



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 2021



OFFICE OF THE AUDITOR GENERAL

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8 July 2022

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 2021.

Yours respectfully

Marsha V. E. Meade
Auditor-General (Ag)

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ABBREVIATIONS USED

BOML	Bank of Montserrat Limited
BNTF	Basic Needs Trust Fund
CDB	Caribbean Development Bank
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
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
FCDO	Foreign and Commonwealth Development Office
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
MCWEL	Ministry of Communication and Works, Energy and Labour
MOEYAS	Ministry of Education, Youth Affairs & Sports
MOFEM	Ministry of Finance and Economic Management
MOHSS	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
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
SPCCU	St Patrick's Co-operative Credit Union
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 MONTERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE YEAR ENDING 31 MARCH 2021**

QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

1. The Public Accounts of Montserrat for the financial year ended 31 March 2021 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:

- 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 2021 and the revenue and expenditure of Government Ministries and Departments for the financial year ended 31 March, 2021 in accordance with the IPSAS cash basis of accounting.

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

3. The 2020/21 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 addition, the depreciation policy was not consistently applied as the rates for classes of assets were not applied in all instances.
- 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 presented in the statement provide an inaccurate picture of how much money can be collected.

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 exceeded Recurrent Revenue by \$2.90M. This therefore indicates that some expenditures are being financed through use of reserves rather than from the current year's 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 that users take 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 2021.

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
AUDITOR-GENERAL (Ag)
OFFICE OF THE AUDITOR GENERAL
MONTserrat
8 JULY 2022

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 2020/2021 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.

² See Appendix 2 for extract from Montserrat Constitution Order 2010

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 propriety of the Government's financial transactions. Examinations 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, 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, Departments representing 97.2% of the GOM's total expenditures were 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 Department and with Accounting Officers within Ministries/Departments. In each case, audit findings have been discussed at audit closure meetings and communicated via either an audit report or memoranda addressed to the relevant officers.

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 \$1,091,149 was subjected to substantive testing.

Conclusions from the Audit of the 2020/2021 Accounts

1.11 As outlined in the audit certificate, the audit opinion on the Public Accounts for the financial year ending 31 March 2021, was qualified for the following reasons:

- a) **Arrears of Revenue.** At the close of the fiscal year, Arrears of Revenue stood at \$30,269,072. 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 materially overstates the collectible amounts. Action should be taken to remove them from the arrears listing.
- b) **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. 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.

Reporting of Economic and Fiscal Information

1.13 Section 4 of the PFMAA 2008 requires the Minister of Finance and Economic Management to prepare and to lay before the Legislative Assembly an economic and fiscal management plan on or before the 31st January each year. The section also requires the Auditor General to examine it and to report to the legislative Assembly on whether in my opinion:

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

1.14 The Ministry of Finance and Economic Management has not complied with this provision and no plan of macro-economic and fiscal policy has been prepared for submission to the Legislative Assembly. As the plan was not submitted, I was unable to comply with the requirement of Section 4 of the PFMAA 2008. The decision must be made on whether the MOFEM intends to make this submission in the future and, if not, the Ministry should consider an amendment to the Act.

Analysis of financial Statements

1.15 Revenue Collected. The overall revenue for the year totaled \$142,584,601, which was \$8,485,442 more than the amount collected in the previous financial year. Taxes on Income, Profits and Capital Gains, and Taxes on International Trade & Transactions recorded the largest increases when actual collection is compared against budget.

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

Recurrent Revenue for Fiscal Year 2020/2021				
	Approved Estimates \$	Actual Revenue 2021 \$	Actual Revenue 2020 \$	Increase (Decrease) \$
Tax Revenue	29,561,900	42,474,299	44,707,608	(2,233,309)
Non-Tax Revenue	7,436,300	6,502,720	10,950,050	(4,982,789)
Special Budgetary Assistance	89,650,000	93,607,582	78,441,501	15,166,081
Total Revenue	126,648,200	142,584,601	134,099,159	8,485,442

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

1.18 Recurrent Expenditure. Total Recurrent Expenditure for the financial year was \$145,486,531. This was \$8,905,387 more than expenditure incurred in the prior financial year. Goods and Services had a significant decrease of \$3.90M, whilst substantial increases of \$7.22M and \$4.12M were reported for Other Expenditure and Social Services respectively.

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

Recurrent Expenditure for Fiscal Year 2020/2021				
	Approved Estimate \$	Actual Expenditure 2021 \$	Actual Expenditure 2020 \$	Increase (Decrease) \$
Personal Emoluments	49,451,600	47,606,249	46,996,856	609,393
Pension & Gratuities	13,688,100	13,616,158	13,831,662	(215,504)
Goods & Services	48,716,400	42,558,260	46,464,804	(3,906,544)
Transfers & Subsidies	18,359,700	17,986,074	16,863,547	1,122,527
Social Services	9,256,800	9,051,834	4,931,457	4,120,378
Other Expenditure	14,203,900	13,594,293	6,373,164	7,221,129
Debt	1,166,000	1,073,663	1,119,654	(45,991)
Total	154,842,500	145,486,531	136,581,144	8,905,387

1.20 Payment of Invoices. We investigated a population of 21,708 invoices to determine whether payments were made within the policy deadline of 7 days. We found that 4,471 invoices were paid by the target deadline and 12,253 invoices were paid within eight to thirty days. However, we are concerned that 4,984 invoices remained outstanding after thirty days, with some remaining unpaid after sixty days which runs the risks that this could lead to increased costs to the GOM.

Summary of the Government's Financial Performance.

1.21 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 \$2.90M was reported. This is \$0.42M more than the deficit reported for the 2019/2020 financial year. A summary of the GOM's financial performance over the 2019/20 and 2020/21 fiscal years is provided below.

	2020/2021 EC\$	2019/2020 EC\$
Revenue	142,584,601	134,099,159
Expenditure	145,486,531	136,581,144
Surplus/(Deficit)	(2,901,930)	(2,481,985)

Summary of Government Financial Position

1.22 Cash Position. Details of cash available at the end of the fiscal year, together with the prior year comparison, are provided below.

Description	Balances (EC\$) 31 March 2021	Balances (EC\$) 31 March 2020
Consolidated Fund	5,156,798	3,374,084
Development Capital Fund	26,633,557	14,986,700
Miscellaneous Funds	7,658,000	9,009,652
TOTAL	39,448,355	27,370,436

1.23 Capital (Project) Expenditure. With respect to capital expenditure, the Appropriation Act authorised \$79,045,100 to be spent on project works undertaken during the fiscal year. Two Supplementary Estimates totaling \$2,700,800 increased the amount to \$81,745,900. Actual expenditure was \$19,461,365 being 24.6% of the authorised allocation.

1.24 Concerns over some Project Expenditure. The continued low utilization-rate is undermining the GOM's goal of implementing key infrastructure for our economic growth. Some projects' activities were finally completed, some are ongoing, whilst others are on hold or ceased.

1.25 **Arrears of Revenue.** At the close of the fiscal year, Arrears of Revenue stood at \$30,269,072. This has increased by \$563,905 when compared to the prior year's balance. We again highlight the fact that a number of these arrears are deemed uncollectible; that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts. Action should be taken to remove them from the arrears listing as these issues materially overstate the total.

1.26 **Public Debt.** This refers to payments for external and domestic debts with associated interest payments. For this fiscal year, a total of \$1,073,663 was paid as total debt. Balances for external and domestic debt are reported as \$9.01M and \$1.62M, respectively.

1.27 **Decrease in Outstanding Liabilities.** 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 of the now defunct Government Savings Bank. Amounts outstanding at the end of the reporting period totalled \$2,205,978. This has decreased by \$4,259,454 when compared to the prior year's balance.

1.28 **Contingent Liabilities.** These relate to possible outcomes of litigation charges brought against the Government and amounted to \$10.12M at the end of the reporting period.

Other Financial Audits

1.29 **Outstanding Audits.** There are three Government-owned companies and eight statutory bodies. Their relevant legal environment requires them to have the accounts for the previous financial year prepared and audited within three months of the close of the financial year. Although there has been some improvement in the finalisation of the audits for some, in that the backlog of audits is reducing, only one entity has met the requirement while three others had audited accounts for financial year 2020. All others were in various stages of completion with backlogs ranging from eight years to three years.

1.30 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						
	2015	2016	2017	2018	2019	2020	2021
Financial Services Commission					√	√	√
Montserrat Arts Council			√	√	√	√	√
Montserrat Community College	√	√	√	√	√	√	√
Montserrat Info-Communication Authority						√	√
Montserrat Land Development Authority – Corporate						√	√
Montserrat Land Development Authority – Housing Stock						√	√
Montserrat National Trust							√
Montserrat Philatelic Bureau	√	√	√	√	√	√	√
Montserrat Port Authority							√
Montserrat Social Security Fund					√	√	√
Montserrat Utilities Limited						√	√
Montserrat Volcano Observatory	√	√	√	√	√	√	√

Performance and Special Audits

1.31 The Government of Montserrat’s Initial Response to the COVID-19 Pandemic. The objective of this review was to provide a broad overview of the Government’s initial response to the pandemic in relation to the activities, undertaken, committed income, and costs. By the 30 June 2020, a number of agencies had made commitments to provide financial and other in-kind assistance to help the GOM to implement its COVID-19 strategies. These agencies included the Eastern Caribbean Central Bank (ECCB), the European Union (EU), the Department for International Development (DFID) (now FCDO), the Government of the Commonwealth of Dominica, and the Government of Cuba. The budgeted and actual COVID-19 initial related expenditure amounted to \$8,136,648 and \$9,791,691 respectively.

1.32 The actual shortfall in the GOM’s was less than that expected from the impact of COVID-19. Funding was also withdrawn from every Ministry/Department to boost the GOM’s response to re-direct funds to where they were most needed. The 2nd national lockdown, which was in February 2021, caused further disruption and hardships to the unemployed. As such, further support was given by the GOM, including payment of utility bills for every household directly through rebates to their accounts with the Montserrat Utilities Limited.

1.33 Office of the Deputy Governor and Related Departments: The study examined the risks to value for money and the use of resources in the Office of the Deputy Governor (ODG) and the Departments within its remit (the HRMU, the DMCA, the Montserrat Prison Department, & the Royal Montserrat Defence Force). Overall, the evidence that we gathered shows that there is an adequate framework of oversight and accountability for their activities. Generally, governance, including strategic planning, budgeting, reporting,

and recruitment, has improved during the past several years. All Departments have a performance management system that is coordinated centrally through the Ministry of Finance & Economic Management (MOFEM) with quarterly reporting. The ODG has shown improvement in linking its objectives to the Cabinet's Policy Agenda, and its performance against targets has gradually improved.

1.34 However, we found some areas requiring significant improvement: e.g., some major gaps in Departments' records; some metrics were unclear, misclassified or inappropriate; incomplete measuring of performance against budgets and strategic plans; and inadequate reporting and/or feedback on the use of resources (including people, funds, and other assets) and their performance.

1.35 Despite the GOM's growing and diverse needs for capacity building, the attraction of talent takes much longer than desired. More importantly, the long-term retention of adequate skills remains challenging; hence, a significant number of vacancies and/or skill-gaps persist. These observations apply both to standard local posts as well as to those funded by the DFID under the Technical Co-operation (TC) programme, resulting in a trend of underspending against budgets for recruitment and for personal emoluments within the ODG's Departments and across the public service. Maintenance and upgrades to public buildings and workplaces are also urgently required, having lagged for several years.

1.36 **GOM's Use of Capital Assets: Vehicles and Police Boats:** This audit examined the overall use of vehicles in several Departments and boats in the central government of Montserrat. Overall, the evidence that we gathered shows that there is an adequate framework of oversight and accountability for the initial purchase of assets. Generally, governance, including procurement, has improved during the past several years.

1.37 We found some areas requiring significant improvement: e.g., major gaps in Departments' records, incomplete asset registers (contrary to law), and very inadequate reporting on the use and the performance of these major types of assets. There was no complete central record for all assets either within each Department or within the Treasury Department. To address this important gap, since early 2019, the Treasury Department has begun a project, with a dedicated officer, to compile a central database for capital assets across the public service. In line with the International Public Sector Accounting Standards, we have recommended greater effort to make the important transition from cash-based accounting to accrual-based accounting.

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

IT Audits

1.39 **Caribbean Tourism Organisation - Management Information System for Tourism:** This software was developed circa 1998, to aid in the fulfillment of their vision to provide to, and through its members, services, and information essential for the development of sustainable tourism for the economic and social benefit of the various Caribbean destinations. It was found to be uncomplicated, efficient, and secure with robust

information security and application controls, business continuity practices, and IT operations provisioning in place.

1.40 Initially, the MTB was responsible for the collection and input of tourism data taken from the embarkation/disembarkation cards; and the unit's Data Entry Clerks were being sent to understudy and enter data at the SDM's office, until the last clerk left the organisation. This resulted in a backlog of gathering the tourism statistical data, when the SDM assumed full responsibility of the job function. Subsequently, the SDM has hired only provisional staff through the Ministry of Youth Affairs Community Services and Sports' apprenticeship programme, Helping Youth Prepare for Employment or the GoM's Human Resources Management Unit (HRMU). This continual short-term arrangement has the potential to negatively affect the level of productivity and accuracy of the Statistical data.

1.41 **Judicial Enforcement Management System - Case Management Software:** Overall, we sought to establish if JEMS enabled the Montserrat branches of the Supreme and Magisterial Courts to meet their mandates and business goals through measures and controls in the areas of IT Governance, IT Operations, Business Continuity and Disaster Recovery, Information Security, and Application Controls.

1.42 We have concluded that the JEMS software is robust, and has adequate and very effective provisioning in place to ensure sensitive judicial information inputted into the software, is accurate, valid, and safeguarded from unauthorised access, and copying or viewing. However, the version used in Montserrat is very outdated and we identified quite a few Information Security vulnerabilities at both Courts.

1.43 **Collectivefleet – Fleet Management Software:** This audit examined whether the benefits identified at the acquisition of the software CollectiveFleet were achieved; reviewed any changes; and whether there were any plans for future enhancement of the software.

1.44 We note that the fleet management software was selected by the Public Works Department as it is a comprehensive, centralised software with the requisite modules and features to perform the department's various operational assignments. Although it was upgraded over the years to the current version 6.1, which incorporates more standardised modules and features, we observed that the software has not been fully utilised since implementation; and the total expenditures associated with the procurement, implementation, training, upgrades, annual support and maintenance, are exceedingly high. The department stressed its commitment to capitalise on its use in the near future; however, the commencement is dependent on how quickly the required information from the various Workshop sections, is inputted into the software's database.

1.45 For further details on the above I.T. Audits, see Chapter 6.

CHAPTER 2 TREASURY ACCOUNTS FOR FY 2020/2021

2.1. **PFMAA Mandate.** Section 41(1) of the PFMAA 2008 requires the Accountant General ⁶within 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. The first draft of the accounts was received on 30 July 2021. A synopsis of the Statements received, and findings of our audit exercise will be highlighted throughout this Chapter.

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. **Target Audit Completion Date Not Kept.** Given the extended vacant post of the Auditor General coupled with circumstances beyond our control, we could not meet the target completion date of having audited accounts by the end of December, 2021.

Basis of Accounts Preparation

2.4. 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 revenues when they are received and expenditures when they are paid.

Primary Statements Received

2.5. Twenty-one statements were submitted for audit to meet the PFMAA's 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 minimise 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

2.6. Table 1 below highlights movements in financial assets and liabilities over the period 1 April 2020 – 31 March 2021.

⁶ See Appendix 1 for accounts to be submitted by the Accountant General

Table 1
Consolidated Fund
Statement of Assets and Liabilities

	2021 \$	2020 \$	Increase/ (Decrease) \$
Assets			
Cash	39,448,355	27,370,436	12,077,919
Investments	17,691,192	16,374,395	1,316,797
Advances	474,084	644,789	(170,705)
Total	57,613,631	44,389,620	13,224,011
Taxpayers' Equity			
Deposits	25,532,280	10,779,907	14,752,373
Consolidated Fund	32,081,351	33,609,713	(1,528,362)
Total	57,613,631	44,389,620	13,224,011

2.7. **Investments.** The net increase in Investments of \$1,316,797 comprised an increase of \$987,224 in the dividends received from the Bank of Montserrat Limited (BOML) and a small reduction in the RAC investments.

2.8. The long defunct Government Savings Bank is the registered owner of 735,000 shares in the BOML; based on the last reported net book value as at September 30, 2021, these are now worth over \$5.3M.

2.9. It is therefore overdue for the GOM to have these shares transferred to its name as they were the ultimate owner of the Government Savings Bank. In turn, the up-to-date value of this investment should be added to the relevant Statement. If this was included, the total assets would be \$62.9M instead of the currently reported total of \$57.6M.

2.10. The GOM closed the Montserrat Development Corporation (MDC) in May 2015. The MDC's corporate annual returns on record at the Financial Services Commission confirmed that the GOM is the registered owner of common shares in Montserrat Airways Limited. However, this investment is missing from the Government of Montserrat's Statement of Assets and Liabilities and there is no record that the GOM ever received dividends on this investment. The income, if any, and the cumulative changes in the book value per share should be reflected in the GOM's financial statements with appropriate disclosure in the accompanying notes.

2.11. Furthermore, a savings account in the name of MDC Business Financing Facility held at the St Patrick's Co-operative Credit Union reflects a balance of \$218,098 as at 31 March 2021. It is overdue for the GOM to have these funds transferred to its name and be included in the Public Accounts. **We are therefore urging those charged with governance to rectify these long outstanding matters.**

2.12. **Deposits.** Movements on deposits include an increase of \$600,160 in Miscellaneous Deposits.

2.13. **Consolidated Fund.** The Consolidated Fund can be likened to the equity section of a Statement of Financial Position within a private sector institution. It 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

	2021 \$	2020 \$
Balance brought forward	33,609,713	35,043,232
Fund Adjustments	1,386,111	1,286,858
Recurrent Revenue	142,584,601	134,099,159
Recurrent Expenditure	(145,486,531)	(136,581,144)
Surplus/(Deficit)	(2,901,930)	(2,481,985)
Transfer of Local Costs	(12,543)	(238,392)
Balance carried forward	32,081,351	33,609,713

2.14. **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 of the value of the Bank of Montserrat shares at the end of the financial year when compared to the prior year balance.

2.15. **Surplus/(Deficit).** Recurrent expenditure was more than the recurrent revenue collected resulting in a deficit of \$2,901,930 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	142,584,601
Less Expenditures	145,486,531
Surplus/(Deficit)	(2,901,930)

2.16. **Transfer of Local Costs.** This refers to a situation where the government undertakes local projects but has no external source of funding to finance their implementation and therefore the projects must be funded from the Consolidated Fund. For this fiscal year, the transfer of local funds, (that is, contributions to local projects) amounted to \$12,543.

Statement of Cash Flows

2.17. Total cash available at fiscal year-end amounted to \$39,448,355. Table 3 below provides an overview of the cash flows from the various activities undertaken by the Government. As it can be seen, the net cashflow for this fiscal year was negative \$12,077,919.

Table 3
Statement of Cash Flows

Particulars	2021 Restated ECS	2020 ECS
Net Cashflows from Operating Activities	(6,097,210)	(10,223,769)
Net Cashflows from Investing Activities	17,400,883	(4,368,120)
Net Cashflows from Financing Activities	774,290	51,868
Net Cashflows	12,077,919	(14,540,021)
Balance brought forward at 1 April 2020	27,370,436	41,910,457
Balance carried forward at 31 March 2021	39,448,355	27,370,436

Statement of Cash Receipts and Payments

2.18. **Delays in Reconciling Bank Balances.** We noted delays in reconciliation of the Government's accounts at the Royal Bank of Canada and at the Bank of Montserrat. Furthermore, reconciling items were not promptly investigated; they remained unchanged for months, in the case of the TCF account. For example, there were 129 stale-dated cheques, debits and credits in the bank and cashbook that remained unadjusted for substantial periods.

2.19. **Implication for Late Investigations.** Failure to perform timely reconciliations and to promptly investigate discrepancies poses the risk of financial losses with errors or omissions going undetected for long periods. Furthermore, account balances could be misstated leading to decision making challenges.

2.20. **Closure of Bank Account(s).** The Volcano Relief Fund Account was opened to finance specific causes associated with the volcanic events. Although the relevant Act was repealed there has been no movement in the account for several years. Attempts were made to utilise the funds in a meaningful way but there was no traction. **We are recommending that the account either be closed, with proceeds being deposited to general revenue, or be utilised to fund a community project.**

2.21. 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.

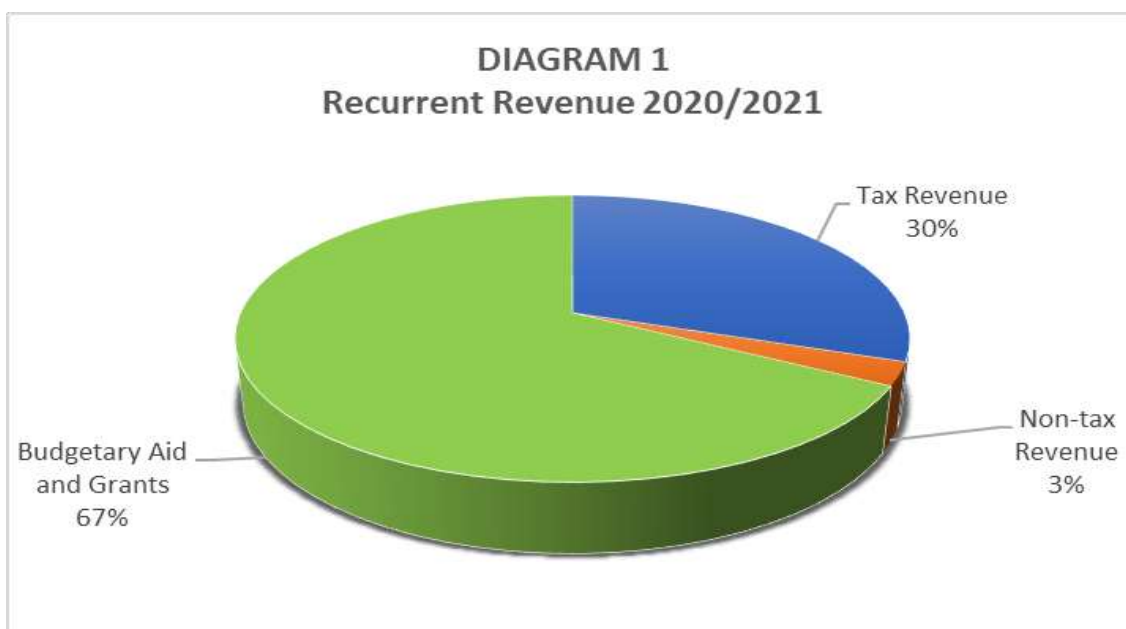
Table 4
Statement of Cash Receipts and Payments

Receipts (Source)	2021 EC\$	2020 EC\$
Tax Revenue	42,474,299	44,707,608
Non-tax Revenue (Other)	5,432,508	9,947,782
External Assistance – Budgetary Aid	93,607,582	78,441,501
External Assistance – Development Grants	33,599,400	12,713,845
Capital Receipts	43,201	206,813
Receipts from Investments	1,096,323	1,221,642
Net Receipt Advances and Deposits	774,290	110,661
Total Receipts	177,027,604	147,349,852
Payments (Use)		
Personal Emoluments	47,606,249	46,996,856
Pensions, Gratuities and Other Benefits	13,616,158	13,831,662
Goods & Services	42,558,260	46,464,804
Transfers and Subsidies	17,986,074	16,863,547
Social Services	9,051,834	4,931,457
Other Expenditure	13,594,293	6,373,164
Debt	1,073,663	1,119,653
Capital Expenditure – Development Fund	13,058,627	15,961,016
Revenue Expenditure – Development Fund	6,404,529	9,288,920
Total Payments	164,949,686	161,831,080
Cash flow Increase/(Decrease)	12,077,919	(14,481,228)
Exchange rate impact on Crown Agents a/c	0	(58,793)
Net Cash flow Increase/(Decrease)	12,077,919	(14,540,021)
Cash at beginning of the year	27,370,436	41,910,457
Cash at end of the year	39,448,355	27,370,436

Statement of Recurrent Revenue

2.22. **Recurrent Revenue.** Budgeted Recurrent Revenue for fiscal year 2020/2021 was \$126,648,200. Actual revenue collected amounted to \$142,584,601, giving a surplus of \$15,936,401. This increase was due primarily to collection of Taxes on Income, Profits and Capital Gains, Taxes on International Trade and Transactions and Budgetary Aid. Diagram 1 below provides an insight into major revenue flows. Tax revenue decreased by 3% and

budgetary support increased by 8% when compared to the last fiscal year. The increase in aid is credited to the financial support to assist with COVID-19 associated costs.



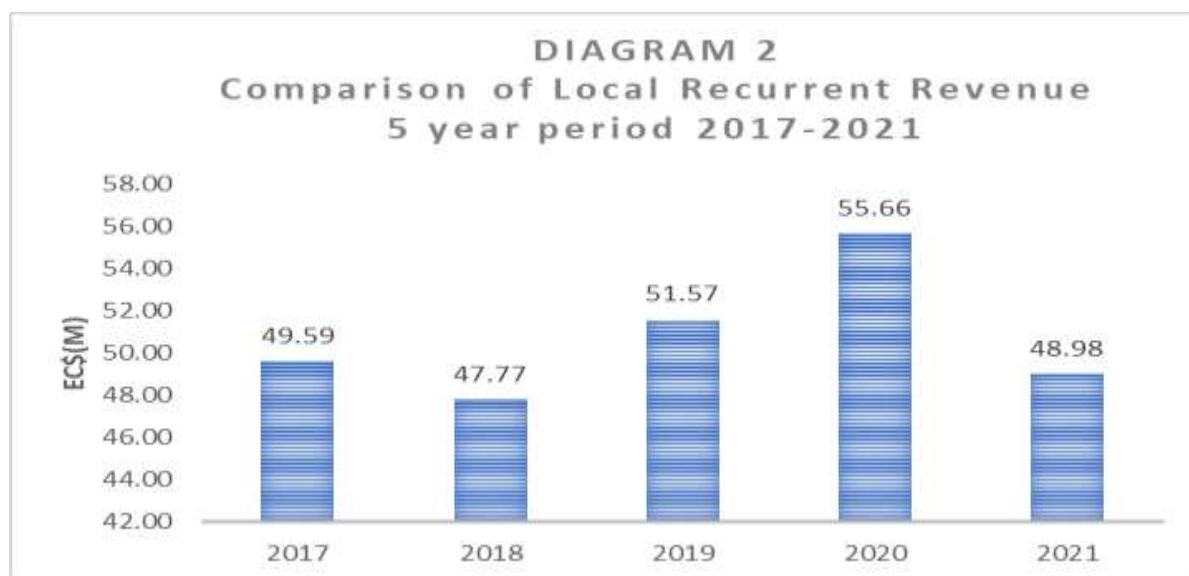
2.23. Revenue Surpluses and Shortfalls. Revenue collections showed a surplus of \$15,936,401 when actual collection is compared against budget. Table 5 below records surpluses or shortfalls in the various categories of revenue.

Table 5
Revenue Surpluses and Shortfalls

SOURCE OF REVENUE	BUDGETED EC\$	ACTUAL EC\$	SURPLUS EC\$	SHORTFALL EC\$
Taxes on Income, Profit & Capital Gains	11,802,000	18,577,550	6,775,550	0
Taxes on Property	535,600	638,020	102,420	0
Taxes on Domestic Goods & Services	1,782,400	1,666,411	0	115,989
Licences	2,995,100	2,944,855	0	50,245
Taxes on International Trade & Transaction	12,246,800	17,670,122	5,423,322	0
Arrears of Taxes	200,000	977,341	777,341	0
Fees, Fines and Permits	3,450,300	1,922,279	0	1,528,022
Rents, Interest and Dividends	1,215,000	1,740,862	525,862	0
ECCB Profits	0	0	0	0
Reimbursements	115,000	432,722	317,722	0
Other Revenue	2,656,000	2,406,856	0	249,144
Budgetary Aids and Grants	89,650,000	93,607,582	3,957,582	0
TOTAL	126,648,200	142,584,601	17,879,799	1,943,400
Net Shortfall			15,936,401	

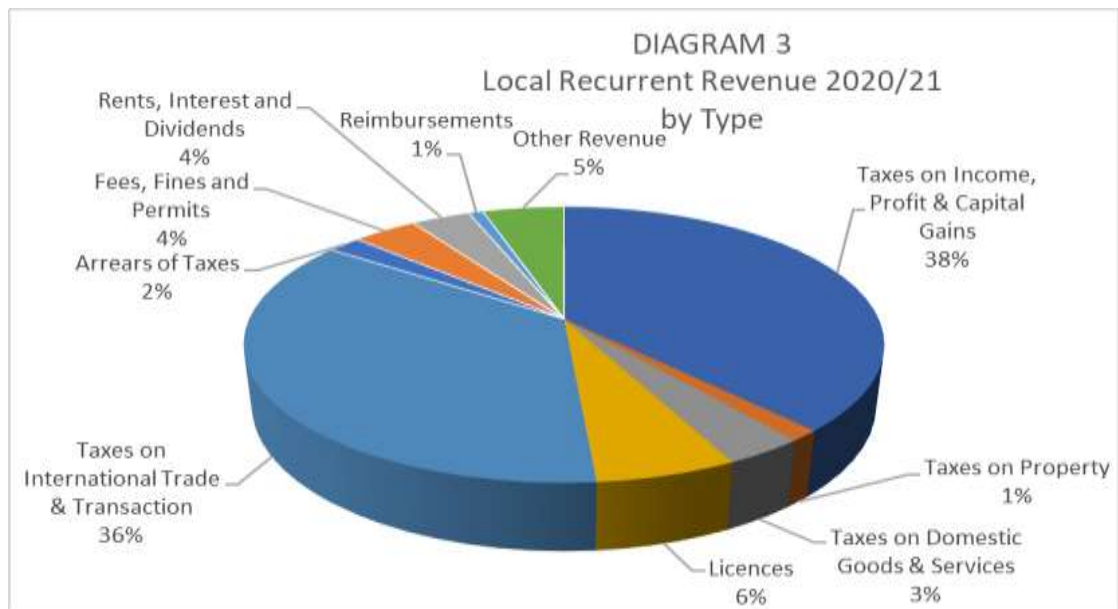
2.24. **Total Recurrent Local Revenue.** Projected Recurrent Local Revenue was \$36,998,200. Actual collection was \$48,977,018, resulting in a surplus of \$11,978,818 when compared to authorised collections for the year. Further analysis revealed an increased collection of \$9.46M, a 21% increase from the prior fiscal year.

2.25. Diagram 2 below shows the movement of Local Recurrent Revenue over the past five years. The collection of local tax has been steadily increasing from 2017/2018 to 2019/2020; however, a reduction of \$6.68M has been recorded from 2020 to 2021. The trend in this collection can be seen by the movements outlined below.



2.26. Actual Local Recurrent Revenue collected can be split into Tax and Non-Tax elements. For this fiscal year, Tax Revenues collected were \$42.47M whilst Non-Tax Revenue amounted to \$6.50M.

2.27. Diagram 3 below shows local revenue collected by type of revenue stream, with percentages, for the 2020/2021 fiscal year.



2.28. **Special Budgetary Assistance.** Approved special budgetary assistance was projected to be \$89,650,000. Actual receipts totaled \$93,607,582 resulting in an increase of \$3,957,582.

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

Table 6
Budgetary Aid 2020/21

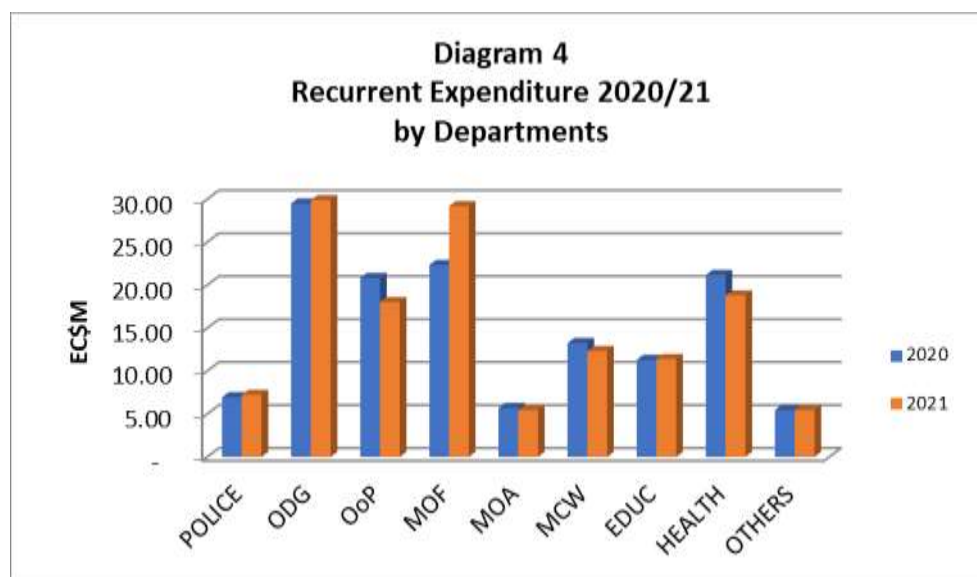
Date	Particulars	Receipt #	£	EC\$
5/5/2020	1 st Tranche 2020/21	045770	9,582,858	31,973,206.42
10/5/2020	2 nd Tranche 2020/21	049832	7,678,940	26,402,499.88
12/23/2020	3 rd Tranche 2020/21	043731	8,752,919	31,506,130.36
3/31/2021	4 th Tranche 2020/21	045166	1,016,963	3,725,745.71
Total Budgetary Aid			27,031,680	93,607,582.37

Statement of Recurrent Expenditure

2.30. **Appropriation and Expenditure Control.** The Appropriations Act, Ordinance #3 of 2020, was passed by the Legislative Assembly on the 24th day of June 2020 and authorised recurrent expenditure of \$148,632,800. Three Supplementary Estimates valuing \$6,209,700 were also passed, these bringing the Revised Estimates to \$154,842,500. Of this amount, \$3,646,000 was ratified to cover COVID-19 expenditure under the Ministry of Health and Social Services. Three Virement Warrants were also authorised to allow Accounting Officers to move monies between Subheads under their control.

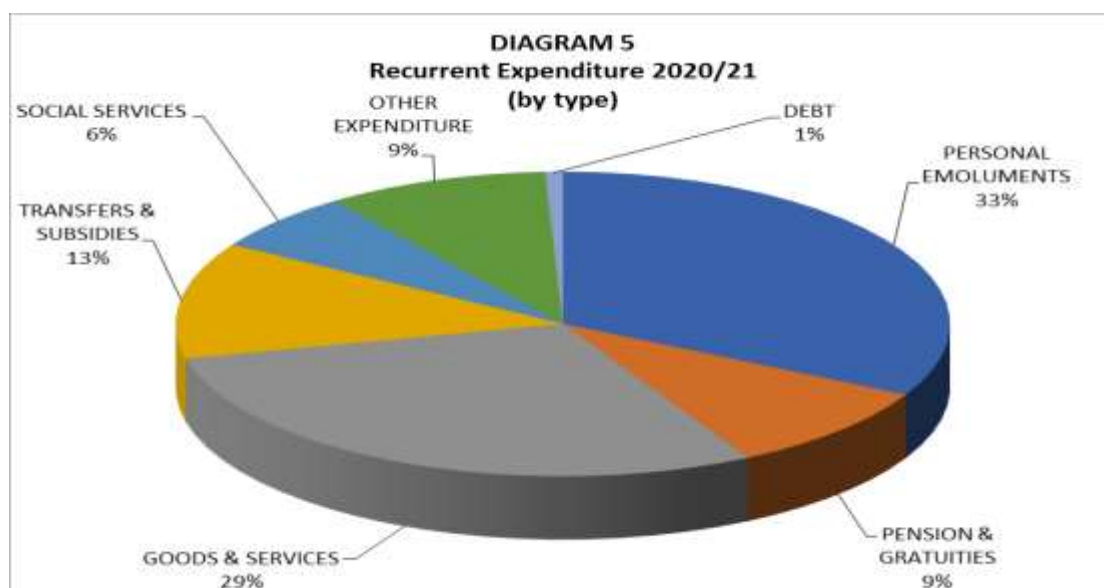
2.31. **Monies Spent.** Actual expenditure was \$145,486,531 leaving an unspent balance of \$9,355,969. Diagram 4 below provides a pictorial view of actual Recurrent Expenditure by Ministries and Departments. Those Departments that do not form part of any Ministry,

except for Royal Montserrat Police Service, are grouped under Others⁷. They are primarily non-ministerial departments.



2.32. Trend of Expenditure Usage. During the reporting period, Personal Emoluments, 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 a similar pattern.

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



⁷ 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

2.34. **Over expenditure.** We have seen improvement in this area and our review highlighted one instance where there was excess expenditure. This is by nature, a material breach of the regulations as Section 17(1) of the PFMAA requires all withdrawals from the Consolidated Fund to be supported by a warrant signed by the Minister of Finance and forwarded to the Accountant General.

Statement of Assets and Liabilities of the Development Fund

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

Table 8
Assets and Liabilities of the Development Fund

ASSETS	2021 EC\$	2020 EC\$
British Development Aid Claims Outstanding (1)	5,447,661	5,928,879
Donor Agencies Expenditure Outstanding (2)	103,332	521,715
Consolidated Fund Receivable	21,807,721	7,658,933
TOTAL ASSETS	27,358,714	14,109,528
LIABILITIES		
Deposits Within the Development Fund (3)	35,446,312	22,197,125
Local Funds (4)	10,066	10,066
Consolidated Capital Fund	(22,246,452)	15,433,748
Development Fund Adjustment		(11,233,713)
Add Expenditure Over Revenue	14,148,788	(8,097,664)
TOTAL LIABILITIES	27,358,714	14,109,528

2.36. We take note that the statement is showing a more accurate representation of the overall development fund. We give credit to the Treasury Department for initiating our recommendations over the years.

Development Fund Revenue

2.37. **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 2020/21

Agency	Amount Received EC\$
Government of Montserrat - LOCAL	12,543
Foreign and Commonwealth Development Office	15,080,062
Caribbean Development Bank	1,367,861
European Union	16,779,599
United Nations Development Programme	81,000
Foreign and Commonwealth Office	261,855
United Nation's International Children's Emergency Fund	20,329
Shorebirds	8,694
Total	33,611,943

2.38. **COVID-19 assistance.** Included in the foregoing, a number of Agencies provided financial support to the GOM to aid in the response to managing the COVID-19 impact.

Statement of Development Fund Expenditure

2.39. **Appropriation Accounts.** The Legislative Assembly, via the Appropriations Act #4 of 2020 authorised \$79,045,100 to allow expenditures on capital projects for the fiscal year. Two Supplementary Appropriations for a total of \$2,700,800 were added during the year bringing the Revised Appropriations to \$81,745,900. Actual spending for the year amounted to \$19,461,365 being only 24.6% of the authorised capital expenditure for the year.

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

Table 10
Development Expenditure: Fiscal Year 2020/21 (by Departments)

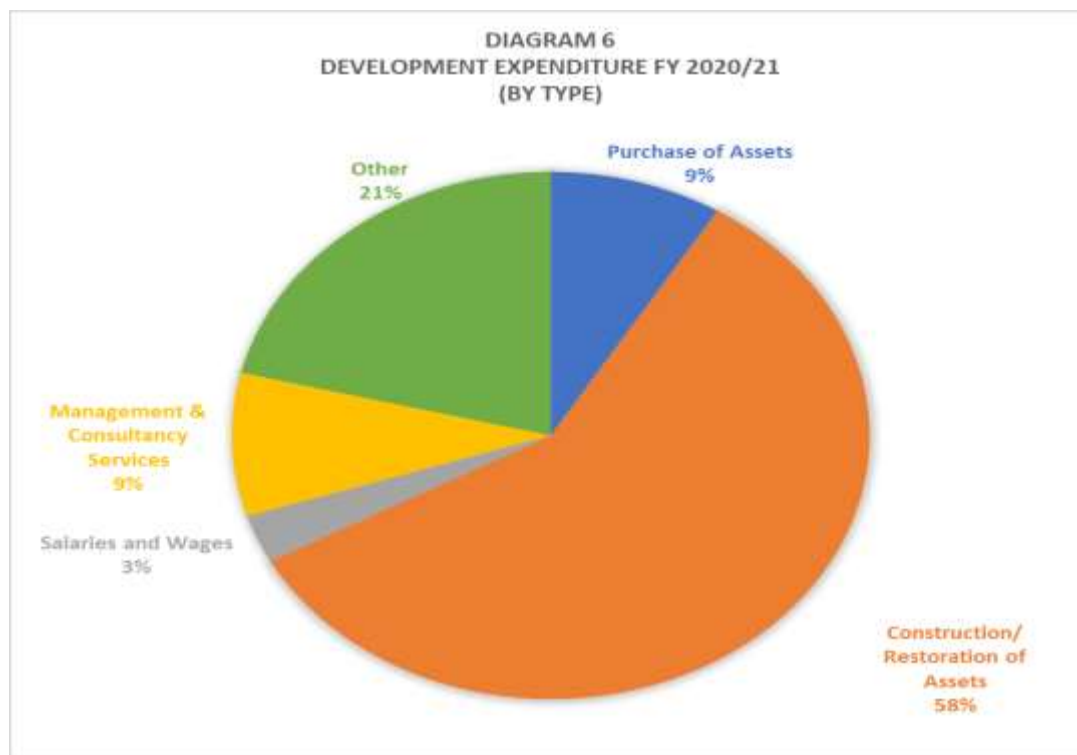
Ministry/Department	Authorised EC\$	Actual EC\$	% Used
Office of the Deputy Governor	2,605,800	390,079	15
Office of the Premier	13,732,900	10,759,156	78
Ministry of Finance	1,504,300	42,806	3
Ministry of Agriculture	2,480,200	339,141	14
Ministry of Communications & Works	54,403,900	6,862,751	13
Ministry of Education	2,463,300	269,817	11
Ministry of Health	4,555,500	797,616	18
TOTAL	81,745,900	19,461,365	24

2.41. **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 2020/21

Development Fund Expenditure	Authorised EC\$	Actual EC\$	Variance EC\$
DFID/FCDO	34,081,000	14,587,490	19,493,510
EU	22,041,800	3,163,423	18,878,377
LOCAL	514,700	12,543	502,157
CDB	23,900,000	893,395	23,006,605
DARWIN	26,300	20,326	5,974
OTEP	16,500	16,371	129
UNICEF	129,800	111,067	18,733
ECCB	250,000	249,183	817
UNDP	81,000	80,964	36
FCO	696,100	317,938	378,162
SHOREBIRD	8,700	8,666	34
TOTAL	81,745,900	19,461,365	62,284,534

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



Statement of Advances

2.43. Advances are monies owed to the Government of Montserrat for various reasons. These include advances to civil servants to enable purchase/maintenance/insurance of vehicles for travelling officers, medical advances, salary advances, and other general reasons. It also includes advances to officers travelling overseas on government business (Outstanding Imprests), and advances of payments made on behalf of Other Governments and Administrations. A decrease of \$170,705 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	2021 EC\$	2020 EC\$	Increase/(decrease) EC\$
Personal Advances	317,217	370,092	(52,875)
Outstanding Imprests	7,681	129,774	(122,093)
Other Gov't & Administrations	149,186	144,923	4,263
Total	474,084	644,789	(170,705)

Statement of Deposits

2.44. Included under this heading is the Development Fund Receivable account, which has shown a marked increase of \$14,148,788. The Miscellaneous Deposits account registered an increase of \$599,807.

Statement of Public Debt

2.45. **External Debt.** This statement focuses on guaranteed external obligations to the Caribbean Development Bank. At the close of the fiscal year, Total External Public Debt amounted to \$9,010,212.

2.46. Principal repayment on external debt was recorded as \$501,664, this being 1% of actual local recurrent revenue. This is well within the ECCB's debt sustainability threshold of 60% of the Government's revenues.

2.47. Interest payments for the year on external debt amounted to \$183,524, this being 0.37% of actual local recurrent revenue for the year.

2.48. Overdue and other interest charges amounted to \$735.

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

2.50. **Domestic Debt** – These are monies owed to local institutions and repaid by the Ministry of Finance and Economic Management. At the end of the reporting period, the amount due to these institutions was \$1,621,641. Individual balances are shown in Table 12 below.

TABLE 12
Summary of Domestic Debt as at 31 March 2021

Institution	Particulars	Balance Owed as at 1 April 2020	Principal Paid during year	Interest Paid during year	Balance Owed as at 31 March 2021
MSSF	Davy Hill Housing Project	946,627	157,771	31,061	788,855
MUL	MONLEC Generating Set	999,343	166,557	32,791	832,785
	TOTAL	1,945,969	324,328	63,852	1,621,641

Statement of Contingent Liabilities

2.51. 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 \$10,123,648.

Statement of Outstanding Liabilities

2.52. At the end of the reporting period, Outstanding Liabilities for goods and services worth \$510,105 were reported. Outstanding contributions of \$460,570 were owed to six

regional entities whilst a further \$1,235,303 was owed to depositors of the now defunct Government Savings Bank. This brings the total of outstanding liabilities to \$2,205,978.

Statement of Arrears of Revenue

2.53. **Arrears of Revenue Audited.** We are happy to report that we have received the relevant Arrears of Revenue Statements such that we were able to audit 98% of the total value presented. Our audit covered balances that were 1%, or greater, of the total arrears' receivable.

2.54. **Stock of Arrears of Revenue.** Arrears of Revenue, as presented by the Treasury Department, stood at \$30,269,072 at the end of the fiscal year and are itemised as follows:

Table 13
Arrears of Revenue

Subhead and Account Description	Mar-21	Mar-20
150-13599 Rents	0	25,000
152-13001 Advertising and Broadcasting Fees	18,335	7,335
156-16099 Other Revenue	0	33,758
205-12210 Trade Licences	10,675	19,275
221-53531 Emergency Fuel Supplies	90,429	90,429
206-11001 Company Tax	11,075,719	11,122,957
206-11002 Income Tax – Personal	12,425,951	10,755,708
206-11501 Property Tax	3,502,740	4,192,304
206-12501 Import Duty	266,754	252,429
206-12505 Consumption Tax	243,504	226,187
206-12507 Customs Processing Fee	3,205	3,168
206-13011 Customs Officers Fees	18,985	16,840
207-16099 Money Order Reimbursements	590	0
300-16015 Fisheries Receipt	1,050	0
300-13022 Real Estate Licences	1,500	0
350-12209 Telecom Licences	2,924	233,325
351-13032 Public Works Department's Laboratory	4,280	4,270
352-16039 Revenue from Re-Saleable Stock	19,477	0
352-16041 Revenue from Mechanical Spares	13,854	0
352-16042 Revenue from PWD's Plant & Workshop Operation	151,769	74,566
353-13032 Aircraft Landing Fees	5,114	7,550
353-13037 Scenic Flights	331,119	331,119
353-13502 Concessions Rental - Airport	5,050	10,477
353-16019 Navigational Charges	5,520	10,470
355-13027 Work Permit Fees	20,350	0
450-16018 Hospital Receipts	456,280	456,072
454-14505 Reimbursements	1,593,900	1,454,434
TOTAL	30,269,072	29,327,671

2.55. **Increasing Arrears.** The Arrears of Revenue balance has increased by \$941,401 when compared to the balance for the previous year. Noteworthy, is that Personal Income Tax Arrears have shown a marked increase by \$1,670,243. Revenue from the Plant and Hire Workshop Operations is understated by \$88,067, which represents 0.30% of arrears.

2.56. **Seeming Uncollectible Arrears.** We continue to express concern that 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. Again, we recommend that all options be explored to have these accounts receivables removed from the statements to give a more accurate representation of the GOM's arrears.

Statement of Stores and Other Assets

2.57. **Statement of Stores.** Schedule 1 of the PFMAA 2008 mandates that a Statement of Stores and Other Assets be prepared and presented for audit. In light of the plan to move toward the accrual basis of accounting, and that stores and others assets will play a critical part in determining the total value of the Government's assets, it is imperative that efforts be made to present this statement.

2.58. **Statement of Fixed Assets Misstated.** Our audit work revealed that the Statement of Fixed Assets is materially misstated. A large number of assets recorded in the Asset Register Software (WASP) still have no price or valuation. There are still recorded items that are obsolete or impaired that should be removed from the listing. Additionally, the depreciation policy is still not being consistently applied and the prescribed rates for classes of assets were not applied in all situations.

2.59. **Statement of Net Worth of Statutory Bodies.** We again express our appreciation to the Treasury Department for the provision of this statement in accordance with the PFMAA 2008. However, of the twelve statutory agencies/State-Owned Enterprises, accounts were submitted for only five (roughly 40%) of them. Additionally, there are no up-to-date audited and published accounts for most of these entities with the exception of the Montserrat Port Authority. The statements included are therefore misleading.

2.60. The GOM injected grants totaling over \$9M into the operation of some of these entities for the fiscal year 2020/2021. In order to ensure good governance and greater accountability, it is important that these accounts be brought up to date and, thereafter, that they be kept current and compliant with applicable laws, regulations, policies, and standards. **We urge the Ministry of Finance to provide the necessary support and or encourage the management of these entities to bring their accounts up-to-date by the stipulated deadline.**

Statement Mandated but not Received

Statement of Investments

2.61. The PFMAA requires the presentation of a statement detailing the Government's investments at the end of the fiscal year. This statement has not been presented for audit.

CHAPTER 3 RETURNS BY ACCOUNTING OFFICERS FOR FY 2020/2021

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 Act⁸. 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. 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.

3.3. In accordance with Section 8(2) of the PFMAA, the Accountant General has the responsibility for the compilation and management of the accounts of the Government. In keeping with that responsibility, the Accountant General gives general directives and instructions to Accounting Officers on which statements are to be submitted and on how the accounts/statements are to be prepared. He has opted to call the full suite of statements the Annual Returns. Thus, in addition to the statements above, he has requested the following:

- Statement of Fixed Assets
- Statement of Inventory
- Statement of Estimated Assistance and 3rd Party Settlements
- Statement of Undrawn External Assistance
- Statement of Contingent Liabilities.

⁸ See Appendix 4 for submissions required from Accounting Officers.

Submission of Annual Returns

3.4. The PFMAA requires that Annual Returns are to be submitted to the Accountant General with a copy 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.

Statement of Appropriation Accounts

3.5. 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.

3.6. **Recurrent Expenditure.** During the financial year 2020/2021, expenditure was incurred under 42 Heads of expenditure as outlined on the Statement of Detailed Expenditure included within the Treasury Department's Statements. Recurrent Expenditure incurred by Ministry/Department is shown in Table 13.

Table 13
Recurrent Expenditure for Fiscal Year 2020/2021
(by Department)

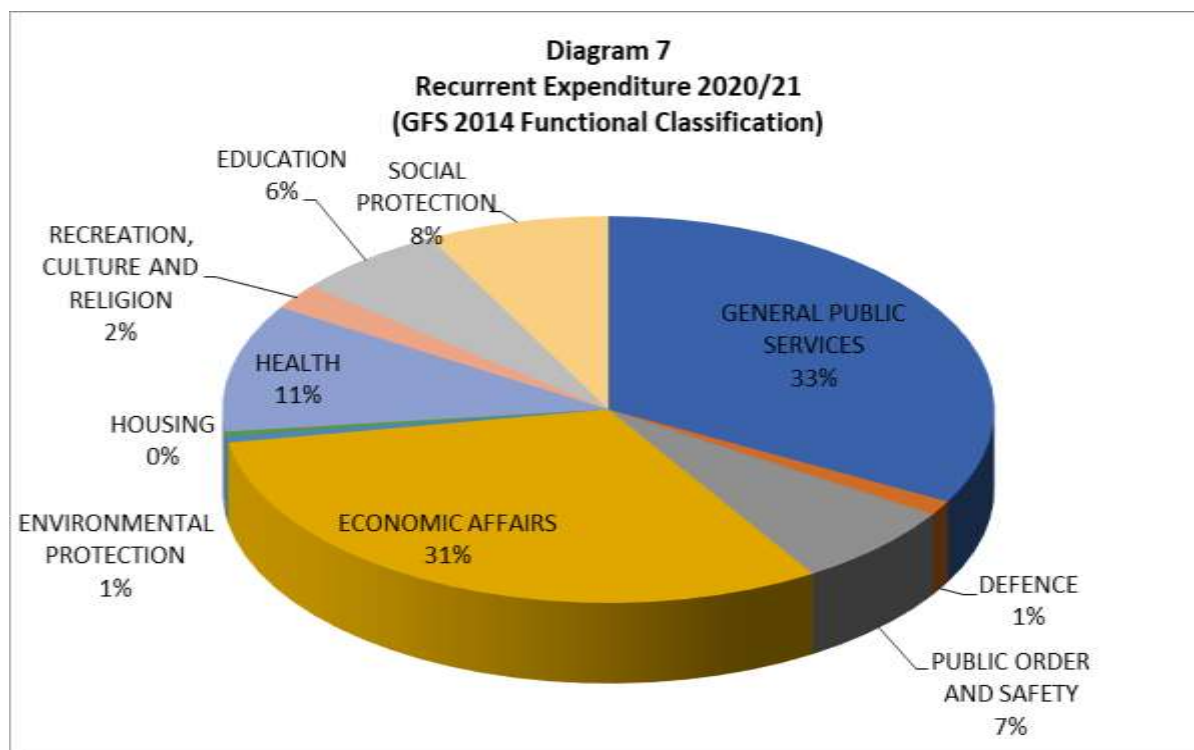
Vote	Details	Revised Estimate EC\$	Actual Expenditure EC\$	Variance EC\$	Actual Expenditure %
05	Police	7,329,000	7,240,004.91	88,995.09	5.0
07	Legal	1,649,200	1,289,440.35	359,759.65	0.9
08	Magistrate's Court	196,300	157,768.46	38,531.54	0.1
09	Supreme Court	766,200	710,066.61	56,133.39	0.5
10	Legislature	1,461,000	1,431,000.41	29,999.59	1.0
11	Office of the Auditor General	1,284,700	1,197,711.60	86,988.40	0.8
12	Office of the Deputy Governor	30,226,800	29,910,556.03	316,243.97	20.6
13	Public Prosecution	755,900	674,824.51	80,775.49	0.5
15	Office of the Premier	21,311,200	18,023,050.33	3,288,149.67	12.4
20	Ministry of Finance & Economic Mgt.	31,117,700	28,973,868.67	2,143,831.33	19.9
30	Ministry of Agric., Housing, Lands & Env.	6,104,200	5,448,334.41	655,865.59	3.7
35	Ministry of Communications & Works	13,834,300	12,335,609.69	1,498,690.31	8.5
40	Ministry of Educ., Youth Affairs & Sports	11,769,800	11,408,106.87	361,693.13	7.8
45	Ministry of Health & Social Services	27,036,500	26,686,187.95	350,312.05	18.3
	Total	154,842,500	145,486,530.80	9,355,969.20	100

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

	2021 EC\$	2020 EC\$	Increase/(Decrease) EC\$
Authorised Expenditure	154,842,500	141,318,700	13,523,800
Actual Expenditure	145,486,531	136,566,037	8,920,494
Unspent Balance	9,355,969	4,752,663	4,603,306

3.8. **Recurrent Expenditure Utilisation.** When reviewing the above, one will note that both the authorised spending and the actual expenditures increased when compared with the 2019/2020 figures. However, in terms of expenditure utilisation, we note a decrease of 2.6 percentage-points in the utilisation of budget allocation, with utilisation moving from 96.6% in fiscal year 2019/2020 to 94.0% in 2020/2021.

3.9. **Recurrent Expenditure by Functional Classification.** Diagram 7 below provides a further analysis of expenditure incurred by GFS functional classification. Except for General Public Services, which saw a reduction of 4%, and Economic Affairs which saw an increase of 2%. Expenditure was generally in line with projections at the beginning of the year as outlined on pages 38 and 39 of the Budget Speech for the fiscal year 2020/2021.



3.10. **Misclassification of Expenditure.** The classification of expenditure is still an issue although there has been some reduction in the number of instances. Misclassifications were identified at a number of Ministries and Departments, including the Ministry of Communications and Works, the Ministry of Education 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 to adhere to the chart of accounts or to seek advice where there is uncertainty.**

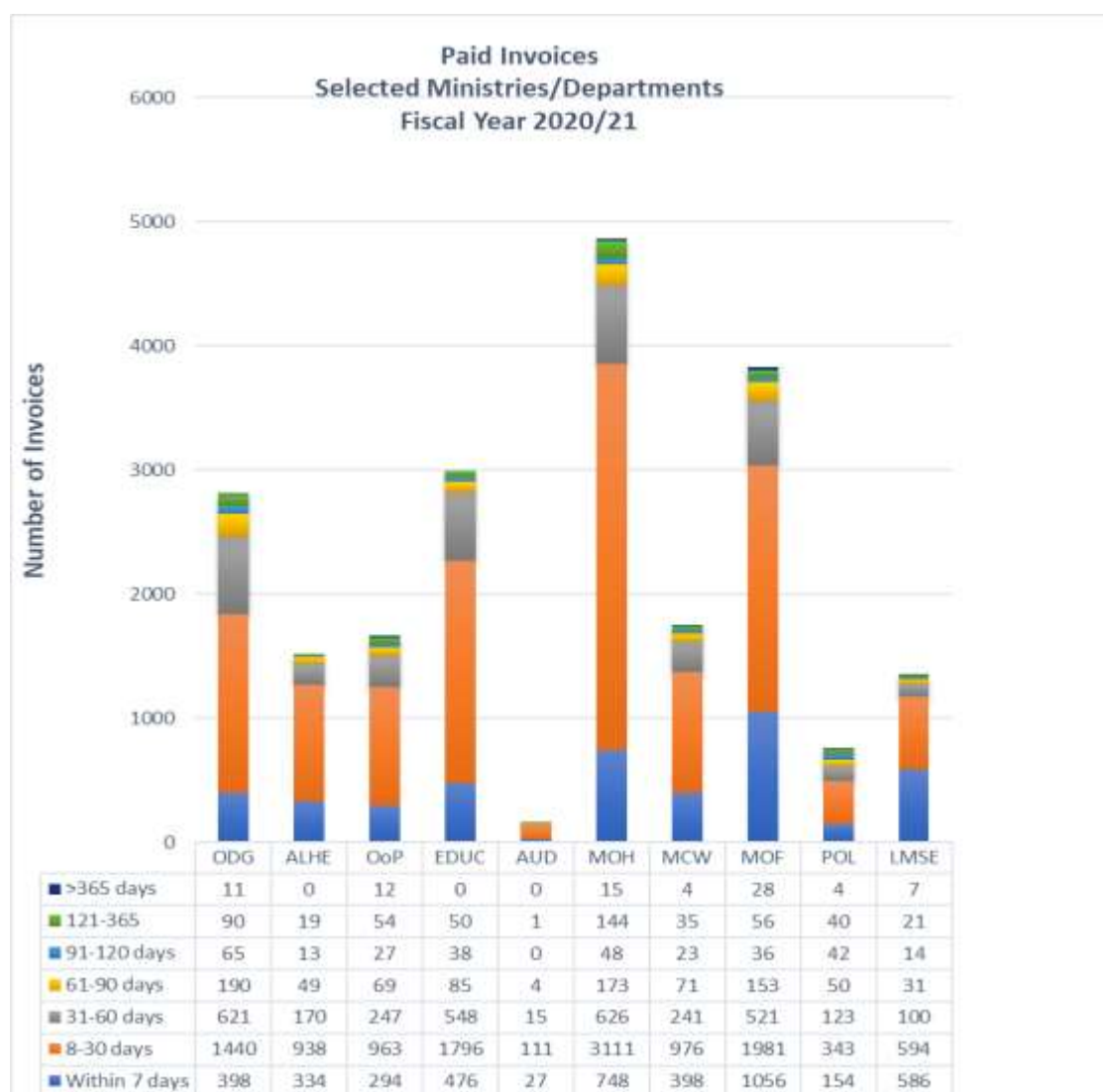
3.11. **Weak Internal Controls in some areas.** There were instances where internal controls were weak: for example, we found instances of non-compliance with regulations as folio numbers were not seen for some items that were required to be in stores.

3.12. **Payment of invoices.** An analysis was conducted of the Ministries and Department's payment of invoices over the reporting period to determine whether they were adhering to

the GOM's payment policy. A total of 21,708 invoices were included in our analysis. We are reporting here only the major spending Ministries/Departments, with invoices representing ninety-one percent of the total population. Our analysis revealed that only 21% of invoices were paid within the seven-day deadline; 77% of all invoices were paid within thirty days and 23% were paid after thirty days.

3.13. Extended Payment to Suppliers. Again, we are concerned that a total of 1,772 invoices remained unpaid for more than two months and 591 invoices remained unpaid for more than four months. These late payments could lead to increased costs to the GOM and can also affect the going concern for small businesses on Montserrat. **Accounting Officers are therefore encouraged to pay their invoices within the stipulated deadlines.**

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



Statement of Outstanding Liabilities

3.15. **Total Outstanding Liabilities.** These amounted to \$2,205,978 and represented a significant decrease of \$4,259,454 when compared with outstanding amounts at the end of the prior fiscal year.

3.16. **Outstanding liabilities for goods and services supplied.** These amounted to \$510,105 and represented a major decrease of \$1,797,403 when compared with the outstanding amounts at the end of the prior fiscal year.

3.17. 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”.

3.18. Using a sample of entities that had outstanding bills amounting to more than one percent of total outstanding liabilities, the results of our investigation into the reasons for non-payment in the correct accounting year are detailed below.

Ministry/Department	Work completed or bills received late for processing	Insufficient funds	Awaiting response from HRMU	Late reconciliation with entity	Invoices rejected by Treasury	Other	Total
RMPS	14,264	9,025	0	4,440	635	550	28,914
ODG	0	32,550	0	0	0	0	32,550
OoP	0	460,570	0	7,678	0	0	468,248
MCW	1,737	0	12,048	4,960	0	877	19,622
MOE	5,035	65,206	9,604	0	0	0	79,844
MOF	180,677	0	0	0	0	0	180,677
MHSS	29,313	121,800	2,994	3,094	0	3,000	160,201
TOTAL	231,026	689,151	24,646	20,172	635	4,427	970,056

3.19. **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.

3.20. **Bills Outstanding due to insufficient funds.** \$689,151 or 71.0% of the bills sampled were reported as outstanding due to insufficient funds.

3.21. **Bills Outstanding due to late reconciliation with entities.** 2.1% of our sample was in 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 to avoid deferring payments which will affect the next year’s allocation.**

3.22. **Outstanding Liability – GSB Unsettled Deposits.** Liabilities outstanding to the depositors of the now defunct Government Savings Bank amounted to \$1,235,303.

3.23. **Outstanding Liability – Regional Contributions.** These amounts owing for contributions to regional and international institutions totaled \$460,570 being 47.5% of the total. Further investigation into the reasons for the outstanding contributions revealed that all were as a result of the entity having insufficient funds to meet the payment plan.

Statement of Revenue Received

3.24. **Local Recurrent Revenue.** Emphasis is placed here on the collection of local revenues that are within the control of Accounting Officers. Thus, revenues collected locally by Ministries/Departments and non-Ministerial Departments are presented in Table 14 below.

Table 14
Local Revenue Collected by Ministry/Department Fiscal Year 2020/2021

Vote	Details	Budgeted Amount \$	Actual Collection \$	Variance \$
05	Police	327,600	289,905	(37,695)
08	Magistrate Court Service	55,000	93,250	38,250
09	Supreme Court	15,500	61,730	46,230
10	Legislature	2,000	2,048	48
11	Audit Office	25,000	19,700	(5,300)
12	Office of the Deputy Governor	270,000	344,221	74,221
15	Office of the Premier	1,833,700	307,977	(1,525,723)
20	Min. of Finance & Econ. Mgt.	28,722,500	42,852,234	14,129,734
30	Min. of Agriculture	1,031,000	825,129	(205,871)
35	Min. of Communication & Works	3,822,600	3,293,430	(529,170)
40	Min. of Education, Youth Affairs & Sports	387,500	210,521	(176,979)
45	Min. of Health and Social Services	505,800	676,874	171,074
	Total	36,998,200	48,977,018	11,978,818

3.25. **Reduced Collections.** When compared to collections of the prior fiscal year, we note a decrease of \$6,680,640 representing a 12% reduction in collections of local revenues. However, the positive shown in the table is that actual collections of local revenue well exceeded their budgeted amounts for that year.

Statement of Arrears of Revenue

3.26. **Increasing 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. Most of the GOM's Ministries and Departments submitted well in advance of this deadline. We note an increase of \$941,401 when compared to the prior fiscal year.

3.27. **Removal of Uncollectible Arrears.** Our review revealed that a number of these arrears' lines contain accounts for persons or entities from whom there seems no possibility of collection: e.g., persons may have died or the entity has ceased to exist. **Again, we are encouraging Accounting Officers to review these accounts and to take the necessary steps to have the issue addressed.**

Statement of Development Expenditure

3.28. **Capital Expenditure Utilised.** The Appropriation Warrants authorised spending of \$81,745,900. Actual expenditure was \$19,461,365, this being 24% of the amount allocated. Expenditure utilisation ranged from a high of 78% in the Office of the Premier to a low of 3% in the Ministry of Finance.

Statement of Fixed Assets

3.29. 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.

3.30. **Fixed Asset Registers are Materially Misstated.** After a further review of the software, we conclude that the Fixed Asset Register for these Ministries/Departments are 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. The depreciation policy was not consistently applied as the rates for classes of assets were not applied in all instances. In some instances, valuation reports were not provided for audit review and, of those provided, pertinent information was missing. **We recommend that those charged with governance consider employing local valuers to commence assessing the GOM’s fixed assets in a phased approach.**

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 2020/2021 was completed.

Public Accounts of Montserrat

4.4 The Report on the Public Accounts for the fiscal year ending 31 March 2020 was completed and tabled in the Legislative Assembly on 27 July 2021. The audit opinion was qualified for material misstatements.

Montserrat Land Development Authority (MLDA)

4.5 The audited Financial Statements (Corporate) for the years ended 31 March 2017 and 2018 were tabled in the Legislative Assembly on 30 November 2021. The accounts for the fiscal year ended 31 March 2019 were audited but were not yet tabled in the Legislative Assembly.

4.6 The audited Financial Statements (Housing Stock) for the year ended 31 March 2018 were tabled on 17 June 2021. Meanwhile, the financial statements for the years ended 2019 and 2020 are currently being finalised for tabling at the next sitting of the Assembly.

Montserrat Social Security Fund (MSSF)

4.7 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 audited Financial Statements for the financial year ending 31 March 2020 were tabled in the Legislative Assembly on 8 February 2022.

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 audited Financial Statements for the financial years ending 31 December 2018 and 2019 were tabled in the Legislative Assembly on 8 February 2022.

Montserrat Info-Communication Authority (MICA)

4.11 The audit of the MICA's Financial Statements for the financial year ending 31 March 2020 was completed and is being finalised for tabling.

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 submission 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 Management has provided us with published copies of the audited Financial Statements for the fiscal year ending 30 September 2021.

Montserrat Arts Council (MAC)

4.14 The audited Financial Statements for the financial years ending 31 March 2015 and 2016 were tabled in the Legislative Assembly on 30 November 2021.

Montserrat Community College (MCC)

4.15 The audited Financial Statements for the financial years ending 31 March 2013, 2014 and 2015 were tabled in the Legislative Assembly on 22 February 2022.

Montserrat National Trust (MNT)

4.16 The Montserrat National Trust's Statements of Financial Position for the financial year ended 31 March 2021 are currently being audited.

Montserrat Philatelic Bureau (MPB)

4.17 The audited Financial Statements for the fiscal years ending 31 December 2009 and 31 March 2011, 2012 and 2013 were tabled in the Legislative Assembly on 17 June 2021. We are awaiting the submission of the remaining years for audit.

Basic Needs Trust Fund (BNTF)

4.18 The Financial Statements for the fiscal year 2018 were audited and we are awaiting management's response.

Montserrat Civil Service Association (MCSA)

4.19 The audited 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 The audited Financial Statements for the fiscal year ending 31 December 2019 were tabled in the Legislative Assembly on 27 July 2021. We were advised that the 2020 Financial Statements are being finalised for tabling.

Montserrat Girl Guides Association (MGGA)

4.21 The audited Financial Statements for two fiscal years ending 31 December 2019 and 2020 are being finalised for tabling.

St. Augustine Primary School (SAPS)

4.22 The audited accounts for the fiscal years 2008 to 2013 for the St. Augustine Primary School were tabled in the Legislative Assembly on 17 June 2021. I submitted a Report to Those Charged with Governance for the 2014 Accounts outlining the audit certificate I was planning to issue and seeking written representations. At the time of writing this Report, I was still awaiting a response from the Chairperson to enable the finalisation of the Report and subsequent issuance of the audit certificate.

Cross Cutting Issues

4.23 **Lateness in compilation and provision of accounts for audit.** 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 many are still not adhering to this statutory requirement. 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 status of overdue 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						
	2015	2016	2017	2018	2019	2020	2021
Financial Services Commission					√	√	√
Montserrat Arts Council			√	√	√	√	√
Montserrat Community College	√	√	√	√	√	√	√
Montserrat Info-Communication Authority						√	√
Montserrat Land Development Authority – Corporate						√	√
Montserrat Land Development Authority – Housing Stock						√	√
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 the impact of the COVID-19 pandemic and competing priorities. It is management's responsibility to ensure that they make timely responses 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 reports are submitted to Accounting Officers and are intended to identify good practices; to raise issues and concerns; and to make recommendations for improvements where necessary. They are then sent to the Legislative Assembly to facilitate general oversight of public entities. They 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 Office of the Deputy Governor and Related Departments Background

5.4 This study was requested by the UK Government's Department for International Development (DFID) to provide assurance about the efficiency and the effectiveness of the GOM's spending. This audit sought to examine risks to value for money within the ODG, including the level of governance, the quality of the processes of planning and budgeting, the use of people and assets, and overall performance. The overall objective of the audit was to assess whether the ODG is performing in a way that is likely to maximise value for money.

Main Findings

5.5 **The ODG's performance has improved slowly, but there is significant scope to improve further both performance and reporting.** Overall, the ODG has clear objectives that are linked to the Policy Agenda and to the Sustainable Development Plan 2008 to 2020 (SDP). For the financial years 2017/2018 and 2018/2019, the ODG met 14% and 29% of its performance targets respectively. In other areas, performance was not clearly defined and/or was not reported. No quarterly performance-reports were made available to us for the fiscal year 2016/2017; hence, we could not make a detailed assessment for that financial year.

5.6 **The ODG has recognised that it has capacity-gaps, but has struggled to fill them.** The ODG reviews staffing requirements as part of the annual budgeting process. However,

it is not clear how the ODG determines the number and the type of posts needed. Over the years that we reviewed, the ODG has consistently operated below its establishment capacity: i.e., 65 filled posts versus the 75 available posts in fiscal year 2016/2017; 62 posts filled of 69 available posts in fiscal year 2017/2018; and 59 posts filled of 70 available posts in fiscal year 2018/2019. This was one of the factors that could have contributed to low performance against targets. It also reflects the long-term trend of high and rising rates of vacant posts (from 10% in fiscal year 2016/2017 to 13% in fiscal year 2018/2019) across the public service, with implications for efficiency, for effectiveness, and for value for money.

5.7 The ODG uses the Technical Co-operation (TC) Programme to fill critical and hard-to-fill posts, but needs to improve the process for appointment and management of TC-employee posts. The TC programme is used to acquire the skills needed to address local skills-gaps and to recruit internationally for posts that are difficult to fill. The ODG manages the TC programme on the behalf of the entire GOM. The process for the TC programme is specified by DFID in the TC booklet, but this was not always followed. For example, business cases should be prepared to justify each TC post. However, we found that [a] only 2 of 12 TC employee posts that we sampled had a business case, and [b] the business cases that we tested did not meet all of the criteria specified for business cases. We also found that there was a lack of clear skills transfer, which is a requirement of the TC programme, as this was not stipulated in contracts, in business cases, and/or in advertisements of vacant posts. Some posts also had no local understudies assigned to them; however, the ODG advised that such posts lead to important development of capabilities in other ways, including new policies, new processes, new knowledge, and the sharing of experience and of perspectives across cultures.

5.8 The ODG has identified that improved workplaces are urgently needed to support the GOM's employees in delivering better service to the public, but, without funding support, little progress has been made. In recent years, independent consultancies procured by the ODG, at the request of the DFID, have concluded that at least 80% of public buildings require significant upgrades to meet standards and users' needs. There is also a clear understanding of the offices and other assets needed across the GOM. Significant investment (estimated at EC\$8 million per year over 3 years) is needed to eradicate the backlog of building maintenance and upgrades required. Additionally, the assessed needs for new work on facilities were estimated at EC\$53 million over 10 years. Funding has been repeatedly requested from the DFID for this purpose, but has not been approved. Since early March, 2020, the COVID-19 pandemic has made the need for these repairs and upgrades much more urgent, both for employees' safety and for the new mandates of public health in serving the public.

5.9 The ODG has good oversight of available budget and annual spending. However, there remain a few large amounts overspent and underspent across different activities, and the ODG must manage these variances better. The ODG reviews its budgetary needs yearly. Financial performance for the ODG has varied over the last 3 years: it spent (a) \$30.4 million (94%) of the \$32.4 million budget in fiscal year 2016/2017, (b) \$27.3 million (92%) of the \$29.7 million budget in fiscal year 2017/2018, and (c) \$28.8 million (98%) of the approved \$29.3 million in fiscal year 2018/2019. Whilst the 2% net underspending in

fiscal year 2018/2019 was a significant improvement over the rate of underspending in prior years, there remained areas of large underspending within some Departments. For example, significant numbers of unfilled posts within the ODG and its related Departments, and a very high vacancy-rate in the TC-employee posts, explained much of the underspending each year.

Key Recommendations

5.10 Reduce the number of vacancies. Given the impact that rising vacancies (both their number and their duration) are likely to have on the delivery of public services, the ODG and the HRMU should continue to identify and to resolve the main reasons for vacancies, including factors such as prolonged recruitment-cycles, the terms and conditions of offers/contracts, and the turnover of employees. Also reassess personnel needs and close posts that are no longer needed.

5.11 Prioritise the funding of the GOM's required building maintenance and upgrades. To achieve the SDP Goals #1 & #4, maintenance and upgrades to public offices and other buildings are essential. This supports both [1] the health and safety of public servants, and [2] the infrastructure for high standards of service to the public. This requires [a] ranking the items in backlog by urgency and by importance, and [b] then progressing in phases over the next 3 to 5 years with the DFID's full appropriate funding support. Where underspending occurs in other areas within any fiscal year, some budgeted funds can also be temporarily redirected to support this important effort, which the newly enacted public-health measures against the global COVID-19 pandemic have made all the more urgent to implement.

5.12 Strengthen Departments' strategic planning, measurement, and reporting of performance. The ODG should ensure that all aspects of its Departments' strategic plans and budgets clearly relate to the Policy Agenda. E.g., [a] each objective should have clear, appropriate, and measurable KPIs, [b] each reported KPI should support achievement of at least one identified part of the Policy Agenda, and [c] each KPI should be included in the quarterly reports.

5.13 Strengthen the oversight of the TC programme. The ODG should ensure that the approved processes are consistently followed, including [a] business cases for new posts, [b] obtaining and documenting the Cabinet's approval, and [c] ensuring the related documents capture the requirement for the transfer of knowledge and of skills from TC employees to their understudies and co-workers. This will achieve greater building of local capacity so that the benefits of the Programme to the ODG, and, by extension, across the GOM, will be sustained for the long term.

5.14 Strengthen Departments' record-keeping and reporting for decision-making. [1] The ODG should ensure that records are consistently kept for management meetings and for other important activities to document decisions, actions, and progress. [2] The ODG should improve the management of its records for all of its Departments, addressing such

issues as [a] reliance on manual processes and paper, [b] the loss of historical data, documents, and reports (e.g., Quarterly Reports are missing for fiscal year 2016/17), [c] maintaining data for business-continuity, audits, and compliance, and [d] safeguarding of documents to facilitate effective succession-planning, including ensuring that persons appointed to posts, or acting temporarily, can easily locate necessary information from predecessors, while leaving a clear trail for those coming after them to follow.

Audit Conclusions

5.15 Overall, the ODG has clear objectives linked to the Policy Agenda and the SDP. However, its current structure is cumbersome, as it combines several Departments with very different mandates, numbers of employees, size of budgets, and functions, and as it places oversight both of policies and of related operations under the same structure. Performance against the strategic plans has improved gradually, but most of the Key Performance Indicators were not achieved during recent fiscal years (2016/2017 to 2018/2019). A trend of significant underspending vis-à-vis budgets has persisted, especially in the HRMU, reflecting very high vacancy-rates (over 45%) in the TC Programme, parallel to the high and rising rates of vacancies [a] across the ODG's Departments (more than doubling from 7% as at March 31st, 2016, to 16% as at March 31st, 2019) and [b] across the public service (rising from 97 unfilled posts as at March 31st, 2016, to 129 unfilled posts as at March 31st, 2019). By contrast, pension related liabilities have grown rapidly, as only some of the required pension budget has been approved each year, with longstanding arrears accumulating to other Caribbean Governments for pensions paid on the GOM's behalf to Montserratians overseas.

5.16 Two of the major responsibilities of the Deputy Governor are (a) the oversight of the public service, and (b) the management of the GOM's facilities. However, maintenance and upgrades of public buildings and of other capital assets have often been delayed over the past several years, and they now require high priority. Over the years, the ODG has also commissioned several external consultancies indicating that most posts and compensation-packages in the public service are overdue for review and upgrading. It is important that the key agreed recommendations be implemented as soon as practicable (in phases, if necessary) to address some of the issues leading to significant numbers of vacancies and turnover of staff, both within the ODG's Departments, and across the public service that it administers centrally. Finally, we note that, over the years, the ODG has procured a number of consultancies, at the DFID's request, but with no supporting funding following for implementation. Therefore, it is important that future studies be approved for procurement only where the necessary commitment to provide adequate funding for the timely implementation of at least some of the key recommendations is also confirmed in advance.

The Government of Montserrat's Use of Capital Assets: Vehicles and Police Boats

Background

5.17 This performance audit focused on the governance and processes of the GOM's Departments for acquiring and using capital assets, the GOM's policy framework for strategic planning and budgeting, and the Departments' efficiency, effectiveness, and accountability in their use of capital assets. These connected dimensions have implications (a) for governance, (b) for departmental effectiveness and efficiency, and (c) for the quality of outputs, of outcomes, and of the delivery of services to the public. In turn, the number and the quality of the GOM's capital assets and public services affect the entire economy and society of Montserrat. This is important, since in the post-1995 era, the central GOM and the wider public sector constitute about 75% of GDP and roughly 65% of full-time employment in the national economy, and they have numerous multiplier effects.

Main Findings

5.18 **Good governance overall.** An important finding of our research is that there is adequate oversight of strategic planning, of budgeting processes, and of projects. This includes the procurement of major capital-assets. Actual spending is kept strictly in line with actual revenues. This contributes to the SDP's Goal #1 and Goal #4.

5.19 **Cash-based accounting and little/no reporting of capital assets.** We found that Departments' asset-registers were incomplete, and their records were inadequate for the purchases and/or the operating costs and outcomes of capital assets. Under the current cash basis of governmental accounting, the GOM's Treasury Department does not prepare accrual-based Balance Sheets (otherwise called Statements of Financial Position) with full disclosure of capital assets. Newly acquired assets are often treated under recurrent spending lines (e.g., Purchase of Assets), rather than as long-term assets. Departments make no provision for the corresponding depreciation and accumulated amortisation of capital assets. Whilst the GOM is compliant with cash-based accounting standards for external reporting, this approach is unsatisfactory for internal reporting and for the effective management of Departments.

5.20 **GOM has no reserves/insurance for most assets.** The GOM has no external insurance to cover most of its capital assets, including vehicles. There is a huge and rising contingent liability for any damage to public assets or to private assets arising from the use of the GOM's vehicles/boats, and for any related injuries or deaths to the GOM's employees or to members of the public. There are no funds to support the policy of self-insuring.

5.21 **Poor co-operation by some Departments.** There was failure of the PWD's Plant Hire and Mechanical Workshop (which has central responsibility for repairs and maintenance to vehicles across the public service) to provide anything requested for this audit, including interviews and documentation of the frequency and costs of repairs and maintenance for GOM's capital assets, especially vehicles. Additionally, the Head of the

Marine Unit (within the Royal Montserrat Police Service) did not acknowledge or reply to any of our requests or reminders.

5.22 Over 90% of vehicles are old and inefficient. Every Department that has vehicles or boats reported inadequate funding for replacements of assets. There is an urgent need to develop official funds and reserves for timely and proactive repairs, maintenance, and replacement of capital assets. Unlike what obtains in other UK Overseas Territories, the current model with the DFID in Montserrat actually discourages the GOM from having any reserves.

5.23 Excellent maintenance schedule for vehicles, but under-funded. All of the Departments that we surveyed praised the diligence of the PWD's Plant Hire and Mechanical Workshop in collecting public vehicles for regular service and maintenance. However, inadequate funding for maintenance and timely replacement (a) increases the cost of maintenance over time, (b) limits the stores of spare parts on the island, and (c) results in frequent and costly interruptions of departmental operations and public services when capital assets malfunction or become unusable.

Key Recommendations

5.24 Increase the funding for repairs & maintenance. Given the value of the assets at risk, and the range of other risk factors, the MOFEM and DFID should increase their efforts to secure more funding to eliminate the backlog of repairs and maintenance across the public sector. This also requires including, from the concept and approval stages, adequate planning and budgeting for post-implementation maintenance in all procurement of capital assets as well as for new projects: e.g., airport, seaports, roads, bridges, hospital, and energy, in line with the SDP Goal #1. Increased security, accessibility and mobility, including provision for the poor, for the elderly, and for the disabled, also support SDP Goals #2 & #5. This recommendation also includes having back-up provision and contingency plans for when assets are out of use for repairs or maintenance or unexpectedly damaged, stolen or lost.

5.25 Adopt accrual-based accounting and comprehensive reporting of assets. To provide adequate accountability and transparency for the millions of dollars of capital assets across the public sector, the MOFEM should accelerate the transition from cash-based accounting to accrual-based accounting. This will ensure comprehensive accounting for capital assets, and adequate reporting to support effective policy-formulation, oversight and management of assets, and tracking of useful lives, residual values, accumulated depreciation, assigned drivers and users, and all operating expenses.

5.26 Fund self-insurance; develop funds for buying/replacing assets. To achieve the SDP Goal #1, to shift from post-crisis mode back to economic independence and resilience, the MOFEM, in partnership with the DFID, must start a fund to back the self-insurance of its vehicles and boats, and also support the GOM's strategic planning through the provision of sinking funds for capital assets. Delivery of public goods and services depends on full-time

availability and reliable functioning of all required capital assets of the appropriate number and quality.

5.27 Strengthen Department's record-keeping and reporting. The MOFEM should expand its efforts to oversee and to enforce improved asset-registers, comprehensive operating records, and timely reporting on the costs, the outputs, and the outcomes of the use of all capital assets within the public service. This will improve inputs into, and improve the usefulness of, the Treasury's new asset management software (introduced in 2019).

5.28 Steadily transition from fossil fuels to renewable energy. To achieve the SDP as well as the Montserrat Energy Policy, which targets 100% renewable energy by year 2030, the GOM, having recently bought its first electric car (2019), should continue to lead by example, and should encourage all Departments and statutory corporations to focus their new purchases of capital assets on those that use renewable local energy. As the largest fleet on the island is in the public sector, the GOM can easily accomplish most of the required national transformation of Montserrat's transportation sector, while encouraging the private sector to do the same.

5.29 Increase the incentives for renewables. The MOFEM should encourage the Cabinet to consider (i) expanding the range and duration of incentives for vehicles and other assets that use clean renewable energy, and, in turn, (ii) review the taxes and fees on fossil fuels and on vehicles and other capital assets that use imported fossil fuels. This will incentivise the broad adoption of capital assets that are compatible with the SDP and with the Montserrat Energy Policy. This approach could also maintain, or even increase, the GOM's overall revenues during the transitional years from 100% fossil fuels towards 100% renewable energy by the year 2030, as mandated by the Montserrat Energy Policy. It will also build Montserrat's self-sufficiency in energy and resilience against economic shocks, imported inflation, and disasters.

Audit Conclusions

5.30 Overall, Departments have shown moderate to low efficiency in their use of capital assets. Of great concern is that their record-keeping is incomplete, monitoring is sporadic, their accountability for use of capital assets is low, and their reporting is often late or not done at all. Repairs and maintenance, as well as timely and adequate procurement/replacement of capital assets, have been under-funded and delayed over the past several years. In several cases, Departments' new acquisitions (e.g., the Marine Unit's boat in 2018) are, in fact, used assets, rather than highly reliable, highly efficient, new ones. Expectably, these are apt to repeated malfunction, more frequent repairs, outright failure, and/or interruption of public services. These trends affect both the total lifecycle costs and effectiveness of the GOM's capital assets and their value for money to all stakeholders.

5.31 More realistic and flexible approaches to funding, planning, and budgeting are clearly necessary to ensure that Departments receive, use, maintain, and replace capital assets of the required number and quality, in a timely manner, to obtain desired efficiency, effectiveness, and value for money. There are no sinking funds and GOM's policy of self-

insurance has no reserves; this urgently requires the DFID's support in starting the progressive accumulation of supporting funds. Required, as well, is a continued shift from fossil fuels to renewable energy across the public sector, and, by extension, the entire society and economy, in order to achieve the Montserrat Energy Plan 2016 to 2030 and the Sustainable Development Plan 2008 to 2020.

Special Audit – The Government of Montserrat's Initial Response to the COVID-19 Pandemic 2020

5.32 The first known cases of the coronavirus outbreak were officially reported in Wuhan, China in December 2019. By January 2020, the coronavirus had spread across several countries and continents and became a regional epidemic in the Asian countries. In March, 2020, the World Health Organisation (WHO) declared it a global pandemic and gave it the name, COVID-19. In mid-March 2020, the first case was identified on Montserrat and the Government initiated its action plan. This virus threatened lives and forced the closure of all non-essential public and private sector services, disrupting health services and the economy in general. The first national lockdown was from 25 March to 24 May 2020.

5.33 The objective of this review was to provide a broad overview of the Government's initial response to the pandemic in relation to the activities, undertaken, committed income, and costs. By the 30 June 2020, a number of agencies had made commitments to provide financial and other in-kind assistance to help the GOM to implement its COVID-19 strategies. These agencies included the Eastern Caribbean Central Bank (ECCB), the European Union (EU), the Department for International Development (DFID) (now FCDO), the Government of the Commonwealth of Dominica, and the Government of Cuba. The table below provides a summary of budgeted and actual cost of the initial expenditure.

Summary of Budgeted COVID-19 Initial Related Expenditure 2020
(by type of activity)

Activity	Budgeted Cost ECs	Actual Costs EC\$
Healthcare costs	-	543,790
Quarantine facilities and social distancing	408,748	365,121
Social assistance for individuals and families	1,004,000	3,794,650
Cuban Medical Support (July – October 2020)	955,900	1,332,020
Support for businesses	4,610,000	2,681,251
Education IT Support	368,000	320,000
Assistance to St Augustine School	176,000	174,448
Cleaning Supplies for GOM	-	110,777
Support to farmers	614,000	469,634
Total	8,136,648	9,791,691

5.34 Projected shortfall was less than expected due to the impact of COVID-19. Funding was also withdrawn from every Ministry/Department to boost the GOM response to re-

direct funds to where they were most needed. The 2nd national lockdown, which was in February 2021, caused further disruption and hardships to the unemployed. As such, further support was given by the GOM, including payment of utility bills for every household directly through rebates to their accounts with the Montserrat Utilities Limited.

5.35 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.

Post-Implementation Benefits Audit of Public Works Department – CollectiveFleet Fleet Management Software

Background

6.3. The Ministry of Communications, Works, Labour and Energy (MCWLE), through its Public Works Department (PWD), is responsible for (a) the development and maintenance of civil works and buildings infrastructure on Montserrat; and (b) emergency response during natural disasters, including preventative and reactive measures during the hurricane season. To accomplish this, the PWD must have a well-maintained fleet of plant and equipment (bulldozers, backhoes, front-end loaders, bobcats, and trucks). However, due to the volcanic crisis and other extenuating factors, the Workshop operations and services were adversely affected. Consequently, a decision was made by the Government of Montserrat (GoM) to improve the Plant and Workshop operations and services.

6.4. Three independent consultation firms were commissioned between 2001 and 2006 to assess the situation; as per their recommendations, financial support and sought from the Department for International Development (DFID) in 2008, to facilitate the PWD Workshop restructuring project. One of the recommended initiatives of this restructuring project was that the PWD Workshop should introduce a computerised Management Information System (MIS). Hence the fleet management software CollectiveFleet was selected and purchased in 2009, from the vendor Collective Data.

Main Findings

6.5. **CollectiveFleet software benefits.** The CollectiveFleet software is very comprehensive, scalable, and customizable.

6.6. **CollectiveFleet is under-utilised.** Since CollectiveFleet was implemented in 2009, the PWD Workshop has not been utilising the software to its full capacity due to extenuating circumstances such as: [1] Frequent service interruptions due to poor network connectivity to PWD's *PostgreSQL* database server housed at DITES, [2] Some of

CollectiveFleet's modules require tailoring to be more suited to the PWD Workshop's operations.

6.7. **Role-based access control error.** CollectiveFleet provides role-based security that ensures users only have access to the information or files that are relevant to their job role and tasks. However, the PWD revealed that during training in January 2020, they noted a security permissions error in the Inventory Management module that enables other users, aside from the Store Keeper, to see the Stores inventory and to issue these items.

6.8. **Audit logs module required.** The current version of the CollectiveFleet system at the Workshop does not include Audit Logs that tracks all user activity as soon as the person logs onto the system.

Recommendations

6.9. **Resolution of role-based access control issue.** The PWD should ensure that the vendor resolves the role-based access control (RBAC) security concern, in the Inventory Management module. Until the issue is resolved, the PWD should continue to uphold the inventory control system prescribed in the GOM's *CAP 17.07 Procurement and Stores Regulations*.

6.10. **Audit log module.** The PWD should consider acquiring the audit log add-on module for CollectiveFleet. This add-on will be beneficial to the department once the system is up and running, as it will provide an extra tier of defence from potential fraud or abuse by staff.

Audit Conclusion

6.11. The Office of the Auditor General has determined that although the PWD Workshop has not yet begun to fully utilise the fleet management software CollectiveFleet, this comprehensive, customisable, and scalable software has most of the required modules to perform and to accomplish the PWD's Plant & Workshop operations objectives. However, it was noted that expenditures associated with the procurement, implementation, training, upgrades, annual support and maintenance, are exceedingly high for a system that has not been fully utilised since it was implemented in 2009.

6.12. Overall, the GoM and the PWD Workshop can benefit greatly from the CollectiveFleet system, once the software issues are rectified, and the system is put into full effect.

Caribbean Tourism Organisation – Management Information System for Tourism System

Overview

6.13. The Caribbean Tourism Organisation's developed a software solution - Management Information System for Tourism (MIST) circa 1998, to aid in the fulfilment of their vision to provide to, and through its members, services, and information essential for the development of sustainable tourism for the economic and social benefit of the various Caribbean destinations. The former Montserrat Tourist Board and Central Statistics Office acquired the MIST software in 2001, to facilitate the accurate and efficient collection, processing, compilation, analysis, interpretation, and dissemination of Montserrat's Tourism statistical data. 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.

Main Findings

6.14. **Overall achievement.** The CTO-MIST software was found to be uncomplicated, efficient, and secure with robust Information Security and Application Controls, Business Continuity practices, and IT Operations provisioning in place.

6.15. **Objectives and benefits of CTO-MIST were achieved.** Although the current version of the CTO-MIST software is very outdated, it still meets the Statistics Department of Montserrat's (SDM) work objectives of ensuring the accurate and efficient collection, processing, compilation, analysis, interpretation, and dissemination of Montserrat's tourism statistical data. The SDM is in the process of upgrading from MIST 2006 to the online version, Tourism Information Management System.

6.16. **Change in approach and instability.** Initially, the MTB was responsible for the collection and input of tourism data taken from the embarkation/disembarkation cards; and the unit's Data Entry Clerks were being sent to understudy and enter data at the SDM's office, until the last clerk left the organisation. This resulted in a backlog of gathering the tourism statistical data, when the SDM assumed full responsibility of the job function. Subsequently, the SMD has only hired provisional staff through the Ministry of Youth Affairs Community Services and Sports' apprenticeship program, Helping Youth Prepare for Employment or the GoM's Human Resources Management Unit (HRMU). This continual short-term arrangement has the potential to negatively affect the level of productivity and accuracy of the Statistical data.

Recommendations

6.17. **Regularising Data Entry Clerk Post.** Efforts should be made by the SDM to make a formal request to the HRMU for the Data Entry Clerk post to be regularised. This will ensure stability, consistency, and timely completion of assigned tasks.

6.18. 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

6.19. The Office of the Auditor General has determined that the CTO-MIST software is uncomplicated, adequately secure and robust. Although the software is very outdated, the Montserrat Statistics Department's work objectives were met; and it delivered the anticipated benefits of collecting; combining; disseminating accurate information; managing and generating reports; and monitoring, analysing, and detecting changes in seasonality, in a timely and efficient manner.

6.20. The upgrade to the online version, Tourism Information Management System (TIMS), is anticipated to improve on the CTO-MIST utilities. This online edition is anticipated to further enhance the department's capability to monitor, realise, detect changes, and generate accurate reports pertaining to seasonality.

Supreme and Magistrate's Courts Judicial Enforcement Management System – Case Management Software Overview

6.21. The Judicial Enforcement Management System (JEMS) is a case management package software that gathers and provides the Eastern Caribbean Supreme Court (ECSC) in St Lucia, with statistical information from all of the Organisation of Eastern Caribbean States member states courts. The application was launched in the ECSC in 2000, and in the ECSC Member State country of Montserrat, in October 2001.

Main Findings

6.22. **Adequate software measures and controls in place.** Although outdated, the JEMS software is still very effective with adequate provisioning in place for IT Governance, IT Operations, Business Continuity and Disaster Recovery, Information Security and Application Controls.

6.23. **Development, Acquisition & Outsourcing.** Development and Acquisition activities were not undertaken by the individual OECS member courts, as the software vendor and the software were solicited and acquired by the ECSC in St Lucia; however, each OECS

member court was required to sign a license agreement from the vendor. The ECSC does not own the software or related intellectual property rights; but the ECSC and each Member State country owns the information entered and stored in JEMS.

6.24. **Change management initiative.** At the time of the audit, the Montserrat branch of the ECSC, and other Member State countries were in the process of replacing JEMS with the web-based *E-Litigation Portal for Courts* solution. Employees at the Montserrat Supreme Court, Office of the Attorney General, and Department of Public Prosecution, including private sector Lawyers, underwent mandatory training prior to the official launch in March 2020.

6.25. Information security weaknesses. The audit **identified the following vulnerabilities in each judicial department:**

a) **Supreme Court Registry & Court Room**

- The Supreme Court Registry office and the Court Room are not outfitted with smoke detectors, fire alarms, or fire extinguishers.
- The door at the lower level entrance of the Court Room, main, and inner doors of the Court Room are always left unlocked and unmonitored when there is no High Court. This is a very risky practice, as there is the potential for unauthorised individuals to:
 - gain unlawful access to High Court documentation
 - damage or destroy the Court Room and property within
 - conceal weapons or dangerous devices inside the Court Room
 - perpetrate bodily harm to the employees.

b) **Magistrate's Court**

- The Magistrate's Court office and Court Room are not outfitted with smoke detectors, fire alarms, or fire extinguishers, eight years later after the double arson attack on the Magistrate's and High Courtrooms, on 3rd December, 2012.
- The Executive Officer/JEMS System Administrator's (SA) computer malfunctioned months prior to the audit, and it was temporarily replaced with two temporary computers. One was a laptop with specifications that did not meet the system requirements for the operation of the JEMS software; and the other computer unit malfunctioned. Therefore, the Magistrate's Court JEMS SA was unable to gain access to, and perform administrative tasks in JEMS.

Recommendations

6.26. **Procurement and installation of fire suppression apparatus.** The absence of early detection devices and warning system, and fire suppression equipment in either of the judicial offices, has the potential to have disastrous outcomes in terms of loss of human life, judicial, and irreplaceable historical information; in particular at the Supreme Court Registry. Therefore, we are strongly recommending that the Supreme and Magistrate's

Courts both invest in at least 1 or 2 canisters of either foam and/or powder fire extinguishers.

6.27. Implement physical access security protocols. We strongly recommend that the Supreme Court Registry consider effecting the following protocols for controlling access to the Court Room:

- Keeping the lower level main front door locked once the High Court is not in session; and only the Supreme Court staff should have access, whenever the department requires documentation.
- Persons accessing the High Court Reporter should report to the reception area from where the Court Reporter will be alerted. These person(s) are to be either escorted up by Reception, or received by the Court Reporter at the landing.
- Install a swipe key card system that produces an audit trail of entrance and exit.

6.28. Replacement personal computer. We recommend that the Magistrate's Court continue to liaise with DITES to procure a suitable desktop computer as soon as possible, to enable the JEMS SA to resume oversight of the JEMS application.

Audit Conclusion

6.29. The Office of the Auditor General has determined that the JEMS 6.0 case management software application has benefited the Montserrat Supreme and Magistrate's Courts; but it is outmoded. It is adequately secure and provides for the input, organisation of data, secure storage, and retrieval of Montserrat's court information.

6.30. The weaknesses identified were mainly in the areas of Information Security, IT Operations, and Business Continuity and Disaster Recovery. Operational effectiveness and efficiency will be achieved, once the Montserrat judicial departments address the inadequacies and implement the recommendations.

Subsequent Events

6.31. The investigative aspect of the audit was completed two weeks before the island went into a lockdown during to the COVID-19 pandemic; as a result, the finalisation of the audit report was delayed. Since the re-opening of Government offices in May 2020, the Magistrate's Court JEMS System Administrator received a new computer; purchased a smoke detector for the courtroom; and consulted with Fire and Rescue Services about the acquisition and installation of fire extinguishers for both the main office and courtroom. In addition, the entrance of Supreme Court/Registry building was modified July 2020 to control access into the main office

6.32. 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 highlight the work of our Office and matters affecting our operation during reporting year. It is included here to allow our stakeholders to get a better view of our operations thereby allowing for transparency and accountability.

Governance Arrangements

7.2. Our 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 where necessary.

Legal Environment

7.3. Sections 103 of the Montserrat Constitution Order 2010 provides guidance on the functions of the Auditor General and by extension that of her office. Perusal of this section will highlight that the Auditor General is mandated 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. This is supported by the Public Finance (Management and Accountability) Act (PFMAA), 2008, which outlines the accounts to be audited by the Auditor General.

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

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 2020/21 financial year were:

- a) Performing requisite audits and report on the public accounts of Montserrat and of all public offices in accordance with the Montserrat Constitution 2010. This is an on-going activity and involves performing our core function as the External Auditors for the Government of Montserrat.
- b) Establishing the Montserrat National Audit Office to ensure an independent audit office that facilitates accountability and transparency. Again, this did not come to fruition. However, the draft Bill reached the first reading and the second reading in the Legislative Assembly within the fiscal year, 2020/2021, but the Audit Bill remained in abeyance over the handling of the legacy employees.
- c) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and development of policies, procedures and guidelines that facilitate quality work and meet international audit standards/guidelines. This is an ongoing activity in which we continuously engage in various capacity-building activities to improve our audit skills.
- d) Conducting an external peer review to assess compliance with international audit standards and overall effectiveness of our operations. This was postponed as a result of the COVID-19 pandemic.

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
- Long delays in getting replies and information from some auditees
- Electricity blackouts
- Accommodation issues and
- COVID-19 related work interruptions

OAG Financial Performance

7.11. Approved revenue amounted to \$25,000. Actual collection was \$19,700.

7.12. Our budgetary allocation for the fiscal year 2020-21 was \$1,284,700. Actual expenditure totaled \$1,197,712, leaving an unexpended amount of \$86,988.

7.13. As in prior years, material expenditures continue to be compensation of employees and acquisition of goods and services utilising 76% and 17% of the budget, respectively.

Human Resource Management and Development

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

7.15. 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, 5 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, virtual meetings or workshops.

Workforce Performance

7.16. The following table shows the work undertaken together with its state of completion during the fiscal year.

Tabled Reports

Type of Audit	Quantity
IT Audit	5
Performance Audit	4
Financial Audit	
• Statutory/Private	5
• Public Accounts	1
Special Audit	1

7.17. This 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 for 2019/2020	1	Completed but not yet tabled
• Statutory Agencies/Private	1	Procurement of private sector audit in progress
	7	Audits are in progress
Performance	2	Audits are at report drafting stage
IT	2	Audits are completed
	1	Audit is in progress
Compliance	3	Audits are in progress
Special Audit/Investigation	1	Audit is in progress

Follow-Up on the Implementation of Prior Years' Audit Recommendations

7.18. As part of our audits, 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 2021, 19% were fully implemented, 7% were partially implemented, 41% were in progress, and 31% were not implemented, whilst we got no response for implementation for 2%. See Appendix 5 for the status of audit recommendations.

7.19. While we saw some movement on 67%, there has been no action on 33% and we consider this level of inaction to be too high. We, are urging Accounting Officers and Heads of Departments to take seriously this aspect of their responsibilities.

Acknowledgements and Appreciation

7.20. 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, to all Accounting Officers and the staff of their Ministries/Departments, and to the staff of Statutory bodies and other organisations.

7.21. I extend sincere thanks to the various stakeholders who provided financial and other technical assistance that allowed us to undertake various capacity development initiatives. These initiatives were integral to the improving of our skills and allowed us to deliver higher quality audit products. These stakeholders include the GOM, its Learning and Development Unit, DFID, IDI, CAROSAI and its member organizations, Wales Audit Office, UK National Audit Office and by extension the UK Overseas Territories Project.

7.22. During this reporting year, we looked to the upcoming audit year with a mixed sense of appreciation and sadness as we prepared for the retirement of Auditor General, Miss Florence Lee on 28 May 2021. She served in the Montserrat Public Service for 42 years, including two decades of working within the Office of the Auditor General. Again, Miss Lee, we cannot say thank you enough: [1] for your contribution in raising the standard of external auditing within the Public Sector, [2] for remaining loyal to Montserrat and continuing within the public service even during the mass exodus of the 1990s and 2000s, when most of its citizens were relocating abroad, and [3] for leading the Office through these many difficult years following the volcanic crisis especially with constant staff turnover.

7.23. None of the audit work could have been achieved without the indelible assistance of the members of staff, who are responsible for conducting many aspects of the audit assignments. I say thank you for your contribution despite the many challenges encountered during the fiscal year.



Marsha V. E. Meade
Auditor-General (Ag)
Office of the Auditor-General

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APPENDIX 1
GOVERNMENT OF MONTSERRAT
Consolidated Fund - Statement of Assets and Liabilities as at March 31, 2021
(with comparative figures for March 31, 2020)

FINANCIAL ASSETS	Notes	2021	2020
Consolidated Fund Accounts	2	5,156,798	3,374,084
Operating Account at ECCB	3	221,582	219,514
Development Capital Fund Account	4	26,633,557	14,986,700
Crown Agents # 2 Account	5	2,405,206	2,290,322
Fiscal Reserve - A/C # 1 Tranche ECCB	6	4,656,225	4,656,225
Volcano Relief Bank Accounts	7	253,022	253,022
CDB Loan Payment Account	8		1,468,603
EU Savings Account at RBC	9	121,965	121,965
Equity –Bank of Montserrat Limited	10	17,032,715	15,646,604
RAC Grenada Bond	11	658,478	727,791
Personal Advances	12	317,217	370,092
Outstanding Imprest	13	7,681	129,774
Advances to Other Governments & Administration	14	<u>149,186</u>	<u>144,923</u>
TOTAL ASSETS		<u>57,613,631</u>	<u>44,389,620</u>

CONSOLIDATED REVENUE FUND
Statements of Assets and Liabilities as at March 31, 2021
(with comparative figures for March 31, 2020)

	Notes	2021	2020
LIABILITIES			
Miscellaneous Deposits	15	3,709,600	3,106,015
Development Fund Payable	16	21,807,721	7,658,933
Special Funds	17	<u>14,959</u>	<u>14,959</u>
TOTAL LIABILITIES		25,532,280	10,779,907
THE CONSOLIDATED FUND			
Balance at the start of the Year		33,609,713	35,043,232
Fund Adjustments	18	1,386,111	1,286,858
Revenue (recurrent) for the Year		142,584,601	134,099,159
Expenditure (recurrent) for the Year		<u>(145,486,531)</u>	<u>(136,581,144)</u>
Surplus/(Deficit)		(2,091,930)	(2,481,984)
Transfer to Local Costs	19	<u>(12,543)</u>	<u>(238,392)</u>
TOTAL CONSOLIDATED FUND		32,081,351	33,609,713
TOTAL		<u>57,613,631</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, 2021
(with comparative figures for March 31, 2020)

Cash Flows from Operating Activities	Notes	2021	2020
Cash Receipts for:			
Tax Revenues	20	42,474,299	44,707,608
Non-Tax Revenues	21	5,432,508	9,947,781
Budgetary Aid and Grants	22	93,607,582	78,441,501
Revenue Receipts Development Projects		3,361,475	733,696
Cash Paid for:			
Recurrent Expenditure (Excluding SCAF)	23	(144,568,592)	(134,765,436)
Revenue Expenditure Projects		(6,404,529)	(9,288,920)
Net Cash flows from Operating Activities		(5,351,676)	(10,223,769)
Cash Flows from Investing Activities	24		
Cash Receipts for:			
Capital Project Receipts		\$30,237,925	11,980,150
Receipts for Sale of Tangible Assets		43,201.00	206,813
Investing Receipts Financial Assets		1,096,323	1,221,642
Cash Paid for:			
Capital Projects		(13,058,627)	(15,961,016)
Other Fixed Assets (SCAF)		(917,939)	(1,815,708)
Net cash flows from Investing activities		17,400,883	(4,368,119)
Cash Flows from Financing Activities	25		
(Increase)/Decrease in Advances		170,705	(84,441)
Increase/(Decrease) in Deposits		603,586	195,102
Effect of exchange rate changes on cash and cash equivalents	18	0	(58,793)
Net Cash flows from financing activities		774,290	51,868
Net cash flows		12,077,919	(14,540,021)
Cash and cash equivalents at the beginning of the period		27,370,436	41,910,457
Cash and cash equivalents at the end of the period		39,448,355	27,370,436

Accountant General, Montserrat

**Statement of Cash Receipts and Payments for the Government of Montserrat
as at March 31, 2021**

Receipts	Notes	2021	2020
Tax Revenue			
Taxes on Income, Profits and Capital Gains		19,342,615	20,474,320
Taxes on Property		850,296	980,696
Taxes on Domestic Goods & Services		1,666,411	2,105,042
Licences		2,944,855	2,959,822
Taxes on Intl. Trade & Transactions		17,670,122	18,187,728
Total Tax Revenue	20	42,474,299	44,707,608
Non-Tax Revenue			
Rents and Interest and dividends	21	713,852	1,027,422
External Assistance - Budgetary Aid	22	93,607,582	78,441,501
External Assistance – Development Grants	28	33,599,400	12,713,845
Fees, Fines and Permits	22	1,922,278	5,405,662
Reimbursements	22	432,722	1,228,034
Other Receipts Recurrent	29	2,363,655	2,286,664
Capital Receipts	26	43,201	206,813
Receipt from Investment	21	1,096,323	1,221,642
Net Receipt Advances and Deposits	28	774,290	110,661
Total Receipts		177,027,604	147,349,852
Payments			
Personal Emoluments	23	47,606,249	46,996,856
Pension, Gratuities and Other Benefits	23	13,616,158	13,831,662
Goods & Services	23	42,558,260	46,464,804
Transfers and Subsidies	23	17,986,074	16,863,547
Social Services	23	9,051,834	4,931,457
Other Expenditure	23	13,594,293	6,373,164
Debt	23	1,073,663	1,119,653
Capital Expenditure (Development Fund)	27	13,058,627	15,961,016
Revenue Expenditure (Development Fund)	27	6,404,529	9,288,920
Total Payments	23	164,949,686	161,831,080
Cash flow Increase/(Decrease)		12,077,918	(14,481,228)
Adjustments for: Crown Agents Sterling A/c	20	-	(58,793)
Total Adjustments		12,077,919	(14,540,021)
Cash at the Beginning of the Year		27,370,436	41,910,457
Cash at the end of the year		39,448,355	27,370,436

Consolidated Statement of Comparison of Budget and Actual Amounts as at March 31, 2021
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

	Notes	Original Budget	Final Budget	Actual 2021	Budget Variance	Actual 2020
Cash Inflows						
Taxation	23	29,561,900	29,561,900	42,474,299	(12,912,399)	44,707,608
Non-Tax	24	4,780,300	4,780,300	4,095,863	684,437	8,456,573
Other receipts	24	2,656,000	2,656,000	2,406,856	249,144	2,493,477
Grants:						
Budgetary Aid	25	89,650,000	89,650,000	93,607,582	(3,957,582)	78,441,501
Development Grants	30	79,045,100	81,745,900	19,461,365	(62,284,535)	12,952,238
Total Inflows		205,693,300	208,394,100	162,045,965	(78,220,936)	147,051,397
Cash Outflows						
Personal Emoluments	26	50,466,000	49,451,600	47,606,249	1,845,351	46,996,856
Pensions, Gratuities & Other Benefits	26	13,084,900	13,688,100	13,616,158	71,942	13,831,662
Goods & Services	26	47,627,000	48,716,400	42,558,260	6,158,140	46,464,804
Transfers and Subsidies	26	17,534,900	18,359,700	17,986,074	373,626	16,863,547
Social Services	26	7,116,300	9,256,800	9,051,834	204,966	4,931,457
Other Expenditure	26	11,592,300	14,203,900	13,594,293	609,607	6,373,164
Debt	26	1,211,400	1,166,000	1,073,663	92,337	828,395
Capital Expenditures	30	79,045,100	81,745,900	19,459,574	62,286,326	25,249,936
Total Outflows		227,677,900	236,588,400	164,946,105	71,642,295	161,539,822

CONSOLIDATED FUND - April 2020 to March 2021

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	11,802,000	11,802,000	18,577,550	6,775,550
115: Taxes on Property	535,600	535,600	638,020	102,420
120: Taxes on Domestic Goods & Services	1,782,400	1,782,400	1,666,411	(115,989)
122: Licences	2,995,100	2,995,100	2,944,855	(50,245)
125: Taxes on Int'l Trade & Transactions	12,246,800	12,246,800	17,670,122	5,423,322
129: Arrears of Taxes	200,000	200,000	977,341	777,341
Total Tax Revenue	29,561,900.00	29,561,900.00	42,474,299	12,912,399
1B: Non-Tax Revenue				
130: Fees, Fines and Permits	3,450,300	3,450,300	1,922,278	(1,528,022)
135: Rents, Interest and Dividends	1,215,000	1,215,000	1,740,862	525,862
140: ECCB Profits	-	-	-	-
145: Reimbursements	115,000	115,000	432,722	317,722
150: Budget and Grants	89,650,000	89,650,000	93,607,582	3,957,582
160: Other Revenue	2,656,000	2,656,000	2,406,856	(249,144)
Total Non-Tax Revenue	97,086,300.00	97,086,300.00	100,110,301	3,024,001
TOTAL RECURRENT REVENUE	126,648,200.00	126,648,200.00	142,584,601	15,936,401
Development Revenue				
02. British Development Aid Grants – Local	33,190,000		15,080,062	15,080,062
04. European Development Fund	20,510,000		16,779,599	16,779,599
10. Local			12,543	12,543
12. UNDP			81,000	81,000
17. UNICEF			20,329	20,329
35. Shorebird			8,694	8,694
36. FCO			261,855	261,855
38. CDB	23,900,000		1,367,861	1,367,861
TOTAL DEVELOPMENT REVENUE	77,600,000		33,611,943	33,611,943

Accountant General, Montserrat

CONSOLIDATED FUND - April 2020 to March 2021

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	SAVINGS (EXCESS)
CONSOLIDATED FUND EXPENDITURE: -				
05 Police & Fire	7,329,000	7,329,000	7,240,005	88,995
07 Legal	1,649,200	1,649,200	1,289,440	359,760
08 Magistrates Court	196,300	196,300	157,768	38,532
09 Supreme Court	766,200	766,200	710,067	56,133
10 Legislature	1,461,000	1,461,000	1,431,000	30,000
11 Office of the Auditor General	1,284,700	1,284,700	1,197,712	86,988
12 Office of the Deputy Governor	30,226,800	30,226,800	29,910,556	316,244
13 Office of the Director of Public Prosecution	755,600	755,600	674,825	80,775
15 Office of the Premier	21,311,200	21,311,200	18,023,050	3,288,150
20 Min. of Finance	28,418,700	31,117,700	28,973,869	2,143,831
30 Min. of Agriculture, Lands, Housing etc.	6,104,200	6,104,200	5,448,334	655,866
35 Min. of Communications & Works	13,834,300	13,834,300	12,335,610	1,498,690
40 Min. of Education	11,769,800	11,769,800	11,408,107	361,693
45 Min. of Health & Community Services	23,525,800	27,036,500	26,686,188	350,312
TOTAL CONS. FUND EXPENDITURE	148,632,800.00	154,842,500	145,486,531	9,355,969
DEVELOPMENTEXPENDITURE				
VOTE 12/120 – OFFICE OF THE DEP. GOVERNOR	11,829,500	13,732,900	10,759,156	2,973,744
VOTE 15/150 – OFFICE OF THE PREMIER	54,403,900	54,403,900	6,862,751	47,541,149
VOTE 20/200 – MIN. OF FIN. & ECON. DEV.	1,504,300	1,504,300	42,806	1,461,494
VOTE 30/300 – MIN. OF AGRIC, LANDS, HOUSING	2,399,200	2,480,200	339,141	2,141,059
VOTE 35/350 – MIN. OF COMMS & WORKS	2,605,800	2,605,800	390,079	2,215,721
VOTE 40/400 – MIN. OF EDUCATION	2,443,000	2,463,300	269,817	2,193,483
VOTE 45/450 – MIN. OF HEALTH, COMM SERVICES	3,859,400	4,555,500	797,616	3,757,884
TOTAL DEVELOPMENT EXPENDITURE	79,045,100	81,745,900	19,461,365	62,284,535

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2021
(with comparative figures as at March 31, 2020)

ASSETS	Notes	2021	2020
BRITISH DEVELOPMENT CLAIMS OUTSTANDING	1	5,447,661	5,928,879
DONOR AGENCIES EXPENDITURE OUTSTANDING	2	103,332	521,715
CONSOLIDATED FUND RECEIVABLE		<u>21,807,721</u>	<u>7,658,933</u>
TOTAL ASSETS		<u>27,358,714</u>	<u>14,109,528</u>
LIABILITIES			
DEPOSITS WITHIN THE DEVELOPMENT FUND	3	35,446,312	22,197,125
LOCAL FUNDS	4	10,066	10,066
BRITISH DEVELOPMENT CLAIMS DEPOSITS			
CONSOLIDATED CAPITAL FUND		(11,012,738)	15,433,748
Development Fund Adjustment	5	(11,233,713)	(11,233,713)
ADD: REVENUE OVER EXPENDITURE		14,148,788	<u>(8,097,664)</u>
TOTAL LIABILITIES		<u>27,358,714</u>	<u>14,109,528</u>

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, 2021**

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 recognises 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 2020 to March 2021) as the Financial Statements.

Appropriation 2020/2021 Bill was passed on 24th of June 2020. The preceding Provisional General Warrant authorised expenditure out of the Consolidated fund from April 2020 until the Appropriation Bill was passed.

An approved Budget for the fiscal year 2020/2021 was \$227.67m - comprised recurrent \$148.63m and capital \$79.04m). This is an increase of over \$17 million for fiscal year 2019/20.

On the revenue side the approved revenue from local sources was EC\$36.99 million compared to EC\$58.17 million in the previous FY. Two main areas for the projected revenue were tax revenue and non-tax revenue, including fees, fines, permits, rents, interests and licenses. External support in the form of budgetary aid was projected as EC\$81.65 million, contributing 64% to the aggregate recurrent revenue.

During the financial year, the Legislative Assembly passed Supplementary Appropriation Bill #3 in January 2021 to ratify the sum of three million, six hundred and forty-six thousand dollars (\$3,646,000), this being additional expenditure required to make provisions for legal

claims under the Ministry of Finance and Economic Management (MoFEM) for one million, eight hundred thousand (\$1,800,000); two hundred and ten thousand, three hundred (\$210,300) for additional COVID 19 expenditure under MoFEM; one million, three hundred and seventy-three thousand (\$1,373,000) for additional COVID-19 expenditure under Ministry of Health and Social Services (MoHSS); two hundred and sixty-two thousand seven hundred (\$262,700) for additional COVID-19 expenditure under MoHSS. The bill further sought to sanction the amount of two hundred and twenty thousand three hundred (\$220,300) under the Development Fund. This additional expenditure was required to cover COVID-19 expenses under the Ministry of Education Youth Affairs and Sports for twenty thousand three hundred dollars (\$20,300) and; two hundred thousand dollars (\$200,000) for the COVID-19 testing facility under MoHSS

Supplementary Appropriation Bill #4 was passed by the Legislative Assembly in the last month of the financial year to sanction the amount of two million five hundred and sixty-three thousand seven hundred dollars (\$2,563,700) for additional COVID-19 expenditure of six hundred and eighty-eight thousand seven hundred dollars (\$688,700) under MoFEM; and one million eight hundred and seventy-five thousand dollars (\$1,875,000) under MoHSS.

LIABILITIES

Outstanding Liabilities

Outstanding liabilities (short-term) as at March 31st accrued to \$2.2m. The total sum captures the \$0.4m 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 \$10.1m. 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 show the financial performance of the Government of Montserrat for the financial year ended 31st March 2021, on the basis of

monies 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 monies and administers expenditure payments for all Ministries and Departments of Government.

A list of all the budget organisations 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.

Foreign Currency Transactions

Transactions in foreign currency are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2021, 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 that they are realised. Losses on exchange are treated as operating loss in the year that they are realised. 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 utilised. The following amounts are presented in the local currency.

MULTILATERAL AGENCIES	\$
BRITISH DEVELOPMENT AID/FCDO	108,687,645
UNICEF	20,329
EU	16,779,599
UNDP	81,000
TOTAL	125,568,573

Fixed Assets

The fixed assets are reported in the Statement of Fixed Assets relate to tangible items owned by the Government 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 (Years)
Buildings	60
Heavy Equipment	20
Land	n/a
Machinery & Tools - A	15
Motor Vessels	30
Science & Engineering/Laboratory Equip	10
Office Equipment - A	10
Vehicles	10

*Asset descriptions with the suffix "A" represents items that cost the equivalent of EC\$25,000 or more.

The assets are initially recognised at their historical costs. The cost includes expenditures that are directly attributable to the acquisition of the asset and also any spending necessary to bring 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 are also recognised 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's (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 of making payments on behalf of all the GoM's Ministries and Departments. The balance also includes subsidiary accounts held at the Royal Bank of Canada and the Bank of Montserrat to facilitate online credit card payments and the payment of property taxes. The sum of these accounts is netted against any balance held on the GOM's Corporate Credit Card.

Note 3. Operating Account - ECCB

Operating Account - ECCB represents the balance on an account held at the Eastern Caribbean Central Bank (ECCB) on the behalf of the GoM; it is 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 Programmes funded mainly by the Department for International Development DFID (now FCDO) 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 Pounds Sterling and in US dollars. The amount in the accounts represents the value in the local currency at the end of the reporting period. The GOM recorded a net gain of EC\$118,165 owing to the increase of the Pound at the end of 2020/2021 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 the ECCB on the behalf of the Government of Montserrat. This account was opened following an agreement between the ECCB and the Participating Governments in order to encourage fiscal discipline among participating members. This account is also used to disburse or to 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 the purpose of reporting accounts held by the GOM. There has been no movement in this account balance.

Note 8. CDB Loan Payment Account

This bank account was opened 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 onto the ledger in the previous FY for the purpose of reporting accounts held by the 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 opened to receive withholding taxes that are due to the GOM from EU countries on the basis of the Tax Information Exchange Agreement. This account represents an asset of the GOM which was brought onto the chart of accounts to enhance monitoring and reporting.

Note 10. Equity BOM

The value represents Government's owned shares in the issued capital of the Bank of Montserrat Ltd. The Government of Montserrat maintains a significant holding in the Bank with 2,349,340 common shares beneficially held following the launch of an Additional Public Office for the re-capitalisation of the Bank in 2017 to meet ECCB's requirement that commercial banks in the ECCU have at least EC\$20 million of equity. The book value per share during the reporting period increased from \$7.12 to \$7.25 per share, resulting in a parallel increase of share equity value in the Statement of Assets and Liabilities to \$17,032,715.

The amount presented in the Statement of Assets and Liabilities does not reflect the shares of BOM that are 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 \$5,328,750.

Note 11. RAC Grenada Bonds

The amount in the financial statements refer 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 in principal repayment and interest totalling \$39,786. The balance on this investment now stands at \$658,478.

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 the 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), 2008.

Note 13. Impersonal Advances and Outstanding Imprests

The amount denotes outstanding travel and department imprests that 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 Assets 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. 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 16. 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 17. 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 18. 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) Adjustment of the value of shares held in the Bank of Montserrat owing to the increase of the book value of the shares during the reporting period. The Annual Report for 2020 for the Bank of Montserrat confirms an increase in the share price to \$7.25 per share thereby increasing the value of GOM's equity in the Bank by \$1.3m.

Note 19. 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 20. 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	
<i>Taxes on Income, Profit and Capital Gains</i>	18,577,550
<i>Taxes on Property</i>	638,020
<i>Taxes on Goods and Services</i>	1,666,411
<i>Licences</i>	2,944,855
<i>Taxes on International Trade</i>	17,670,122
<i>Arrears of Taxes</i>	977,341
<i>Total Tax Revenue</i>	42,474,299

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 21. 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 and Receipts from Investments

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 22. Budgetary Aid and Development Grants

Budgetary Aid represents the income received from FCDO which 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 23. 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-governmental 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	\$
Subvention to:	
Montserrat Volcano Observatory	5,739,482
UK Overseas Mission	407,594
Land Development Authority	100,000
Montserrat National Trust	290,000
Financial Services Commission	515,900
Montserrat Arts Council	902,000
Info Communication Authority	227,000
Montserrat Philatelic Bureau	155,000
Montserrat Community College	723,250
Golden Years Foundation	633,900
Local Airlines	468,000
Other Subventions	723,250
Grants and Contributions to:	
Grants to BNTF	372,000
Grants to Schools - SAS	55,000
Other Local Institutions	719,215
Regional Institutions	5,408,855
International Institutions	545,687
TOTAL TRANSFERS AND SUBSIDIES	17,986,074

Debt

Debt refers to all liabilities that require payments of interest and a principal sum. GOM total debt stock stands at \$10.6 million and takes into account GOM's external debts and two domestic debts as detailed below:

Loan Reference	Description
Port Development Loan MOT1	Payable to the Caribbean Development Bank
Port Development Loan MOT2	Payable to the Caribbean Development Bank
Consolidated Line of credit	Payable to the Caribbean Development Bank (loan used to provide student loans and agricultural developments)
Second Power Project	Payable to Caribbean Development Bank
MSSF- Davy Hill Houses	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.
MUL (Generating Set)	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

(See Statement of Public Debt).

Total Recurrent Expenditure

RECURRENT EXPENDITURE	\$
<i>Personal Emoluments</i>	47,606,249
<i>Pension, Gratuities and Other Benefits</i>	13,616,158
<i>Goods & Services</i>	42,558,260
<i>Transfers and Subsidies</i>	17,986,074
<i>Social Services</i>	9,051,834
<i>Other Expenditure</i>	13,594,293
<i>Debt</i>	1,073,663
TOTAL RECURRENT EXPENDITURE	145,486,531

Social Services Expenditure

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	\$
<i>Old age benefit</i>	2,830,406
<i>Sickness and disability benefit</i>	-
<i>Covid-19 social support</i>	4,426,405
<i>Unemployment benefit</i>	98,472
<i>Housing benefit</i>	425,286
<i>Social protection other</i>	1,068,047
<i>Legal aid</i>	-
<i>Child health programme</i>	-
<i>Nutrition & health education</i>	162,878
<i>Health promotion</i>	38,084
TOTAL	9,049,578

Other Expenditure

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

Note 24. 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), and dividends from the Bank of Montserrat. 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.

The schedule below provides a breakdown of the investment receipts from GOM financial assets for the 2021 FY.

INVESTMENT RECEIPTS	\$
BOM Dividends	987,224
RAC: Principal	69,313
Interest	39,786
TOTAL INVESTMENT RECEIPTS	1,096,323

Note 25. 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 26. 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 27. 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 28. 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 30 September 2021

Reviews	Finding	Recommendation	Current Status	Actions Undertaken	Target Date & Responsibility
Report of the Auditor General on the Audit of the Public Accounts 2019	Statement of Cash Flows				
	2.16. Delays in reconciling Bank Balances. We noted delays in reconciliation of Bank of Montserrat accounts. Further, reconciling items were not promptly investigated and remained unchanged for over six months, in the case of the TCF account. For example, there were 129 stale-dated cheques (TCF account), debits and credits in the bank and cash book that remained unadjusted for substantial periods.	We again urge management to put measures in place to rectify this weakness.	In progress	Review process and provided additional support to team	Accountant General
	2.17. Implication for Late Investigations. Failure to perform timely bank reconciliations and to promptly investigate discrepancies poses the risk of financial losses with errors or omissions going undetected for long periods. Further, account balances may be significantly misstated leading to decision making challenges.		In progress		Accountant General
	2.18. Control Weakness. We noted that no signature was included on the bank reconciliation statement to indicate that a senior manager had certified its preparation, accuracy and/or reviewed all outstanding adjustments. This is one possible reason why the adjustments are not investigated and adjusted in a timely manner.		In progress		
	2.19. Closure of Bank Account(s). According to Note 7, the Volcano Relief Fund account was opened to finance specific causes in an emergency triggered by volcanic events. This account has seen no movement for several years and indicates that it has outlived its useful life.	We are recommending that the law be repealed, and the accounts be closed with proceeds being deposited to general revenue.	Not implemented. Act revised to repurpose funds.		

	<p><i>Statement of Expenditures in Excess</i></p> <p>2.34. Our audit revealed instances where five subheads across four Ministries showed overspent line-items for a total value of \$63,826....</p> <p>2.35. This a material, by nature, breach of the regulations as Sec 17(1) of the PFMAA requires all withdrawals from the Consolidated Fund to be supported by a warrant signed by the Minister and forwarded to the Accountant General. The PFMAA Sec 21(2) also state that the amount of excess expended, or not appropriated, is to be included in a Statement of Excess Expenditure which is to be taken to the Legislative Assembly for its approval of the expenditure or otherwise. We are not aware that this has been done.</p>		<p>In progress</p> <p>In progress</p>	<p>(Excess mainly due to the Covid pandemic situation which forced the need to make payments. Some payments were ratified by the Legislative Assembly but not all due to the lockdown in 2020)</p>	<p>Financial Secretary</p> <p>Financial Secretary</p>
	<p><i>Statement of Advances</i></p> <p>2.44. Unauthorised write-off of Advances. Sec 54(1) of the PFMAA requires all write offs to be authorized by the Legislative Assembly. The section states that "The Minister may if so authorized by resolution of the Legislative Assembly, and to the extent specified in the resolution, abandon and remit any claims by and on behalf of government, or any service to government, and write off losses of and deficiencies in public moneys or public resources".</p> <p>2.45. We have not found any evidence that these write offs were authorized by the Legislative Assembly within the reporting period. We therefore qualify these accounts with respect to breaches to regularity.</p>		<p>In progress</p>	<p>Draft Cabinet Paper to be completed</p>	<p>Accountant General /Financial Secretary</p>
	<p><i>Statement of Arrears of Revenue</i></p> <p>2.57. Omission of Arrears. Arrears of \$127,500 relating to rental of the government property formerly occupied by Montobacco was excluded from the list</p>		<p>Not Implemented Information presented</p> <p>not to</p>	<p>Information requested via the annual returns</p>	<p>Accountant General/Accounting Officer</p>

	<p>provided. Additionally, Reimbursements is understated by \$214,608. These amounts represent 1.45% of arrears making the statement presented materially misstated.</p> <p>2.58. Seeming Uncollectible Arrears. Additional concern relates to the fact that a number of these statements contain sums that are no longer considered to be collectable for various reasons including that some of the entities or individuals are no longer in existence or alive.</p>	<p>We are again recommending that all options be explored to have these accounts removed from the statements.</p>	<p>Accountant General. Accounting to provide on Annual Returns</p> <p>In Progress</p>		
	<p><i>Statement of Net Worth of Statutory Bodies</i></p> <p>2.60. This statement was again not presented for audit. Note 1 of the financial statements states that IPSAS no longer require its production. However, this is a requirement of the PFMAA and its non-production leads to a breach of the legislation.</p>	<p>Efforts should therefore be made to either amend the law to remove this requirement or have the statement produced.</p>	<p>Implemented</p>	<p>Included in 2020 Public Accounts</p>	<p>Accountant General</p>
	<p><i>Statement of losses of public moneys and stores written-off and claims abandoned</i></p> <p>2.61. The Accountant General is mandated to provide the captioned statement outlining actions taken during the year and the authority for write-off. According to Note 20, some items were written off during the year but this statement and the authority for write-off were not provided for audit.</p>		<p>Implemented</p>		<p>Accountant General</p>
	<p><i>Statement of Investments</i></p> <p>2.62. The PFMAA requires the presentation of a statement detailing government investments at the end of the fiscal year. This statement has not been presented for audit.</p>		<p>In progress</p>	<p>To be included in 2021 Accounts</p>	<p>Accountant General</p>

Montserrat Social Security Fund: Governance and Sustainability June 2020	15. Extensive use of paper and manual processes. In spite of the available technologies, the Board, the committees and the staff of the MSSF continue to use paper widely. Accounting is done via software, but most aspects of operations, including the handling of contributions and the administration of benefits, remain heavily oriented towards manual processes, in-person transactions, physical meetings, physical payments, and paper-forms.	19. Digitise operations. To improve the efficiency, the effectiveness, and the security of data and documents, the MSSF should move immediately towards adopting electronic channels and storage for all information and for all communication both internally and externally. The Board and Committees, for example, can eliminate paper and use electronic documents and a projector for meetings. All forms for clients can be web-enabled for easy access and submission. Payments can be prepared, approved and processed electronically, eliminating the cost of paper, printing, and cheques. Cloud computing can save significant I.T. hardware and software costs.	Partially Implemented	All Board and Committees documents are circulated electronically thereby eliminating the need for paper. The other aspects are being considered with a view for implementation	Internal management / Board /2022-23
	16. Inadequate use of website. The MSSF has a website with limited functionality and mostly outdated information, with little recent news. The MSSF lags far behind other systems in the Caribbean in such areas as (1) provision of online accounts to contributors and beneficiaries, (2) online payments of contributions and/or benefits, and (3) self-service mechanisms such as (a) electronic pension calculators and (b) personal history of contributions and benefits.	21. Upgrade the website to provide full service to clients. This can be implemented in phases, starting with online accounts, and progressing through online submissions of forms, and online submissions of contributions. Clients need to be able to see their full history with the MSSF so that they can make sure that all contributions (both theirs and their	Not implemented	This will be looked at in the future however one must be mindful of cost	

		employers') have been made for the periods that they worked. This will enhance communication and compliance.			
	<p>18. No statements are issued to contributors. The MSSF lacks an active marketing unit and has no direct proactive communication with most of its stakeholders. There is mostly passive receipt of information, of contributions, and of queries from stakeholders. One exception relates to delinquent employers: in this case, the MSSF's Inspector routinely performs fieldwork and liaises with persons who are lagging in remitting their contributions and/or their employees' contributions to the MSSF.</p>	<p>20. Provide annual statements to contributors. In the spirit of transparency and accountability, the MSSF should move immediately to start providing at least one substantive communication with each of its participating employees and employers each year. Recommended items include (a) contributions paid for the year, (b) accumulated contribution-periods, (c) lifetime contributions made, (d) level of eligibility or qualification for each type of benefit, and (e) indicative pensionable ages and levels of benefit, based on average insured earnings to date. An annual statement also provides an opportunity to educate stakeholders about new developments within the MSSF, about their benefits, and about their responsibilities.</p>	Not Implemented	The information is available but the reason for the non-implementation is cost and the lack of current addresses of the insured	
	<p>24. Rapid increases in persons choosing early pensions. Since the Cabinet amended the Social Security Act in 2016 to introduce the option of reduced pension as early as the claimant's 60th birthday, large numbers of persons have claimed pension benefits years ahead of the age for standard benefit. This</p>	<p>42. Abolish, suspend, or decrease early pensions. The MSSF should continue to advocate for the Cabinet urgently, at the minimum, to further increase the percentage of reduction for each month or year</p>	Not implemented	This is one of the recommendations sent to the Minister with responsibility for Social Security for enactment	<p>Hon Premier / Sometime in 2021 This recommendation is the responsibility for Social Security</p>

	<p>surge also followed GOM's retroactive addition of public servants to the Social Security Fund, including many persons who were at, or nearing, pensionable ages. Hence, in just four years, 2015 to 2019, the number of pensioners increased 25% (p. 2 and p. 6, 8th Actuarial Review; MSSF internal statistics). As the Fund was already experiencing annual deficits since year 2008, this has placed a large, growing, and unaffordable burden on the MSSF.</p>	<p>that persons claim pension earlier than the full qualifying age: e.g., 10% to 15% per year, given the Fund's already fragile position.</p> <p>44. Create incentives for those who defer pensions. In line with rising life-expectancy, and to reduce the unsustainable demands being placed on the MSSF for early pensions, the MSSF should advise the Cabinet to immediately amend the Social Security Act to provide enhanced benefits for those who defer commencing their pension beyond the standard age for full benefit.</p>			
	<p>25. Inadequate funding for benefits to GOM's employees. Following the retroactive addition of public servants to the MSSF, the GOM agreed to, but then delayed the payment of, its catch-up contributions. This further limited the already much shortened timeframe for the Fund to earn a return on reserves before paying benefits. Overall, the GOM's cumulative contributions to date have not been adequate to provide for the full cost of benefits promised [a] to all the civil servants who were retroactively added to the MSSF and [b] especially, to those who then shortly afterward elected to claim early pensions. This caused a triple financial strain on the MSSF: [1] the challenge of suddenly handling many more beneficiaries; [2] the escalating number and amounts of pensions being paid years ahead of previous planned dates; [3] not having the usual decades to invest contributions and to grow reserves</p>	<p>37. Rebuild 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. This is also very important to ensure continued payments of all of the benefits promised to the GOM's employees after they were added to the MSSF.</p>	Not Implemented Disagree		

	before starting the payment of pensions.				
	<p>26. Pensions are being paid to working persons. In Montserrat, unlike what is practiced in many countries, full pensions are being paid to persons who reach the age of 65 years even when they continue in employment. The current regulations also allow working pensioners to stop making contributions to Social Security. This combination of reduced contributions (inflows) and increased benefits (outflows) places a large and unaffordable burden on the MSSF.</p>	<p>43. Defer/offset pensions for persons who continue working. In view of the Fund's precarious and rapidly worsening position, the MSSF should advise the Cabinet to immediately approve amendments to the Social Security Act to make retirement a prerequisite for full pension at the qualifying age.</p>	Not Implemented	This recommendation is being discussed at Board level with the Actuary	
	<p>28. Contribution rates are too low. The current rates of contribution (5% for employers and only 4% for employees) are very low and have not been raised for several years. The combined rate of 9% of insured earnings is 40% below the actual cost of the benefits that are already being paid (15% of insured earnings in the year ended March, 2018, and rising yearly). In turn, therefore, it will not be able to pay most of the future benefits (almost entirely pensions) promised and owing to past and present contributors to the MSSF (estimated in the vicinity of 21% to 25% of insured earnings) (p. 2 and p. 24, respectively, 8th Actuarial Review).</p>	<p>38. Increase the rates of contribution. The MSSF must continue to encourage the Cabinet to act immediately to approve the much-needed increments in the current very low rates of payroll contributions to Social Security. For example, just one percentage-point extra per year for the next 5 years would largely address the current large deficits. However, given the great urgency of the Fund's financial situation, it would be even more effective to boost contributions [1] by at least one percentage-point per year both for employers and for employees for the first 2 or 3 years and [2] then by a shared percentage-point or less per year thereafter. These would be very small amounts at the level of individuals (e.g., \$10 extra per</p>	Not implemented	This recommendation was forwarded to the Minister with responsibility for Social Security to take to cabinet on several occasions	Hon Premier /during 2021

		\$1,000 earned), but very significant at the aggregate level of the Fund, helping to match contributions to the actual cost of the benefits.			
	<p>30. The ceiling for insurable earnings is too low. The current rates of contribution are based on a maximum of E.C.\$4,000 of insurable income per month. This ceiling is too low and has not been raised for several years; by contrast, in many countries, the ceiling for insurable earnings rises automatically every year. Roughly 20% of working persons earn above this ceiling. Hence, a large and growing amount of income remains uninsured, representing an untapped pool of significant and immediate potential contributions to Social Security.</p>	<p>40. Raise the ceiling for insurable earnings annually. The MSSF should continue to liaise with the Cabinet to act immediately to approve the much-needed increments in the current low maximum of E.C.\$4,000 of insurable income per month. To address the Fund's dangerously large shortfall of contributions versus the benefits already being paid, the actuaries have long urged that this ceiling be amended to at least E.C.\$4,500 in the first instance. In line with best practice, the Cabinet should create an automatic mechanism to raise the ceiling each year. Given the Fund's crisis of rapidly falling reserves, 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 the revenues to the Fund, start to reduce the deficits, and help to stem the rapid loss of reserves. Importantly, the reserves must not only stop falling, but be rebuilt as soon as possible to continue to pay benefits.</p>	Not Implemented	Extensive discussion was held and a decision was taken not to increase the ceiling at this point in time but rather to concentrate on the implementation of other recommendations	
	15. Extensive use of paper and manual processes.	19. Digitise operations. To	Partially Implemented	All Board and Committees	Internal management / Board

	<p>In spite of the available technologies, the Board, the committees and the staff of the MSSF continue to use paper widely. Accounting is done via software, but most aspects of operations, including the handling of contributions and the administration of benefits, remain heavily oriented towards manual processes, in-person transactions, physical meetings, physical payments, and paper-forms.</p>	<p>improve the efficiency, the effectiveness, and the security of data and documents, the MSSF should move immediately towards adopting electronic channels and storage for all information and for all communication both internally and externally. The Board and Committees, for example, can eliminate paper and use electronic documents and a projector for meetings. All forms for clients can be web-enabled for easy access and submission. Payments can be prepared, approved and processed electronically, eliminating the cost of paper, printing, and cheques. Cloud computing can save significant I.T. hardware and software costs.</p>		<p>documents are circulated electronically thereby eliminating the need for paper. The other aspects are being considered with a view for implementation</p>	<p>/2022-23</p>
<p>Strategic Planning and Budgetary Processes 2016 - 2019</p> <p>June 2020</p>	<p>15. Persistent shortfalls in revenue and collections. In recent years, the trend is that actual local revenues and collections are growing, but they have been consistently below the projected amounts.</p>	<p>23. Project revenues/collections more conservatively. We advise the MOFEM to continue to review the basis and the assumptions underlying forecasts of local revenues. To limit the downside risks to budgets, encourage Departments to develop more realistic projections based on (a) verifiable criteria, (b) robust assumptions, and (c) actual amounts earned/collected in the past few years...</p>	<p>Not Implemented-N/A</p>	<p>In reviewing the matters relating to the function of the MCRS as a department under the Ministry of Finance we offer the following comments to Findings #15 "Persistent shortfalls in revenue and collections" and recommendation #23. "Project revenues/collections more conservatively". The Montserrat Customs and Revenue has</p>	<p>Director General, MCRS/Director of Economic Management</p>

		<p>Improve the collections of revenues and of arrears. In line with (i) the Policy Agenda, (ii) the National ICT Strategy, and (iii) the SDP 2008 to 2020, the MOFEM should advance this critically important recommendation, which includes such opportunities as.....providing all governmental statements, invoices, notices, and standard forms electronically and (ii) enabling online submissions, and especially the revenue-generating ones...</p>		<p>responsibility for the Administration, Collection and Accounting for a number of Taxes and Levies namely: (see table below)</p> <p>The proportion of locally generated revenue that falls under the responsibility of the MCRS as outlined above is in the region of 80% annually.</p> <p>The matter of forecasting/ projecting collection of the above sated revenue is done in connection with the Economic Unit within the Ministry of Finance and the following assumptions are taken into consideration</p> <ul style="list-style-type: none"> <i>i. No escalation in volcanic activity and corresponding population reduction</i> <i>ii. Capital and or Construction projects materialise</i> <i>iii. No major policy decision changes by the Government</i> <i>iv. Terrorism and global economic crisis do not adversely impact the region and Montserrat</i> <i>v. No disruption from hurricanes or unfavourable sea conditions</i> 	
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				<p>vi. <i>No disruption in trade import and export from Little Bay or Plymouth</i></p> <p>The projections are formulated and forwarded the executive branch of government (Cabinet) for consideration and ratification and changes or adjustments can be made at this level as well. On the matter of the Audit observation that there are "Persistent shortfalls in revenue and collections". This is primarily due to any one of the risks mentioned above such as disruptions from hurricanes or unfavourable sea conditions which in turn create disruption in trade import and export from Little Bay or Plymouth. The cascading effects are disruptions Capital and or Construction projects and ultimately employment. Bad weather and unfavourable seas also disrupt air and sea travel and tourism and accommodation business industries. These are the common contributors to what is termed as the "Persistent shortfalls in revenue and collections" Furthermore, MOFEM disagrees with the</p>	
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				<p>persistent shortfall in revenue collections, the metrics used to evaluate GoM's revenue forecasting accuracy are both PEFA and DFID log frame and these scores have been consistently high between the PEFA 2014 and the Mock PEFA 2018 and DFID annual log frame. MOFEM already utilise all the methodologies identified and recommended within the report.</p>	
	<p>20. Improvement in economic models and statistics. MOFEM has developed local skills (e.g., budgeting, planning, and economics) and built 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 data-sets, and limited inputs for planning and budgeting.... Since then, the Statistics Department has launched a website, done a national census and labour-survey, and published some reports. It has continued to develop local skills and done excellent work, but most of its data are not published.</p>	<p>26. Boost the publication of statistics and analyses. Increase the frequency and the range of published data and analyses. For example, the MOFEM should ensure that the Statistics Department establishes and maintains an annual calendar of published data/short reports relevant to key indicators (e.g., employment, GDP, economic growth, inflation, fiscal indicators) and sectors (e.g., tourism, hospitality, public sector, construction, financial services, and exports). Likewise, the OOP should ensure that its various Departments regularly publish progress-reports and summaries: e.g., monthly/quarterly tourism-related statistics; quarterly updates on actuals versus budgets; more timely annual Monitoring & Evaluation reports.</p>	In progress	<p>Kindly note, to date, there have been two compendiums completed by the SDM in recent times, the "Environmental Compendium 2015-2019" published in October 2020, as well as the "Statistical Compendium of Montserrat 2016-2018" to be published May 2021. Additionally, a Labour Force Census and Intercensal Count was conducted and completed in 2018. The preliminary LFC & ICC 2018 report was published in 2019 via SDM's official website, GOM official website and various media houses.</p>	Chief Statistician

				<p>The full report is expected to be published in May 2021. Subsequently, this was followed by a Labour Force Survey in 2020. This round was conducted by SDM on behalf of the OOP, through external funding from EU. Tourism related key findings for all Tourism related datasets were presented to the Tourism Department in March 2021. A "key findings" report from the Labour Force Survey (LFS) 2020 also to be published, tentatively by June 2021.</p> <p>Notwithstanding, a Household Budgetary Survey/ Survey of Living Conditions (HBS/SLC) 2020 began however the process was abruptly halted owing to COVID-19 restrictions. The way forward is yet to be determined. Additionally, we continue to disseminate the "Monthly Economic Report" routinely to key stakeholders which focuses on four primary</p>	
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				<p>indicators – Tourism; Consumer Price Index (CPI); Trade (Imports and Exports) internationally, regionally and nationally. The Economic Report provides present data alongside comparative figures of the previous year.</p> <p>Moreover, there are other/various areas of data dissemination and publishing undertaken by SDM. These activities have been implemented and are on-going. Inclusive but not limited to greater advocacy and communication with stakeholders to improve response rates; the SDM official Website with Historical data of key indicators for Montserrat, which is updated bi-annually with up-to-date information; the constant production of Infographics on topics of public interest as well as, little known areas of reporting shared through various social outlets; Other dissemination (via social</p>	
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				<p>media) – an official Facebook page was launched in 2019 since which this platform has been actively utilized; an Informative video series including interviews with key stakeholders (data providers and data users) and an upcoming animated video series including various datasets housed at SDM made available via the official Facebook page. In the interest of strengthening strategic partnerships and expanding our statistical output reach, discussions with GIU on a collaboration to further feature the "Monthly Economic Report" on their mediums of output. Similarly, SDM actively participates in the annual Career Fair on Island producing pamphlets and bookmarkers to share with all in attendance (i.e. students, teachers and visitors alike) and conducts school visits to bring greater awareness to all facets of our nation; Showing solidarity and</p>	
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				<p>inclusion through recognition of select "United Nations Days of Notoriety" through various campaigns.</p> <p>Statistics Department Montserrat receives the recommendations and is committed to reception of necessary support in the push on sharing of data and information in order to facilitate more timely and robust reporting.</p>	
	<p>28. Limited capacity in procurement. During 2016 to 2018, the Procurement Unit had only 2 persons, both of whom were recruited from the UK. However, the Head of Procurement resigned as of May, 2018. This affected all projects, either directly or indirectly, since the Procurement Unit reviews and appraises all public procurement, and also advises the Public Procurement Board. The DFID's Annual Review 2016 highlighted GOM's inadequate staffing of the Procurement Unit and the lack of specialists in procurement across the public sector. The newly established Programme Management Office within the MOFEM is expected to strengthen assessment and oversight of all of the GOM's programmes, projects, and strategic activities.</p>	<p>51. Improve the implementing of plans for succession. In the short term, this requires the MOFEM to work with the ODG/HRMU to provide for internships, job-rotations, understudies, secondments, and temporary replacements when officers are taking any form of leave (e.g., sickness leave; vacation leave; overseas duties). In the long term, this requires a clear pathway for career planning and personal development for each officer, as well as the proactive grooming of candidates to fill key management, professional, and supporting positions (e.g., procurement, disbursement, accounting, financial management, and aid/funding) in the event of incumbents' promotions, secondments, resignations, retirements, prolonged illness, or deaths. Given the number of</p>	In progress	<p>Note the response in respect of status and actions undertaken is being provided with respect to the finding of Limited Capacity in Procurement (28) during 2016-2018.</p> <p>During the period under review Head of Procurement Harjinder Jutle and Procurement Officer Osmund Sowe were recruited, both under the TC programme. Nezy Fenton was appointed as Procurement Officer II with develop training being provided while Ann Thomas was transferred to post of Senior Procurement Officer. Mrs.</p>	Chief Human Resources Officer

		vacancies, the duration of vacancies, and the average time for recruitment, the MOFEM must advocate, through the ODG, to hold the HRMU accountable for the timely implementation of approved succession plans.		<p>Thomas is also undergoing development activities to make her more efficient in the job role. Moreover, there is a Procurement Board within the Procurement Unit that handles matters of procurement on behalf of Government. Further procurement development activities to be implemented for the effective functioning of the Unit. Training and regulation reviews were conducted in 2019.</p> <p>Comments: The PMO issue expressed in the full report is an unrelated issue to Procurement capacity. This is best placed as a separate issue. However, it should be noted that the Head of PMO is in talks with HR about building capacity in this area.</p>	
	<p>52. Major shortfalls in achieving the SDP 2008-2020. Prior to year 2019, the last comprehensive report that we found reviewing GOM's overall progress towards the national strategic plan and vision was dated July, 2013, and assessed the first 5-year period (from 2008 to 2012). Nearly half of the targets had not been achieved.</p> <p>57. Significant progress but shortfalls remain in</p>	<p>67. Accelerate the progress towards the SDP and the PEFA standards. In areas of shortfall from the SDP, the MOFEM and the OOP should advise the Cabinet to make extra efforts to strengthen the resources and to increase/upgrade the skills allocated to key areas of the national strategic vision and the GOM's long-term plans. For</p>	In Progress	<p>GoM has demonstrated notable efforts to strengthen the allocation of resources and skills to key areas of the SDP to include capital financing and:</p> <ul style="list-style-type: none"> - Establishment and resourcing of a Project Management 	Director, Policy and Planning

	<p>achieving the PEFA standards. The GOM has improved its strategic planning and budgeting considerably since the first external PEFA-based evaluation (year 2014). MOFEM achieves high scores in a number of areas. However, significant gaps remain (and especially in the indicators for the MOEYAS: e.g., the low percentage of students achieving satisfactory grades upon graduation). The DFID uses a Logical Framework to assess each Ministry/Department annually, including cross-references to the PEFA ratings; however, the DFID's ratings and rankings are notably much more lenient than those of the PEFA framework. E.g., the DFID's framework uses 3 categories of A-grade within the top tier of rankings versus only one A-grade within the rankings used for the PEFA-based evaluations.</p>	<p>example, the recent recruitments and the large extra funding for tourism via the European Union are worthy of note. The GOM's achievement (i) of the PEFA standards and (ii) of the goals in the SDP, will also contribute to Montserrat's reaching its international commitments, including the United Nations' Sustainable Development Goals 2030</p>		<p>Office (MOFEM),</p> <ul style="list-style-type: none"> - Appointment of Project Managers for – Port Project and Solar Project (MCWEL) - Recruiting for consultant to advance the health reform project (MOH, HRMU) - Contracting for the design of the new hospital (MOH). <p>SDP 2008-2020 review concluded in November 2020 highlighting achievements and shortcomings. Findings of incomplete and ongoing SDP objectives were incorporated into the SDP Interim Development Framework 2021-2022 as well as ministry strategic plans, while the Policy Agenda 2021-2023 provides the necessary link between the two tiers of planning. Where the need is identified for increased resources and human resourcing to support the achievement of the SDP objectives, these needs are addressed through the annual strategic planning and budgeting process.</p> <p>MOFEM would have undertaken a Mock PEFA</p>	
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				during 2018 to ascertain the progress made since the 2014 PEFA. This was to help focus efforts on the areas that needed further focus to improve. It should be noted that while PEFA and the Mock PEFA highlighted areas for improvement, which the Ministry of Finance is not actively working to meet all PEFA standards, as some are not feasible for implementation at a local level. Areas such as Budget Management, Internal Audit, Accounts Management (treasury), Revenue Administration and Budget Transparency, are areas MOFEM have been actively seeking improvement, mostly by seeking assistance with CARTAC to facilitate the training of key personnel in each area.	
	<p>62. Net emigration; falling population. According to the preliminary findings of the late-2018 Census, Montserrat's population fell nearly 10% from 4,922 persons in year 2011 to roughly 4,450 in year 2018. This trend is the opposite of what the SDP's Goal #5 seeks to achieve. The most recent updated figures, a fall to 4,649 persons, though less alarming, still point to a significant 6% decline of the population, including a major decline in the Montserratian-born percentage of the residents from 61% in year 2011 to 56% by year 2018 and a decline in Montserratian citizens from 72%</p>	<p>68. Evaluate proposals to boost GDP & immigration, and regrow the population. The MOFEM and the OOP should advise the Cabinet [a] to do a consolidated review of the strategic plans and budgets submitted by Ministries and Departments and [b] to consider analyses and recommendations in support of enhanced proposals to address the key areas of shortfall to date. Key measures for the</p>			

	<p>in year 2011 to 63% by year 2018 (Montserrat Statistics Department). Labour-force participation increased from 85.1% in 2011 to 89.4% in 2018; however, the absolute number of employed persons declined from 2,540 in 2011 to 2,527 in 2018.</p>	<p>Cabinet to consider include the following:</p> <p>(a) Reforms of the taxation</p> <p>(b) Improvements in the social infrastructure</p> <p>(c) Reforms to simplify the processes for immigration, for permanent residency, and for citizenship.</p> <p>(d) Overall improvements in the efficiency of public services and the ease of doing business on the island.</p> <p>(e) Moreover, gradual annual increases in GOM's spending, capital budgets, hiring, retention, compensation, etc., would automatically feed into outcomes</p>			
	<p>63. Inadequate allowances for inflation.</p> <p>Departments have reported challenges as they continue to experience the DFID's emphasis (and, hence, MOFEM's focus) on low/lower costs and constrained spending, rather than growth. Compounding this problem is that too little attention and funding support are being given to planning and budgeting for price inflation.</p>	<p>70. Make better allowances for inflation. The MOFEM should continue to liaise with the DFID to advocate for appropriate increments in the GOM's budget to accommodate increases in prices of existing goods and services. This is in addition to the need for better provision for appropriate increases in the number of units of goods/services, from year to year, required to achieve Departments' strategic targets. This requires a fundamental shift within the pricing methodology of strategic planning and budgeting from a traditional focus on gross or nominal figures (i.e., quoted prices not adjusted for inflation) to an approach that makes</p>	Not Implemented-N/A	<p>Inflation or the assumption of inflationary or deflationary pressure during the budgetary forecasting process. This is a core consideration when developing both revenue and expenditure forecast. It is also erroneous to assume that there are always inflationary pressures, in actuality, inflation levels regionally (ECCU) have been relatively low the last medium term, in some years experiencing deflation. MOFEM always considers what is occurring both locally, regionally and internationally before</p>	<p>Director of Economic Management/Budget Director</p>

		full and explicit adjustments for inflation.		estimating an inflation rate that will then be used to develop budgetary forecasts.	
	<p>64. Inadequate allowances for currency-rates. Too little attention and funding support are being given to planning and budgeting for fluctuations in the rate of exchange of the British Pound against the United States dollar and the Eastern Caribbean dollar. Each year, these fluctuations create major risks to the GOM's budgeted revenues. Each year that the value of the British Pound falls, the effective local value of the DFID's remittances of grants to support the GOM's budget also falls. For example, a 5% decline in the value of the Pound Sterling approximates EC\$4 million less in the effective inflows for the GOM. In turn, shortfalls in the GOM's receipts significantly reduce local spending. Reduced public spending (1) directly reduces overall economic activity, (2) contradicts the Cabinet's Policy Agenda, and (3) undermines the implementing of the SDP. Not making allowances for changes in currency-rates also affects the effective local value of funding received for long-term projects and poses risks to their completion.</p>	<p>71. Make better allowances for fluctuating value of currencies. The MOFEM should continue to liaise with the DFID to advocate for the DFID to consider changing its past stance against the GOM's budgeting for currencies, in order to start making appropriate provisions for the reality of annual fluctuations of currencies in the GOM's budget. In this way, a continued weakening of the Pound Sterling against the EC dollar and the United States dollar will be anticipated and mitigated explicitly. It is highly advisable to use conservative estimates whereby there is much less downside risk to the budget. Among its various benefits, this approach will increase the probability that the local value (i.e., in Eastern Caribbean dollars) of actual receipts by the GOM will be within the tolerable range of variation and not excessively reduce GOM's spendable funds. This is especially important in long-term projects, which have high currency-risk.</p>	In progress	<p>The Ministry of Finance has continued to make arguments for mitigating against exchange rate risk in regards to all forms of Aid both recurrent and development. DFID/FCDO have consistently been resistant to the proposal but the Ministry of Finance will continue to advocate for some level of mitigation. It should be noted that this risk has eased over the last year, as the Pound Sterling has been appreciating and is expected to remain stable as the covid-19 vaccination programme and easing of restrictions continue.</p>	Director of Economic Management/Budget Director
	<p>65. Inadequate allowances for contingencies. Too little attention and funding support are being given to planning and budgeting for contingencies (including</p>	<p>72. Make better allowances for contingencies. The MOFEM should continue to liaise with the DFID to advocate for the DFID to</p>	Partially Implemented	<p>The Government of Montserrat continues to advocate for some level of contingency funding, as</p>	Financial Secretary

	<p>timely repairs, preventative maintenance, and adequate asset-replacement) and for emergencies. This is a vital counterpart to the quest for potential savings, which the MOFEM demands that all Departments identify each year in the current budgeting process. Given that Departments and programmes are already under-funded in several areas, the carving of notional savings from already inadequate budgets is often unrealistic, misleading to reportees, and potentially dangerous to decision-making.</p>	<p>consider a change to its past stance against the GOM's provision for contingencies. A better approach would allow for appropriate data-driven increments in the GOM's budget to cover a broader range of situations. This includes making ample provisions for repairs, maintenance, emerging opportunities, and unforeseen new risks. A larger fund for contingencies will allow for more operational flexibility and effectiveness across the MPS (e.g., when specific assets need to be acquired or replaced at short notice or ahead of the average life-cycle for each category of item).</p>		<p>provided for under legislation. FCDO has been resistant to this idea, but Government of Montserrat has taken steps to have funding available outside of the UK aid by joining CCRIF. This will provide immediate funds upon any major hurricane/tropical storm that meets the established parameters for payment.</p>	
	<p>15. Persistent shortfalls in revenue and collections. In recent years, the trend is that actual local revenues and collections are growing, but they have been consistently below the projected amounts.</p>	<p>23. Project revenues/collections more conservatively. We advise the MOFEM to continue to review the basis and the assumptions underlying forecasts of local revenues. To limit the downside risks to budgets, encourage Departments to develop more realistic projections based on (a) verifiable criteria, (b) robust assumptions, and (c) actual amounts earned/collected in the past few years...</p> <p>Improve the collections of revenues and of arrears. In line with (i) the Policy Agenda, (ii) the National ICT Strategy, and (iii) the SDP 2008 to 2020, the MOFEM</p>	Not Implemented-N/A	<p>In reviewing the matters relating to the function of the MCRS as a department under the Ministry of Finance we offer the following comments to Findings #15 "Persistent shortfalls in revenue and collections" and recommendation #23. "Project revenues/collections more conservatively". The Montserrat Customs and Revenue has responsibility for the Administration, Collection and Accounting for a number of Taxes and Levies namely: (see table below)</p>	<p>Director General, MCRS/Director of Economic Management</p>

		<p>should advance this critically important recommendation, which includes such opportunities as.....providing all governmental statements, invoices, notices, and standard forms electronically and (ii) enabling online submissions, and especially the revenue-generating ones...</p>		<p>The proportion of locally generated revenue that falls under the responsibility of the MCRS as outlined above is in the region of 80% annually.</p> <p>The matter of forecasting/ projecting collection of the above sated revenue is done in connection with the Economic Unit within the Ministry of Finance and the following assumptions are taken into consideration</p> <p>vii. <i>No escalation in volcanic activity and corresponding population reduction</i></p> <p>viii. <i>Capital and or Construction projects materialise</i></p> <p>ix. <i>No major policy decision changes by the Government</i></p> <p>x. <i>Terrorism and global economic crisis do not adversely impact the region and Montserrat</i></p> <p>xi. <i>No disruption from hurricanes or unfavourable sea conditions</i></p> <p>xii. <i>No disruption in trade import and export from Little Bay or Plymouth</i></p> <p>The projections are</p>	
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				<p>formulated and forwarded the executive branch of government (Cabinet) for consideration and ratification and changes or adjustments can be made at this level as well. On the matter of the Audit observation that there are "Persistent shortfalls in revenue and collections". This is primarily due to any one of the risks mentioned above such as disruptions from hurricanes or unfavourable sea conditions which in turn create disruption in trade import and export from Little Bay or Plymouth. The cascading effects are disruptions Capital and or Construction projects and ultimately employment. Bad weather and unfavourable seas also disrupts air and sea travel and tourism and accommodation business industries. These are the common contributors to what is termed as the "Persistent shortfalls in revenue and collections" Furthermore, MOFEM disagrees with the persistent shortfall in revenue collections, the metrics used to evaluate GoM's revenue forecasting accuracy are</p>	
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				both PEFA and DFID log frame and these scores have been consistently high between the PEFA 2014 and the Mock PEFA 2018 and DFID annual log frame. MOFEM already utilise all the methodologies identified and recommended within the report.	
	<p>20. Improvement in economic models and statistics. MOFEM has developed local skills (e.g., budgeting, planning, and economics) and built 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 data-sets, and limited inputs for planning and budgeting.... Since then, the Statistics Department has launched a website, done a national census and labour-survey, and published some reports. It has continued to develop local skills and done excellent work, but most of its data are not published.</p>	<p>26. Boost the publication of statistics and analyses. Increase the frequency and the range of published data and analyses. For example, the MOFEM should ensure that the Statistics Department establishes and maintains an annual calendar of published data/short reports relevant to key indicators (e.g., employment, GDP, economic growth, inflation, fiscal indicators) and sectors (e.g., tourism, hospitality, public sector, construction, financial services, and exports). Likewise, the OOP should ensure that its various Departments regularly publish progress-reports and summaries: e.g., monthly/quarterly tourism-related statistics; quarterly updates on actuals versus budgets; more timely annual Monitoring & Evaluation reports.</p>	In progress	<p>Kindly note, to date, there have been two compendiums completed by the SDM in recent times, the "Environmental Compendium 2015-2019" published in October 2020, as well as the "Statistical Compendium of Montserrat 2016-2018" to be published May 2021. Additionally, a Labour Force Census and Intercensal Count was conducted and completed in 2018. The preliminary LFC & ICC 2018 report was published in 2019 via SDM's official website, GOM official website and various media houses. The full report is expected to be published in May 2021. Subsequently, this was followed by a Labour</p>	Chief Statistician

				<p>Force Survey in 2020. This round was conducted by SDM on behalf of the OOP, through external funding from EU. Tourism related key findings for all Tourism related datasets were presented to the Tourism Department in March 2021. A “key findings” report from the Labour Force Survey (LFS) 2020 also to be published, tentatively by June 2021.</p> <p>Notwithstanding, a Household Budgetary Survey/ Survey of Living Conditions (HBS/SLC) 2020 began however the process was abruptly halted owing to COVID-19 restrictions. The way forward is yet to be determined. Additionally, we continue to disseminate the “Monthly Economic Report” routinely to key stakeholders which focuses on four primary indicators – Tourism; Consumer Price Index (CPI); Trade (Imports and Exports) internationally,</p>	
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				<p>regionally and nationally. The Economic Report provides present data alongside comparative figures of the previous year.</p> <p>Moreover, there are other/various areas of data dissemination and publishing undertaken by SDM. These activities have been implemented and are on-going. Inclusive but not limited to greater advocacy and communication with stakeholders to improve response rates; the SDM official Website with Historical data of key indicators for Montserrat, which is updated bi-annually with up-to-date information; the constant production of Infographics on topics of public interest as well as, little known areas of reporting shared through various social outlets; Other dissemination (via social media) – an official Facebook page was launched in 2019 since which this platform has</p>	
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				<p>been actively utilized; an Informative video series including interviews with key stakeholders (data providers and data users) and an upcoming animated video series including various datasets housed at SDM made available via the official Facebook page. In the interest of strengthening strategic partnerships and expanding our statistical output reach, discussions with GIU on a collaboration to further feature the "Monthly Economic Report" on their mediums of output. Similarly, SDM actively participates in the annual Career Fair on Island producing pamphlets and bookmarkers to share with all in attendance (i.e. students, teachers and visitors alike) and conducts school visits to bring greater awareness to all facets of our nation; Showing solidarity and inclusion through recognition of select "United Nations Days of Notoriety" through various</p>	
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				campaigns. Statistics Department Montserrat receives the recommendations and is committed to reception of necessary support in the push on sharing of data and information in order to facilitate more timely and robust reporting.	
Post Implementation Benefits Study – CTO-MIST October 2020	<p>6.1 Change in Responsibility for Data Entry. Originally, the CTO-MIST project was to be a joint venture between the former MTB and CSO bodies in November 2000; it was agreed that Tourist Board was to be responsible for the collection and input of Tourism information from the E/D cards, and the Statistics Department would be responsible for the analysis and dissemination of the processed data. However, from all reports, the Tourist Board did not have the required infrastructure; that is, technical support and maintenance for the server and MIST software. As a result, the Statistics Department took over the responsibility for the gathering and entering of tourism information into CTO-MIST.</p> <p>6.2 However, Data Entry Clerks on the MTD's payroll were still being sent to understudy and perform data entry at the Statistics Department's office, until the last clerk left three (3) years ago. This resulted in a backlog of gathering the tourism statistical data, until the SDM resorted to hiring provisional workers from either the Ministry of Youth Affairs Community Services and Sports' (MYACSS) Helping Youth Prepare for Employment (HYPE) programme, or through the Human Resources Management Unit (HRMU). This short-term arrangement can negatively affect the level of productivity and also accuracy of</p>	<p>6.3 Regularising Data Entry Clerk post. Efforts should be made by the SDM to make a formal request to HRMU for the Data Entry Clerk post to be regularised. This will ensure stability and consistency and ensure timely completion of assigned tasks.</p> <p>Initial Management Response:</p> <p>The Statistics Department of Montserrat reviewed the report and agrees with the findings and recommendations.</p>	In Progress	<p>New spend requests submitted under budget call circular for 2021/2022 fiscal year. These requests were not approved.</p> <p>In the interim the SDM continues to utilize temporary staff - utilizing funds from our allotted budget under line item 236.</p> <p>This allows the efficient processing and timely dissemination of the tourism statistics.</p> <p>During the last 2 months the Department also upgraded our software. We have successfully transitioned to the use of CTO-TIMS. All SDM staff received basic training from the providing agency.</p>	New spend requests will be resubmitted for the new fiscal year.

	<p>statistical data with the constant staff changes.</p>			<p>Data Entry Clerk processes the ED Cards (i.e. entry) on a routine (monthly) basis</p> <p>Data validation is done by Statistical Cadet subsequently following entry completion</p> <p>Assistant Statistician uses raw data tables to update Monthly Report and various in-house databases used for key outputs</p> <p>Statistician checks all reports compiled and updated and approves data for dissemination (in the event of no quality issues)</p> <p>Data is backed up on the server and final checks conducted by the Chief Statistician.</p> <p>This is done on a monthly basis using a responsibility/rotation roster created for each fiscal year</p> <p>Once approved for dissemination, the data is then used for various data requests, Economic and Tourism Reports and shared with various</p>	
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				identified key stakeholders	
Office of the Deputy Governor & Related Departments December 2020	Policy-links for some objectives were unclear.	<p>Ensure that the objectives for the ODG and for its related Departments are more clearly linked to the Cabinet's Policy Agenda.</p> <p>Initial Management Response: ODG has over the years sought to improve on the submission based on the Technical Support received from the Ministry of Finance. This has allowed for the inclusion of the MPA for adequate mapping.</p>	Implemented	Undated Strategic Plans for ODG to adequately map the MPA	ODG Senior Management Team lead by the CHRO
	The ODG has a performance-framework for measuring against its objectives.	<p>Ensure that every objective for the ODG and for its related Departments has KPIs and that all KPIs clearly support objectives.</p> <p>Initial Management Response: There has been year on year progress on refining and improving KPIs. This has been achieved with technical support from the Ministry of Finance</p>	Implemented	Updated Key Strategies and KPIs through the assistance of Mr Dana Frey a past Mofem Consultant and the Mofem team	ODG Senior Management Team lead by CHRO
	<p>Many KPIs have not been met.</p> <p>KPIs need to improve.</p> <p>Classification of KPIs needs to be corrected.</p>	<p>Improve the KPIs. The ODG should make its KPIs clearer, more measurable, more relevant to objectives, and focused more on outcomes.</p> <p>Initial Management Response: Improvements have been made over the years and this has been</p>	Implemented	Improvement noted continuously in Strategic Meeting with FCDO and also from the past consultant Mr Frey each year.	ODG Senior Team lead by the CHRO. Attendance at Strategic Meetings lead by the HDG

		<p>noted and acknowledged in key Strategic Meetings with main Funding Partner.</p> <p>This continues to be a work in progress and after discussion with the Monitoring and Evaluation Unit we are moving in the direction of separating out and reporting quarterly output indicators and reviewing how we define and report on outcome indicators.</p>			
	Gaps in reporting.	<p>(i) Improve the reporting of performance. The ODG should ensure that all of its Departments regularly measure, monitor and report against all of their objectives and KPIs. The Quarterly Reports, for instance, should be complete and timely.</p> <p>(ii) Strengthen Departments' record-keeping and reporting capabilities. (1) Records of all management meetings, key decisions, and actions must be kept. (2) The ODG should further improve the management of its records, and those in all of its related Departments, to achieve benefits such as these:</p> <p>(a) Digitisation of all records, thus reducing the widespread reliance on manual processes, paper-based files and</p>	Implemented	Reporting against the KPIs has improved for clearer and more accurate reporting in the quarterly reports. Dialogue with the M&E team has assisted in refining the submission of the data in the reports.	ODG Senior Team lead by the CHRO

		<p>documents, and physical storage;</p> <p>(b) Safekeeping of documents, thus minimizing instances of the loss of, or inability to find/retrieve, historical data, documents, reports (e.g. quarterly reports missing/could not be found for fiscal year 2016/2017;</p> <p>(c) The maintaining of data and reports for business-continuity, audits, & compliance, and</p> <p>(d) The retention of documents to facilitate employees' productivity as well as effective succession planning, including ensuring that persons appointed to posts, or acting temporarily, can easily locate necessary information from predecessors, while leaving a clear trail for those coming after them to follow.</p> <p>(iii) Seek timely and useful feedback. The ODG should request that its counterparts, such as MOFEM and the MEU, give adequate feedback to each reporting Department.</p>			
	Trend of overall underspending versus budget.	Continue to improve planning,	In Progress	The continued evolving of	

	<p>Major underspending versus the Technical Co-operation Programme's budget. The high vacancy-rate in approved T.C.-employee posts has resulted in underspending of the T.C. Budget. Time and resources have also been wasted, owing to the frequent need for the re-advertising of some posts. For the fiscal years 2016/2017, 2017/2018, and 2018/2019, the ODG's biggest area of underspending was in the HRMU, under the budgeted category Head 236: Professional Services & Other, almost all of which related to the TC programme. Hence, the overall underspending exceeded \$0.9 million in each of these three years and accumulated to over \$6.6 million over these three years.</p>	<p>budgeting and reporting.</p> <p>Revenues: As an example, the ODG's headquarters maintained the same budgeted amount for revenues (\$270,000) each of the 3 fiscal years that we reviewed (2016/2017 to 2018/2019) (and, subsequent to our fieldwork, did so again for the fiscal year 2019/2020), but the actuals consistently surpassed this figure, averaging over \$350,000 every year, despite economic shocks (e.g., major hurricanes during year 2017). Therefore, the budgeted revenues should be revised in line with the actual trend, and regularly updated for any available more recent information affecting forecasts.</p> <p>[Expenses: Underspending on the expenditure side relates also to several others of the findings and the recommendations above and below: e.g., those regarding recruitment; various causes of employees' dissatisfaction; turnover; retention.]</p>		<p>the COVID Pandemic has indicated a decrease in revenue through Consular Services. The services to customers have improved and a survey questionnaire to get feedback and response has been drafted for implementation in short order.</p> <p>TC Recruitment has been advanced despite the COVID pandemic. The only delay is as a result of travel restrictions imposed by countries as a result. We have filled and on-boarded at least six (6) TC Posts since the COVID Pandemic (April 2020)</p>	
	<p>The ODG has commissioned several consultancies, but, without the needed funding support, few of their recommendations have been implemented.</p>	<p>Implement the agreed recommendations of consultancies.</p> <p>To achieve value for money from consultancies that it procured in recent years, the ODG must begin</p>	<p>Not Implemented - Disagree</p>	<p>ODG has no control over the funds</p>	

		<p>to implement the main agreed recommendations in a timely way [in phases, if necessary]. This requires the financial support of the DFID per the ODG's requests for this; accordingly, before procuring any future consultancies or studies, the ODG should ensure that there is a clear commitment, in advance, to provide the necessary funding to support the implementation of at least some of the recommendations. [Meanwhile, focus on the aspects that are feasible without special funding.]</p> <p>In particular, the ODG should take action on the following initiatives:</p> <p>(a) Provide the specified additional funding needed for maintenance and renovations of public buildings, with special regard to the health and safety of GOM's employees and users of public services, especially in a pandemic environment;</p> <p>[Some options include these:</p> <p>[i] re-prioritisation from various budget-lines;</p> <p>[ii] use of the Small Capital Asset Fund (provides up to \$250,000 per</p>			
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		<p>item);</p> <p>[iii] smart partnerships; and</p> <p>[iv] inter-agency and inter-Ministry co-operation to leverage collective resources.]</p> <p>(b) Undertake the upgrading of compensation and of several posts across the public service to improve attraction and retention of talent and to reduce the number of job-offers declined by selected candidates; and</p> <p>(c) Implement effective workforce planning and strategic H.R. management</p> <p>These are all in line with supporting the ODG's key roles in [1] management of the GOM's facilities and [2] oversight and development of the public service, while contributing to the Policy Agenda.</p>			
	Need to improve the management of the Technical Co-operation Programme.	<p>The Technical Co-operation Programme requires better management. The ODG should continue to improve the process accountability and management so that the intended purpose of the programme will be realised and so that it can achieve value for money.</p>	Implemented	<p>ODG (HRMU) has update the TC Guidelines as at 2020 to reflect funding partnership change to FCDO.</p> <p>TC Contractual Documents are clearly defined and executed within reasonable timeline.</p>	<p>HRMU Team lead by the CHRO with oversight and approval for TC from the HDG</p>

		<p>The ODG should ensure:</p> <p>[a] that the process for the approval of TC-employee posts is followed and</p> <p>[b] that there is clear visibility over decisions.</p> <p>The ODG should also ensure that improved transferring of skills takes place from TC staff to regular staff: e.g.,</p> <p>[1] specifying this in their employment contracts, and</p> <p>[2] ensuring that Departments have supporting staff to understudy TC employees to ensure that the transferral of knowledge and skills takes place.</p>		<p>The recruitment process is more transparent and the inclusion of other agencies and advertising platforms to ensure quality applicants are recruited. The inclusion of deliverables that would ensure the mentoring/coaching of successors and also monitoring mechanisms that would measure the impact (knowledge and skills transfer, drafting and implementation of systems, structures and guiding principles to assist Ministries/Departments)</p>	
	Urgent need for maintenance and upgrades of public buildings.	<p>Prioritise maintenance of the GOM's office buildings. To maintain a safe, healthy, and productive work-environment for all of the GOM's employees, the ODG should give higher priority to the timely and adequate maintenance and upgrades of buildings and premises across the public sector.</p> <p>In turn, this will improve the conditions in which the public</p>	In Progress	<p>Only limited routine Maintenance can be done as per request received based on limited approved funds in the ODG budget.</p>	<p>Management and oversight from the Building and Facilities Manager Some support from Procurement and Mr. Glenroy Foster.</p>

		<p>receives services.</p> <p>This was already identified as an urgent issue in previous years and, now, it is especially important in an environment of heightened public-health risks and protocols amidst the worsening COVID-19 global pandemic, which arrived in Montserrat in March, 2020, resulting in 23 confirmed cases and 1 death to date (updated, as of August, 2021) (Ministry of Health's reported data).</p>			
	<p>The implementation of the HRIS is making progress, but several modules are incomplete and/or are well behind schedule.</p>	<p>Review the implementation of the H.R. Information System (HRIS).</p> <p>While continuing to support the modules that are on track, the ODG should perform a comprehensive review of the implementation of the HRIS across the public service to date, including the following steps:</p> <ul style="list-style-type: none"> (a) Review, reassess, and reschedule those modules and features that are behind schedule and/or have not yet been activated; (b) Identify and address the causes for delays; (c) Reach out to employees who have not yet logged into the system; (d) Prioritise training and support for aspects such as these: 	Implemented	<p>Continued implementation as ODG advances the Digital Framework and further modules under the HRIS.</p>	<p>Lead by Director HRIS, HRMU Team and Supporting Officers from Ministries/Departments</p>

		<p>[1] Areas with a high percentage of errors,</p> <p>[2] Areas with gaps in data, and/or</p> <p>[3] Areas of non-participation by employees to date.</p>			
	<p>The ODG has a trend of significant staffing gaps. The evidence from Nominal Rolls for the fiscal years 2016/2017 to 2018/2019 showed that the rate of vacant posts in the ODG's Departments more than doubled (from 7% to 16%) over the 3 years that we reviewed.</p> <p>Likewise, a relatively high vacancy-rate across the entire Government has persisted over the years, and has worsened 33% in recent years, rising from 97 unfilled posts in fiscal year 2016/2017 to 129 unfilled posts in fiscal year 2018/2019. Concurrently, the number of persons in posts dropped from 887 to 879.</p> <p>This is partly due to such factors as:</p> <p>[1] continued emigration of native Montserratians (per the National Census in 2011 and the National Census in 2018), and</p> <p>[2] relatively low remuneration locally versus regional and international scales, as highlighted in [a] our interviews with a broad sample of other departments across the public service, and [b] the OAG's previous study, Absenteeism in the Montserrat Public Service: Prevalence, Causes & Costs (covering data for years 2015 to 2017) (report published in 2018).</p>	<p>Reduce the number of vacancies.</p> <p>Given the impact that rising vacancies (both their number and their duration) are likely to have on the delivery of public services, the ODG and the HRMU should continue to identify and to resolve the main reasons for vacancies, including factors such as:</p> <p>[a] prolonged recruitment-cycles;</p> <p>[b] the terms and conditions of offers/contracts;</p> <p>[c] the turnover of employees;</p> <p>[d] compensation and benefits;</p> <p>[e] reported areas of employees' dissatisfaction.</p>	In Progress	<p>The implementation of the Insync platform and the updates to the Nominal Roll/Establishment for GoM makes the document active and in real time so information and data is accurate and streamlined (tab are included to show filled, temporarily filled, and vacant.</p> <p>Within Insync we have the nominal roll and other manpower that can provided the total manpower for GoM public Service.</p> <p>Nominal Roll shows only the approved Establishment positions.</p> <p>Reports can be done using the Insync to show every single officer in the service.</p>	

APPENDIX 6
OFFICE OF THE AUDITOR GENERAL - ORGANISATION CHART

