>Recruitment from HRMU/Dedicated person</p>	<p>1 GIS Technician Trainee and 1 GIS Technician substitute in place since October 2019</p> <p>1 trainee from DYACCS on work experience – September 2020</p> <p>Chief Surveyor/ MAHLE</p>

	position has been vacant for the past six years.	<p>trained, dedicated staff to update the cadastral maps/sheets data, which are important in providing real-time and relevant geo-spatial information about Montserrat.</p> <p>75. Therefore, we recommend that these departments and the Human Resource Management Unit (HRMU) renew their efforts and take the necessary steps to fill these vacant posts with the required qualified personnel.</p>	<p>Surveyor on status</p> <p>Not Implemented</p> <p>HRMU tasked to fill vacant position</p>	<p>within Lands and Survey required to undertake this task.</p> <p>MALHE coordinated with HRMU to fill any vacant posts.</p>	HRMU/MAHLE
	<p>68. User Subscription Plan issues. Users have three (3) available levels of subscription to choose from on the MLI web portal, offering various services/functions per plan. The following issues were observed:</p> <ul style="list-style-type: none"> There is no option for users to change their user access level. User selection is associated with a username and email address; therefore, to up-/down-grade the level of access, a new username and email address must be created for the 	<p>76. Revision of User Subscription Plans. The current payment scheme can be discouraging to subscribers; therefore, in order to modernize the data access and payment processes, we suggest that the GISC consider more practical and cost-effective methods of payment. For example, the department can:</p> <ul style="list-style-type: none"> offer subscribers either (i) monthly (ii) quarterly or (iii) annual subscription plans, with full access to the geo-spatial data; or offer subscribers the ability to change the user level of access, with only one username and associated email address; or 	Not Implemented	Financial Resources to be requested to make improvements to the platform.	GIS Manager

	<p>desired subscription plan.</p> <ul style="list-style-type: none"> Users are subject to multiple payments for access to the MLI platform. A payment is required each log-in to gain access to the online geo-spatial mapping database and features; for example, logs-in five (5) times within a given day, 5 payments must be made. 	<ul style="list-style-type: none"> eliminate the different user levels and offer subscribers just one level. 			
<p>The Roads and Bridges Project: Governance & project Management - 2015 – 2018</p> <p>August 2019</p>	<p>43. High impact of inadequate port facilities. The heavy reliance on imported equipment, materials, and vehicles exposes projects to delays in shipping. In some instances, hurricanes disrupted logistics during the last four months of year 2017. Routinely, however, the lack of a suitable harbour, including the absence of a breakwater, results in the</p>	<p>Accelerate essential port development. The MCWEL must continue to liaise with the MOFEM and with the DFID to advocate for adequate resources to be provided for necessary enhancements to the infrastructure on which all projects depend. Among other benefits, this will support the GOM's Policy Agenda: items 1.1, 1.3, 1.5, 1.7, and 1.9. Whilst the long-term development will span years, major gains will result even from some short-term measures, including using local resources to address the</p>	In Progress	<p>With regards to local aggregates, an early market engagement was completed in 2019 for a market response on leasing the Trant's Quarry. There were 3 companies of interest. There is still a bid of undertaken required before we can go through the full tender. These include a risk assessment for operating in zone v, modality for leasing agreed, royalties, mining fees etc.</p>	Director PWD

	non-delivery of imported items. In several cases, the ships come towards Little Bay but cannot unload items, owing to rough seas in the port.	identified needs and risks in smaller phases.			
	44. The hot mix factory is obsolete. Historically, the island had local production of a range of materials used for construction and for projects. However, these ageing facilities became inefficient, obsolete, and eventually abandoned, as needed parts are no longer manufactured and/or would require very expensive special orders. In turn, the GOM faces high and rising import costs and supply chain risks for a wide range of essential materials that are required for its own projects, as well as for the redevelopment of the economy across the private sector. Challenges of the status quo include these: (1) Materials as vital as cement, asphalt, and wood are frequently	47. Revive the hot mix factory. The MCWEL should continue to liaise with the MOFEM and with the DFID to advocate strongly for adequate resources to be provided to reactivate the local production of construction materials. This will significantly reduce their cost per unit. In line with the objectives of the Sustainable Development Plan, this strategy will also greatly enhance the island's progress to self-sufficiency in selected resources, while minimising (a) the risks of high dependence on foreign supply chains and (b) the rising costs of imported materials. Thus, the GOM (i) will achieve major cost reductions during its projects and (ii) over time, will lower the cost of repairs and maintenance within its operations. Among other benefits, this will support the GOM's Policy Agenda: Items 1.1, 1.3, 1.5, 1.7, and 1.9. Subsequent to our fieldwork, we were apprised of the GOM's Memorandum of Understanding	In Progress	A contract is place for the supply of a new hotmix plant. It is currently being manufactured in the USA and is scheduled to arrival on Island, install and commissioned in June 2021.	

	unavailable; (2) Several imported items are of lower quality than the previously locally produced equivalents were; and (3) import shipments are sometimes delayed.	signed with the DFID on April 29th, 2019, and that this will be among the items to be funded under the Capital Investment Programme for Resilient Economic Growth (CIPREG).			
Geothermal Development Energy Project: Governance & Project Management September 2019	No comprehensive Electronic Information System. Despite the large volume of files, contracts, and documents, project management stakeholders, including the MCWEL, the GPSC, the GU, the EU, and the PWD, have no comprehensive databases or integrated digital document management. Persons and units often operate separately, without enough communication, and information is sometimes lost, slow to be found, and/or not readily shared. Essentially, too many processes remain in manual mode with costly and excessive use [a] of stationery, [b] of paper/forms, [c] of printing, and [d] of	Improve record keeping and file management. Internal: Within the MCWEL, the PWD, the GU, and the EU, and across all the related departments, contractors, and partners, urgent attention needs to be given [1] to standardisation of file naming, file saving, record management, and [2] to the primary use of the GOM H-drive rather than personal C-drives.	In Progress	The Department has in place a digital filing system on the GoM Network K drive. It is labeled as MCWEL-Infrastructure Services Filing System. It is Breakdown into three segments; Standard Documents, Engineers & Architects. The Engineers and Architects have sub folders for Capital Projects & Minor Projects. Each sub folder is divided into project files & Drawings. Each Project Folder has a Filing reference; CW-A-CP.xxx-C.001 or CW-E-CP.xxx-C.001. Where CW-represents the ministry, Communication and Works. A or E denotes Architecture or Engineering Section. CP- capital projects, MOB-maintenance of buildings or MP-Minor Projects.	MCWEL Heads of Department

	<p>physical transportation/delivery. Many items are now electronic but are not centralised by project and/or shared or accessible by all participants or stakeholders.</p>			<p>.xxx-denotes numerical system ex; .084 would mean project number 84. C. denotes the filing reference letter in this case Contractor</p> <p>And the succeeding. xxx denotes the file number.</p> <p>Each referenced file is further subdivided in the following;</p> <ul style="list-style-type: none"> • A-Client • B-Consultant • C.-Contractor • D-Funding Agent • E-Enquiries • F-Financial • G-General • M-Other Ministries • R-Reports • P-Project Schedule • T- Tender <p>For example K:\MCWL-Infrastructure Services Filing System 2014\Engineers\Capital Projects CP-E\Project Files\A Client</p>	
	<p>48. File management and storage. In its new headquarters, the MCWEL</p>	<p>49. Install up-to-date security systems for files/staff/premises. Security must be given urgent</p>	<p>In Progress</p>	<p>The Ministry is current going through the process of requesting funding for the</p>	

	has fireproof and waterproof safes/cabinets for important documents. However, many other physical documents have limited security/storage. There is a fire alarm system in the main building but no water sprinkler system. There are security guards at the Ministry's headquarters, but there is no comprehensive electronic security system or monitoring system for each of the Ministry's various buildings and premises. Intensive use and retention of paper and physical documents creates a number of costs and risks.	attention. Stakeholders' life, health, and safety require smoke detectors, fire alarms, emergency procedures, constant electronic security, and 24 hours per day monitoring of work premises. In turn, it is imperative to provide fireproof and waterproof storage for more files, for important software, for electronic systems, and for equipment.		installation of security cameras. We have had some consultation as well with a technical person who was involved in the installation of security cameras at one of our facility.	
Information Technology Audit of Automated System for Customs Data - ASYCUDA September 2019	42. There is one Senior Customs Officer who is the dedicated (unofficial) System Administrator for ASYCUDAWorld; this officer is not officially appointed, nor are his SA duties specified in his job description. Additionally, there is another Senior Customs Officer who is a	Therefore, we are recommending that these three roles and duties be regularised in their job descriptions and included on the Organisational Chart.	In Progress	An IT unit has been created within the structure of the MCRS. This Unit will be staffed by One Senior Systems Administrator and Two System Administrator and they will be responsible for the administration of all IT systems operated by all division of the MCRS to include ASYCUDA.	MCRS Human Resources Department

	<p>provisional SA and has most of the administrative rights. There is also a Junior Customs Officer who is a second interim IT Officer with limited assigned admin privileges. These backup IT Officers' duties are not defined in their job descriptions or the MCRS Organisational Chart.</p> <p>43. Senior Management has indicated that ideally there should be three (3) dedicated IT personnel to perform the existing and future IT activities.</p>			<p>Currently the post of Senior System Administrator is filled and we are working with HR to have the two posts of systems Administrators filled by either recruitment of internal assignment</p>	
	<p>47. The consignment process can be very time-consuming; especially during peak periods of the year. Customs officers are required to manually check everything that comes inside shipping containers, on the ferry, and at the airport; and in some instances, at business premises.</p>	<p>48. The Customs Division should consider, as a future venture, investing in two (2) Microsoft touch screen tablets that are outfitted with ASYCUDAWorld software and are internet-enabled. These tablets would permit the Customs officers to have access to ASYCUDAWorld on-the-go, which has the potential to speed up the tallying and processing of consignments; especially when they have to go off-site to the local businesses. However, this endeavor would be</p>	<p>Not implemented</p>	<p>We have looked at the recommendations and tested some aspects of it. We realized that theoretically the suggestion is in order, however, practically they are not workable at this time</p> <p>Currently exploring other options to ensure efficiency.</p>	

		contingent on improved local internet connectivity services.			
	<p>Customs Division Section, Port Authority Building, Little Bay</p> <p>62. Additionally, there are visible signs of prolonged water leakage and damage on the white ceiling tiles in the general office area and in the Senior Customs Division Officer's room. There is also evidence of water damage on a small section of the terrazzo floor tiles in Senior Officer's space. Although the Montserrat Port Authority's roof was recently repaired, the problem still persisted but to a lesser degree in the Senior Customs Division officer's room.</p>	82. Therefore, we strongly recommend that efforts be made to have the AC unit filters and vents cleaned on a regular basis. This dust issue can adversely affect some MCD staff after long term exposure; or members of the general public, who have pre-existing medical conditions that can be worsened by the dust.	In Progress	The customs offices at the Montserrat Port Authority are currently under reconstruction with an expected completed date of first half of 2021	Montserrat Port Authority
	<p>Customs Division Section, John A Osborne Airport Building, Gerald's</p> <p>65. Our physical examination of the airport building revealed that it is</p>		Implemented	AC units were installed in the arrival area of the airport starting 19 th January 2020 and completed the beginning of February.	Ministry of Communications and Works

	<p>not adequately air conditioned which result in intense heat for employees and passengers. The intense heat is an issue especially in the offices of the Customs Division. The existing air conditioner located in the Senior Customs Office space is inoperable and the replacement standing fans do not alleviate the heat. There are also several ceiling fans throughout the arrival area, but they are not being utilised due to their instability.</p> <p>66. At the time of the audit, there were only four computers within the Customs Division and it was pointed out that there should be six. We were informed that the excessive heat in the arrival area previously destroyed over ten (10) computers and coincidentally one of the four computers in the Immigration Unit had</p>		<p>Implemented</p>	<p>New Computers were acquired and installed at all stations to include an updated network system at the Airport.</p>	<p>Montserrat Customs and Revenue Services</p>
--	---	--	---------------------------	---	---

	stopped working at the time of our inspection. Furthermore, the sole working computer at the Customs examination benches was reportedly not working properly.				
	74. Revision of MCRS Hurricane Plan. The Customs Division has a Hurricane plan, which covers inclement weather but not fire. Although there are designated Fire Marshalls at the MCRS building there have never been any fire drills or documented emergency procedures, in the event of a fire.	75. Therefore, we recommend that the current hurricane plan should be revised to include fire response and suppression measures. There is also the option of creating a separate strategy regarding fire suppression and prevention, which includes the periodic testing of these formulated emergency procedures.	In Progress	The plan was updated and submitted to the DMCA at the beginning of the Hurricane season as required. Some aspects of the fire prevention and suppression that were overlooked will be added. We engaged the fire department and await some consultation.	
	76. Non-inclusion of Customs Officers in Airport and Port Authority Fire Drills. The Airport and Port Authority both have made provisions in their disaster preparedness/recovery plans if there is a fire. They conduct periodic fire drills; however, these plans do not include the Customs Division officers that work on the respective premises.	77. Consequently, we are advising the Customs Division to request the inclusion of Customs Officers in their disaster preparedness/recovery drills, response time, and efficiency testing activities.	Implemented	As it stands, the buildings at the air and sea ports are owned by the respective entity. Customs is however accommodated on those compounds and whatever emergency plans are in place would cover all occupants of the compound.	Montserrat Customs and Revenue Services

APPENDIX 6
OFFICE OF THE AUDITOR GENERAL - ORGANISATION CHART

