



**PERFORMANCE AUDIT**

**OF**

**THE MONTSERRAT LAND DEVELOPMENT**

**AUTHORITY: Governance, Quality of Service &**

**Financial Sustainability**



**Office of the Auditor General**  
**July 2022**

# **THE MONTSERRAT LAND DEVELOPMENT AUTHORITY**

This is a Report of a Performance Audit conducted by the Office of the Auditor General pursuant to Section 103 of the Montserrat Constitution Order 2010.

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Office of the Auditor General  
July 2022



# PREAMBLE

## Vision Statement

To be a proactive Supreme Audit Institution that helps the nation to make good use of its resources.

## Mission Statement

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

## The Goal

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

## AUDITOR GENERAL'S OVERVIEW

This study examined the governance, the efficiency and the effectiveness of the management of the Montserrat Land Development Authority (hereinafter, the MLDA). Overall, we found many satisfactory aspects of governance and operations, especially in record-keeping and being responsive to tenants' inquiries and requests. However, the MLDA is struggling with the financial challenges of a large gap between receiving subsidised rental income and paying market-rates for construction and maintenance of public housing units.

In terms of efficiency, transparency, and accountability, we found a few areas requiring immediate improvement: e.g., (1) a trend of financial deficits; (2) a large backlog of maintenance; and (3) the difficulties in balancing a mandate of social housing versus its own long-term sustainability. Many of the social housing units are in temporary structures that are now well beyond their useful life. Others are of more durable construction but have accumulated wear and tear, which is made worse by delays in maintenance. The MLDA is accountable to the GOM and reports regularly to its Board, to the MALHE, to the MOFEM, and to the Housing Unit. However, communication with the general public and other stakeholders is limited.

The Government of Montserrat's Sustainable Development Plan 2008 to 2020 identified infrastructure, including housing, as one of the pillars for rebuilding and for growing the island's economy. As one measure of effectiveness, under the MLDA's tenure, the stock of public housing has increased. In turn, this means increased economic activity for private contractors and local suppliers. However, since the volcanic crisis, the funding for the MLDA has depended heavily on annual grants from the GOM. The MLDA itself has limited sources of revenue: most of the residential rents are well below construction/maintenance costs; commercial tenants are few; and very few new units have been constructed and/or sold in recent years. In most cases, properties were sold well below their costs, creating large losses over the past decade. Hence, the GOM's equity (Housing Stock) and the MLDA's capital are steadily being eroded.

We have provided a number of recommendations that we feel would benefit the Government and the citizens of Montserrat once they are implemented. I wish to thank the staff of the MLDA, other participating Ministries and Departments, and all other persons who provided information, clarifications or extended any courtesy to my staff during this assignment.



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25 July 2022

## ABBREVIATIONS

CARICOM	Caribbean Community
FCDO	Foreign, Commonwealth & Development Office, U.K. Government
GDP	Gross Domestic Product
GOM	Government of Montserrat
HLAC	Housing and Land Allocation Committee
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions
MALHE	Ministry of Agriculture, Lands, Housing & Environment
MLDA	Montserrat Land Development Authority
MOFEM	Ministry of Finance & Economic Management
MOHSS	Ministry of Health & Social Services
MPS	Montserrat Public Service
OAG	Office of the Auditor General
SDP	Sustainable Development Plan 2008 to 2020

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# EXECUTIVE SUMMARY

## Overview

The Montserrat Land Development Authority is a statutory body governed by the MLDA Act, 1971. In 1999, the MLDA Act was amended to include the management of the Government of Montserrat's Housing Stock. The MLDA's principal activities now involve managing, selling and acquiring land on behalf of the G.O.M.; providing subsidised public housing for approved tenants; commercial leases of land; and sale of land/housing to eligible individuals at affordable prices.

## Scope of Performance Audit

The scope of this performance audit was a review to examine the MLDA's governance, quality of service, and performance, during the past decade (fiscal years 2013/2014 to 2021/2022). Where we received information subsequent to our fieldwork, more recent updates are provided in some parts of the report. We interviewed officers from the MLDA. We also did site-visits and interviewed a large sample of the MLDA's tenants as well as officers from the MALHE, including the Housing Unit, in order to obtain their perspectives and experiences in working with the MLDA directly.

## Objectives of the Audit

This audit sought to examine the management of the Authority, including the level of governance, the quality of service, budgeting, the use of people and assets, and overall performance. The overall objective of the audit was to assess whether the MLDA is being efficient in its operations and effective in meeting its mandates. To answer this overarching question, we considered 4 issues:

[a] Governance: Are the legislative framework and governance effective in supporting the MLDA to deliver its mandates?

[b] Efficiency: Is the MLDA applying good practices in managing its operations?

[c] Efficiency: Does the MDLA manage its finances efficiently?

[d] Effectiveness: Is the MLDA performing effectively in achieving its goals and targets?

## Main Findings

- 1. The GOM has oversight of the MLDA's budgeting and spending, but there is need for significant improvement in its finances.** Overall, the MLDA uses past data and trends as the basis for its budgeting, which is carried out at the beginning of each year. The MLDA approved consolidated budgets (Corporate plus Housing Stock) with deficits in fiscal years 2018/2019 and 2021/2022: \$(60,478.55) and \$(46,388.51), respectively. The financial performance has deteriorated over the years, with the MLDA (Corporate) experiencing a small gain of \$8,178 in year 2017, but net losses in the subsequent years. In year 2018, it recorded a loss of \$(24,991); in year 2019, a loss of \$(93,739); and, in year 2020, a loss of \$(10,330). The MLDA (Housing Stock) also manages insurance costs, which are high and account for a large fraction of its expenditure.
- 2. The MLDA generates revenue from different sources but insufficient for self-sustainability.** The MLDA generates its revenue from various sources such as an annual grant from the Government of Montserrat, rent collection, leasing of land to sand-miners, leasing of land to farmers, and through the managing of land-development projects for the GOM. The GOM's grant and the rents collected from tenants form large parts of the MLDA's income. However, the grant has remained fixed at \$100,000 per annum for many years and it is usually disbursed quarterly in the amount of \$25,000. Despite the MDLA's efforts to improve on its rent collection over the years, rent arrears continue to be a major issue for the Authority.
- 3. Overall, the MLDA has a strong governance framework in place and oversight for its operations.** The MLDA's Board of Directors comprises (a) the Permanent Secretary of MAHLE as the ex-officio Chairperson, (b) the Financial Secretary (MOFEM) or his/her designate, and (c) 5 non-executive directors. There are clear lines of reporting and accountability as the Manager reports to, and is held accountable by, the Board of Directors. Reporting is done regularly: e.g., monthly internally and to the Board; quarterly to the MOFEM; and annually, through audited financial statements, to the Legislative Assembly. Minutes are formally kept and meetings have been occurring regularly, though infrequently (e.g., the Board and the HLAC average 2 to 4 times per year).
- 4. Maintenance is the biggest issue facing MLDA and it needs urgent attention.** Maintenance of properties has been an ongoing and major issue of the Authority. Most of the properties assigned to the MLDA's portfolio do not meet acceptable standards as there is a large and growing backlog of properties to be maintained/repared. In year 2017, a private consultant did an assessment for the MLDA to determine the full cost of required repairs and maintenance, but the necessary funds were not approved by the then Cabinet and the DFID (now FCDO). The MLDA

uses a responsive approach to maintenance (e.g., when a tenant calls to report a structural fault or a plumbing crisis) instead of preventative maintenance, owing to a chronic shortfall of funds. Hence, the MLDA's plans and efforts at maintenance are prioritised based on a worst-case scenario.

**5. Generally, tenants are satisfied with the work carried out by MDLA, but there is room for improvement in some areas.** The data obtained from the survey shows that 62% of the tenants had a good general view about MLDA, with 28% selecting Average, and the other categories being 3% each. The biggest segment of the tenants (37%) is those that have been occupying their units between 0 to 5 years, followed by 27% having tenancy for over 15 years, with some being there from the inception of the relocation in 1998. A large majority (71% of tenants) stated that they are satisfied with the state of their units while 16% were not satisfied. The analysis of the data shows that, whilst there were frequent complaints about how long some items took to be repaired or replaced, there was high satisfaction with repairs that were done: 50% of tenants were satisfied and 20% were very satisfied; the rating of Average was chosen by 13%, while 17% stated they are not satisfied. Collectively, almost all tenants are happy with their rent: 45% said that they are satisfied and 52% said that they are very satisfied. Based on our observations, most units' conditions were good or fair with the need for minor repairs. However, a number of units require major repairs or retrofitting, and there were several instances of deplorable conditions that need urgent attention.

## Key Recommendations

**6. Improve the MLDA's budgeting and spending.** The MLDA should submit to the Cabinet proposals for how to close the recurring gap between the MLDA's revenues and costs, and which measures should be put in place to ensure that this gap remains closed. This should include the urgent review of the GOM's grant to bring it in line with the MLDA's mandate, given the increasing costs of maintenance and the additions to the MLDA's portfolio of assigned properties over the past 20 years.

**7. Strengthen the MLDA's efficiency and revenue capacity.** The MLDA should advocate through the relevant PS and Minister for the consolidation of all of the GOM's property-management to achieve economies of scale under one entity (the MLDA). This includes reviewing and considering the reallocation of real assets and maintenance currently dispersed across the public service and the public sector (e.g., those under the O.D.G.'s oversight; those under the Social Services Department's portfolio; those maintained by the Ministry of Communications & Works). The MLDA's long-term experience and expertise in property-development and property-management could then be applied across the public sector to achieve greater efficiency as well as

better outcomes for all stakeholders. The centralisation of oversight and budgets for real assets would lend to further improvements in GOM's operations, while reducing/eliminating areas of overlapping property-related and maintenance budgets and activities across Departments and agencies.

**8. Reduce the backlog of maintenance.** The MLDA should design and implement a plan of action with clear milestones to reduce the backlog of maintenance of public housing; this should also be reported to the public to aid accountability and transparency. The focus should shift from stopgap measures to choosing methods, technologies, and materials that will be durable and suitable for Montserrat's terrain and climate.

**9. Reallocate funds from insurance to overdue repairs.** The MLDA should consider (a) suspending the third-party insurance currently in place and (b) redirecting to the most urgent repairs, the large sums that are being paid in insurance-premia each year. This will achieve immediate improvements (e.g., tangible benefits to tenants) and durable increases in the value for money for all stakeholders (e.g., longer useful life of assets). This would also be more in line with the GOM's longstanding policy of self-insurance for almost all of the capital assets in the public service.

**10. Further enhance the MLDA's accountability and transparency at all levels.** For example, the MLDA should (a) convene a regular forum with its tenants and its lessees and (b) report to the public each year on its performance and progress. This would extend the MLDA's transparency beyond the annual financial audits that are reported to the Legislative Assembly.

## Audit Conclusion

**11.** Overall, the MLDA has a clear legislative framework and governance structure in place for its operation. However, in practice, several key decisions are set by the Cabinet, including the setting of rents to tenants (social housing); the setting of selling prices of public lands; and the setting of selling prices of housing constructed under the MLDA's oversight. Thus, the MLDA is unable to make certain decisions for itself that would allow the Authority to achieve its full mandate. There is a large and recurring financial gap between [a] providing heavily subsidised rents (up to 100%) to tenants (per the GOM's social-housing mandate) and, on the other hand, [b] the reality of having to pay market-rates for construction and for recurring maintenance (economic sustainability), which are subject to regular price-increases, fluctuations in supplies, delays in shipping, and other external factors. This context of external policy-setting and the resulting

growing internal financial gaps requires the GOM's further support for the MLDA's budget and operations.

**5.1** Historically, the MLDA had a large base of assets, was self-financing, and generated surpluses. During the volcanic crisis (year 1995 ff.), however, the MLDA lost most of its lands, its residential properties, and its income in what became designated as the Exclusion Zone, and had to relocate its operations to the northern third of the island. This relocation resulted in a massive decline in the value of its assets, thus greatly impairing its Balance Sheet, and jeopardising its ability to continue as a going concern. Nevertheless, in recent years, the Authority has been allowed to lease some of the lands in the unsafe zone for agricultural and sand-mining purposes as a source of income. The MLDA also relies on a recurring grant from the GOM as a key source of income. Meanwhile, the net effect of the post-eruption era has been that the MLDA is still not self-sustainable. Although tenants are generally satisfied with their properties, there is still a backlog of maintenance that needs to be carried out urgently by MLDA. Non-paying tenants and rents below costs require a compensating source of funds for the MLDA to keep all housing units in decent liveable conditions.

# CHAPTER 1: INTRODUCTION

## Background

**1.1** The Montserrat Land Development Authority's history spans more than 50 years. It is a statutory body governed by the MLDA Act of 1971. In year 1999, the MLDA Act was amended to include the management of the Government of Montserrat's social-welfare housing units.

## Overview of the M.L.D.A.

**1.2** The Montserrat Land Development Authority was originally established to encourage and secure the efficient and economic utilisation of land vested in it and to help to fulfil the housing requirements of the people of Montserrat. The MLDA's principle activities now involve managing, selling and acquiring land on behalf of the G.O.M.; providing subsidised public housing for approved tenants; commercial leases of land; and sale of land/housing to eligible individuals at affordable prices.

## Objectives of the Audit

**1.3 Objectives.** This audit sought to examine the management of the Authority, including the level of governance, the quality of the service, financial sustainability, and overall performance. The overall objective of the audit was to assess whether the MLDA is performing efficiently and effectively. To answer this overarching question, we considered 4 issues:

[a] Governance: Are the legislative framework and governance effective in supporting the MLDA to deliver its mandates?

[b] Efficiency: Is the MLDA applying good practices in managing its operations?

[c] Efficiency: Does the MDLA manage its finances efficiently?

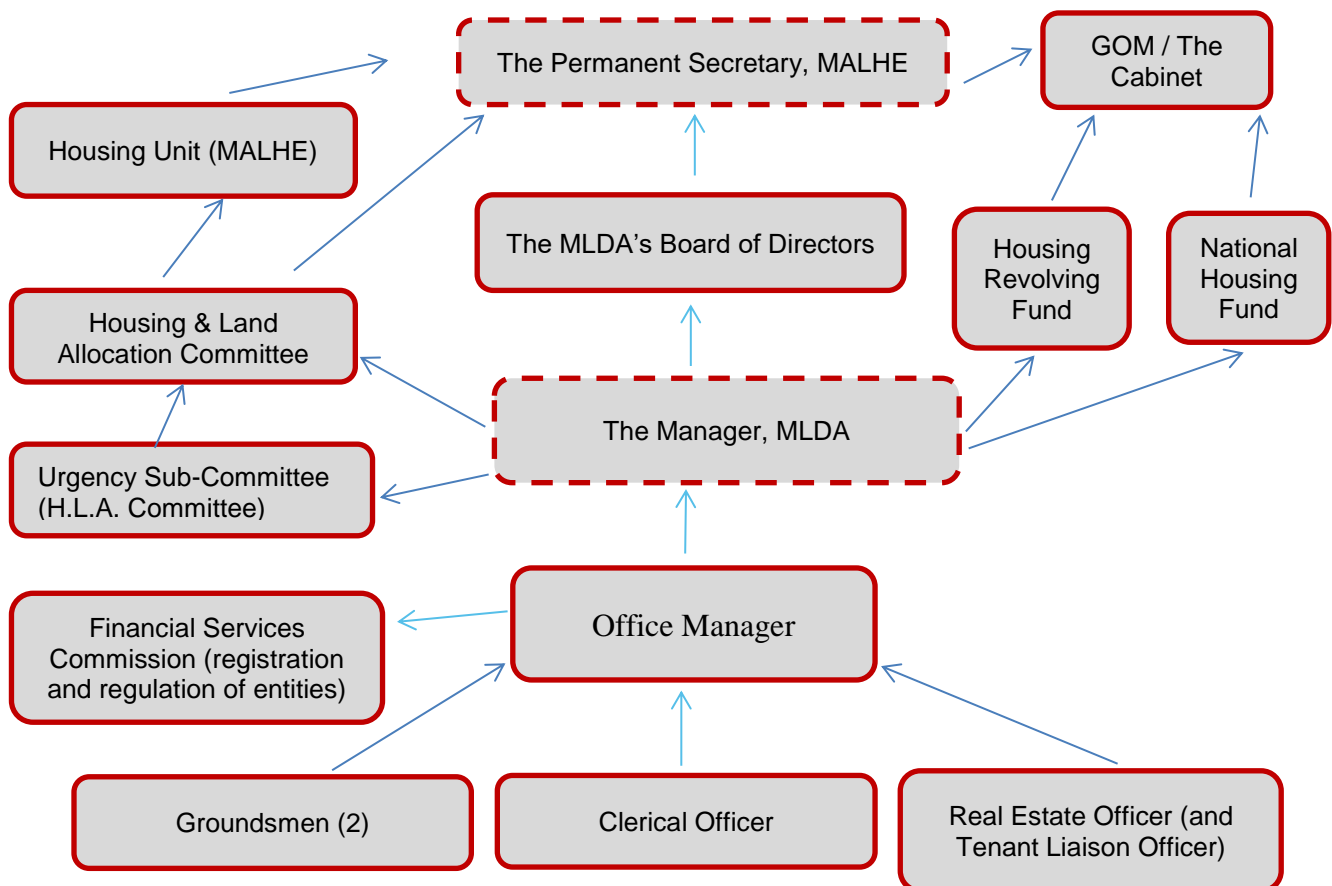
[d] Effectiveness: Is the MLDA performing effectively in achieving its goals and targets?

## Profile of the MLDA

**1.4 Structure.** The active structure of the MLDA has remained the same over the years. Currently, the post of Chairperson of the MLDA’s Board is ex officio: the Permanent Secretary of the Ministry of Agriculture (MALHE). Other members of the MLDA’s Board include the Financial Secretary or his/her designate and 5 non-executive members. The Board of Directors oversees policies and provides strategic direction for the Authority, while the Manager of the MLDA has oversight of the daily operations. The Board of Director receives support from sub-committees.

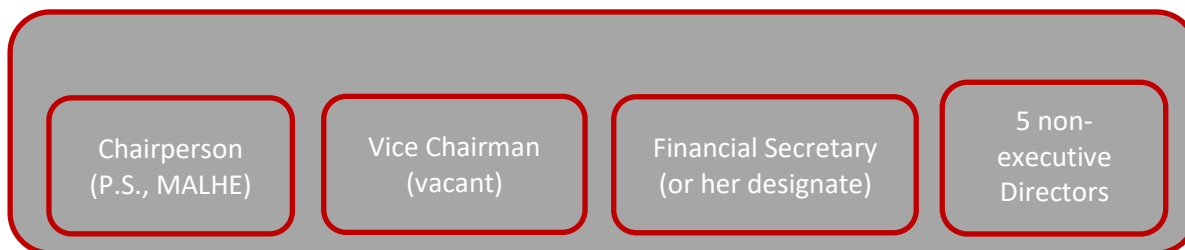
**1.5 Roles and functions.** The MLDA’s principal activities now involve (a) managing, selling and acquiring land on behalf of the G.O.M.; (b) providing subsidised public housing for approved tenants; (c) commercial leases of land; (d) commercial leases of factory-shells to small businesses; and (e) sale of land/housing to eligible individuals at affordable prices.

Diagram 1.1: Relationships and reporting structure of the MLDA and related Departments



Sources: The Housing Act; the MLDA’s official files; interviews with the MLDA’s Manager and staff.

Diagram 1.2: Organisational chart of the MLDA’s Board of Directors



Sources: The MLDA’s official files; interviews with the MLDA’s Manager and the Board’s Chairperson.

Table 1.3: Overview of the MLDA’s planned spending versus actual spending: Fiscal Years ending March 31, 2020 to 2022

	FY 2019/2020	FY 2020/2021	FY 2021/2022	3-year TOTAL
Budgeted Spending	642,564	618,256	695,810	1,956,630
Actual Expenditure	635,097	765,856	730,257	2,131,210
<b>(Overspent) / Underspent</b>	<b>7,467</b>	<b>(147,600)</b>	<b>(34,447)</b>	<b>(174,580)</b>

Sources: The MLDA’s records; the auditors’ analysis of the stand-alone financial statements for MLDA Corporate and for MLDA Housing Stock.

Note #1: The expenditure shown in Table 1.3 is only for those line-items that were included in the budgets. Actual total expenses and overall deficits were considerably greater and are summarised in Appendix 6. See also Table 4.1 in Chapter 4.

Note #2: The trend of prior years was net overspending versus budget and/or no budget was provided.

Note #3: These figures relate to operational expenses and exclude the gains/losses on sales of properties, which, on average, added large amounts to the overall net losses. See Table 4.2 in Chapter 4 and Appendix 6 for examples.



# CHAPTER 2: GOVERNANCE FOR THE MANAGEMENT OF THE M.L.D.A.

## Overview

**2.1** The Montserrat Land Development Authority was established under the MLDA Act on April 1 1971. The Act has since then been amended in the late 1990s. The MLDA has direct responsibility for managing, selling and acquiring land on behalf of the G.O.M.; providing subsidised public housing for approved tenants; handling commercial leases of Crown lands; and overseeing the sale of land/housing to eligible individuals at affordable prices. Strategic oversight is provided by the Board of Directors and key operational oversight for the MLDA is provided by the Manager.

## Findings

**2.2 A strong Governance structure is in place.** A Board of Directors provides oversight to the MLDA's operations. The Board comprises the (a) Permanent Secretary of the Ministry of Agriculture, who by virtue of her position is the Chairperson; (b) the Financial Secretary or his/her designate; and (c) 5 non-executive directors. This structure is clearly outlined in the MLDA's Act. External to the MLDA, the Housing and Land Allocation Committee (HLAC) (part of the MALHE) has the responsibility for allocating houses to tenants based on a set of criteria and this process is done in partnership with the MLDA, which manages the tenanted properties. The MLDA's Board has also established sub-committees to support its management function. The Board meets a number of times per year and has satisfactorily kept records of its meetings and decisions. [References: the MLDA Act; Analysis of Minutes of Meetings; Director of Housing.]

**2.3 There are clear lines of reporting/accountability.** The manager of the MLDA reports to the Board of Directors. Any issues to be discussed are presented to the Board and a decision is subsequently made. The reporting is done monthly, quarterly and annually. Monthly reports are done for projects that the MLDA manages and these reports go to the Housing Unit. Quarterly reports are done for internal purposes and for the Board. The MLDA Act requires annual financial reporting within 3 months after the end of each fiscal year. These reports are sent to the MOFEM annually. Annual reports on the Housing Investment Programme are also sent to the

MAHLE. (References: MLDA's Quarterly Strategy & Fiscal report 2020/2021; MAHLE Financial Report (Housing Programme 2020/2021).]

#### **2.4 MLDA's roles and functions are clearly outlined in the legislative framework.**

The MLDA Act provides the legal framework for the Authority. The role and functions of MLDA are enshrined in this law. According to the Act, these functions include: (1) to encourage and to secure the efficient and economic utilisation of land vested in the MLDA or acquired by it; and (2) to develop land for agricultural settlement schemes. Following the volcanic crisis, the MLDA's role has shifted from the development of land to mostly a property-management role, as many of its previous lands were lost or became inaccessible for residential purposes in the Exclusion Zone. (References: the MLDA Act; the Housing Act.)

**2.5 The MLDA has several financial & policy-related constraints.** It is outlined in the Housing Act that, ultimately, the Cabinet makes most of the key decisions affecting public housing. For instance, the MLDA does not determine the rents for its properties or the selling prices of the buildings that are constructed by/for the MLDA. Instead, rents and the prices for constructed homes are set by the Cabinet and are highly subsidised; hence, the MLDA's incomes from these sources are effectively well below normal market-rates. This forms part of the GoM's policy to provide social housing. Considering that rental income is a major part of the MLDA's revenues to cover its operational costs, the subsidised rates place a significant financial burden on the MLDA.

**2.6 There is no national Housing Policy or Housing Strategy.** Part 25 of the Housing Act (#12 of 2016) mandated, through the Housing Unit to MALHE for approval by the Cabinet, the formulation of [a] a national policy for housing and [b] a national strategy for housing. Several years have passed since the publishing of the Housing Act. However, the Housing Unit has confirmed that no such policy or strategy exists.

**2.7 There is no national Homelessness Strategy.** Part 26 of the Housing Act (#12 of 2016) mandated, through the Housing Unit to MALHE for approval by the Cabinet, the formulation of a national policy for homelessness. Several years have passed since the publishing of the Housing Act. However, the Housing Unit has confirmed that no such policy or strategy exists.

**2.8 The MLDA manages the Housing Revolving Fund, but it remains entirely subject to the Cabinet's approval.** The Housing Act forms part of MLDA's legal framework. Under this Act, the Housing Revolving Fund is under the control and the administration of the MLDA. In practice, however, although the Fund is intended to support the work of the MLDA, its use is subject to the Cabinet's approval. The Revolving Fund has not been operating as it was

originally anticipated. The Fund should be replenishing itself by using it to construct houses and then selling them at market prices (or, at the least, reasonable recovery of costs) and reinjecting into the Fund the proceeds of such sales. Instead, over the past 25 years, properties are being built mostly for social-welfare residents' housing, and not for sale, as part of the policy to provide social housing. The Fund was last used to build two houses for the vulnerable, and their allocation had to go through the Cabinet for approval. (References: the MLDA Act; the Housing Act.)

**2.9 The allocation of tenants is set outside the MLDA.** The MLDA Act and elements of the Housing Act (2016) are in place to govern the operations of the MLDA. However, several important operational decisions are made outside the MLDA and/or are subject to the Cabinet's approval. Furthermore, the MLDA has no input or choice over the selection of tenants; these are adjudicated externally through the *Housing and Land Allocation Committee* (HLAC) and the GOM's Housing Unit. (References: the MLDA Act; the Housing Act.)

**2.10 Some overlapping roles with other Departments.** There is also an overlapping role on the part of the Social Services Department: in several cases, this entity provides support to residents of housing units managed by the MLDA. This support includes one or more of the following items: payment of rents (in whole or in part), provision of appliances and furniture, monthly grants for food, and other assistance. Meanwhile, the MLDA has the responsibility of maintaining the housing units. At times, therefore, there is an apparent blurring of lines of operation among the MLDA, the Social Services Department, and the Housing Unit, with each agency handling one or more aspects of a given individual's/household's housing situation and welfare needs. As of April, 2021, 79 tenants were receiving rental assistance from the Social Services Department. [Reference: Board's Minutes of April 22, 2021.]

**2.11 Good internal controls are in place.** Generally, the MLDA ensures that there is clear and consistent segregation of duties within its staff. The signatories for the accounts are any approved Board members, and all cheques for disbursements require two approved signatories: one from the Board; one from the MLDA's management. The Manager is usually one of the two signatories, but procedures are in place that at no point should both the Office Manager and the Manager sign a cheque. The Office Manager signs cheques only in the absence of the Manager (e.g., vacation-leave). The internal procedures for maintenance involve complaints from tenants made to the Real Estate Manager, who logs each complaint. This then leads to site-visits during which tenants are asked to sign the relevant form. The MLDA's Real Estate Officer goes to the bank every day to deposit any payments received and there is a safe within the office for secure overnight storage of any cheques or cash received after the bank is closed.

**2.12 Meetings of the Board have been regular but infrequent.** During the years that we reviewed, the MLDA's records showed that the Board met only 2 to 4 times per year, on average. The minimum prescribed by the law is quarterly meetings. In some years, the Board met even less often than this minimum. E.g., in fiscal year 2015/2016, only two Meetings were held. (Annual Report, 2016, p. 26) In year 2019, the prescribed minimum of four Meetings were held. In year 2020, only two Meetings were held. In year 2021, only three Meetings were held.

**2.13 Minutes of meetings are formally kept.** During the fieldwork phase of this audit, the MLDA provided minutes for its Board's meetings for the years 2018, 2019 and 2020. The evidence showed that regular meetings were kept except during year 2020 when the COVID-19-related national lockdowns and interruptions of regular operations occurred. (Analysis of minutes of meetings). Additional updates were received for year 2021. Some historical records were also available from the OAG's financial audits for years prior to 2018.

**2.14 Records are generally well kept and up to date.** The MLDA has a computer system that is networked. The Authority uses QuickBooks as the software for its day to day accounting and operations. There is extensive use of telecommunications, software, Excel spreadsheets and Microsoft Word documents. Files and information from QuickBooks are usually updated on a daily basis on a handheld drive. The MLDA's employees also use filing cabinets to store physical files. The staff proved to be very prompt in responding to our requests for information; this is partly reflective of effective storage of documents and partly reflective of the detailed knowledge and the long history that employees have within their roles.

## Recommendations

**2.15 Review laws and roles for better alignment and outcomes.** The MLDA, along with the P.S., MALHE, and the Minister of MALHE, should periodically review the Housing Act, the MLDA Act, and other relevant laws, regulations, and policies to ensure that they are current with the Policy Agenda and the SDP, still relevant to stakeholders' needs and Montserrat's circumstances, and coherent with each other. This review should take a whole-of-Government approach to include other stakeholders such as the Housing Unit, the Governor's office, the Ministry of Health, the Social Services Department, the Attorney General's Chambers, the Police Service, etc. In particular, where more than one stakeholder/agency has been involved in a given household or housing situation, review roles and responsibilities for areas of actual or potential overlap. Seek to improve clarity of roles and responsibilities. Look for opportunities to improve efficiency and effectiveness by consolidating each category of activities within one body/agency.

**2.16 Improve engagement and oversight by the Board.** In line with best practice, the frequency of the Board’s meetings should be not less than monthly, rather than the actual trend of quarterly or less often over the past several years. There is need for more regular attention and oversight by the Board to hold the MLDA accountable for budgets, for timely and useful reporting, and for the closing of gaps in progress towards objectives, targets, and Key Performance Indicators. Strategic plans and budgets should be regularly reviewed and updated before the periods that they cover expire. Review the performance of the Board and each of its sub-committees at least annually, including attendance, participation, outputs, outcomes, and lags in decision-making.

**2.17 Formulate and implement a National Housing Policy.** To give effect to the clear mandate in Part 25 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national policy for housing. This should be advanced through the MALHE for approval by the Cabinet for soonest implementation. In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.

**2.18 Formulate and implement a National Housing Strategy.** To give effect to the clear mandate in Part 25 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national strategy for housing. This should be advanced through the MALHE for approval by the Cabinet for soonest implementation. In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.

**2.19 Formulate and implement a National Homelessness Strategy.** To give effect to the clear mandate in Part 26 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national strategy for homelessness. This should be advanced through the MALHE for approval by the Cabinet for soonest implementation. In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.

# CHAPTER 3: EFFICIENCY IN THE OPERATIONS OF THE M.L.D.A.

## Overview

**3.1** The MLDA's operation is supported by an office-staff comprising four employees: a Manager, an Office Manager, a Real Estate Manager and an Administrative Assistant. Each officer reports to the Manager and the Manager then reports to the Board of Directors on matters relating to the operations of the MLDA, to assist the Board with its decision making. The Authority lost most of its assets amidst the volcanic activities (year 1995 and onward) and now relies on other sources of revenues. Budgets are prepared and presented to the Board for review and approval each year.

## The MLDA's Objectives & Planning

**3.2 Overview.** Strategic planning sets the direction for each Department/statutory corporation and how it uses resources. Effective budgeting determines the sources and the uses of funds and holds each Department accountable for its performance. Criteria used for assessing objectives in this audit were: (1) Are there clear, stated objectives that are aligned to the overall strategy?; (2) Are there plans detailing how the objectives will be met?; (3) Are the related Key Performance Indicators (KPIs)/metrics defined and explained?

**3.3 The GOM's Policy Agenda.** The Cabinet's Policy Agenda is based on the 5 overarching strategic objectives from the national \*Sustainable Development Plan (2008 to 2020): (1) economic development, (2) social development, (3) environmental management and sustainability, (4) improved governance, and (5) rebuilding of the population (\*See Appendix 5). In turn, the MOFEM's central framework for strategic planning and budgeting requires all Departments to show clear links between their budgets and strategic plans and the \*Policy Agenda.

**3.4 Framework for strategic planning.** In line with the GOM's standard framework, the MALHE has a rolling three-year Strategic Plan that outlines strategic priorities, policy-based goals, and KPIs. Each Department's budget and strategic plan are reviewed and revised every year. The Departments report regularly to the MOFEM, which a previous audit confirmed has a PEFA-compliant framework for assessing and for prioritising Departments' requests for new spending. Thus, the MLDA's budget is subject to this process each year, including confirming the actual subvention that the GOM will provide to the MLDA.

**3.5 MLDA has not explicitly linked its objectives to the Policy Agenda.** The plans and other documents that we reviewed did not show clear references to the SDP and to the Cabinet’s Policy Agenda. Some of the links and relevance are only implicit in considering the objectives of the MALHE. By contrast, the Housing Unit clearly shows links to the Policy Agenda.

## The MLDA’s Operations

**3.6 The decades-old backlog of maintenance needs urgent attention.** One of the major issues facing the MLDA is the backlog of maintenance. The issue of properties’ not being up to standard has been ongoing for many years. In year 2017, an assessment was carried out to determine the full cost of bringing the properties up to standard. This amounted to \$1.7 million, but the funds were not received/approved.

**3.7 MLDA uses a responsive maintenance approach instead of preventative.** The MLDA has had to resort to responsive/corrective maintenance, owing to the gap between revenues (rents and sales of properties) and related expenses (maintenance, insurance, and costs of properties sold), and the dilapidated condition of the properties. The MLDA has had to prioritise repairs and maintenance based on a worst-case scenario of the buildings. It is difficult for the MLDA to do preventative maintenance because of the state of the properties and the overhanging backlog of repairs and maintenance.

**3.8 Rent-collection has improved.** Rent arrears have been a major issue for the Authority for many years. However, in recent periods, the MLDA has improved on its rent collection by taking legal actions whenever necessary. As parts of the process, reminders are sent out monthly and tenants are invited to discuss their financial situation. Payment plans are also encouraged. Friendly reminders are sent; then, if tenants do not respond cooperatively, the letters become more stringent. After exhausting all amicable approaches and administrative procedures, the Authority only then resorts to legal action.

**3.9 The MLDA processes the tenants’ contracts through the Attorney General.** The Attorney General’s Chambers prepares the legal documents for contracts between the Government of Montserrat and the MLDA. For example, legal work is required for the assignment of income to the MLDA for lands vested in the MLDA and from public rental units assigned to the MLDA to manage. However, the MLDA has experienced recurring issues arising from delays/lags in the legal process pertaining to properties entrusted in, or managed by, the MLDA. For instance, the process sometimes takes months to complete.

**3.10 No change to the GOM’s subvention to the MLDA for many years.** The MLDA receives a regular grant from the Government of Montserrat to cover its operating expenses such as salaries, wages, utilities and maintenance expenses. The subvention is distributed quarterly in the amount of \$25,000, which sums to \$100,000 per year. Despite the expansion of the MLDA’s mandate in the late 1990s, and rising costs since then, the subvention has remained the same for more than twenty years.

**3.11 MLDA depends heavily on the subvention and rent collection.** The subvention from the GOM and the rent collected from tenants are large fractions of the MLDA’s total income. Other (relatively minor) sources of the MLDA’s revenue are fees from project management, as well as leases of land in the Exclusion Zone for sand mining and for agriculture.

**3.12 All maintenance services are outsourced.** The MLDA outsources all of its building maintenance to contractors, as well as its IT maintenance. The Government of Montserrat’s Procurement Regulations are followed whereby three estimates are obtained for amounts that are over \$5,000. For minor works, such as the changing of locks to tenants’ doors, this procedure is not used. For urgent calls from tenants (e.g., plumbing crises), the MLDA has a list of past service-providers and calls them on a rotating basis, offering work according to which of them is/are available immediately.

**3.13 Some roles overlap between the MLDA and the Housing Unit.** It is sometimes unclear who is responsible for what as some areas of work between MLDA and the Housing Unit have been overlapping. For instance, the Housing Unit should be handling policies while the MLDA handles operations/implementation. However, there are instances where MLDA has been involved in some aspects of policy and the Housing Unit has evolved into some aspects of operations. For example, the Housing Unit implements some projects itself: e.g. it assists social-welfare individuals with minor repairs to their homes, which is part of the GOM’s home-improvement programme.

**3.14 All requests for public housing are processed through the Housing Unit.** Under the remit of the Housing Unit, all applications for house allocation are processed by the Housing and Land Allocation Committee (HLAC). The Committee goes through a process to vet potential tenants, to rank requests by eligibility and by urgency, and to assign approved tenants to the MLDA’s vacant public housing units by using a set of criteria. The assessment is based on several factors such as the following: age of applicants; extent and type of vulnerability; whether the applicant has infants or young children; cases of emergency (e.g., house destroyed by fire); those seeking shelter from domestic violence; victims of natural disasters.



**3.15 Extremely long waiting times for housing assistance through the HLAC.** Data from the Housing Unit indicate that the average of the waiting times for processing of requests ranged from over two months in the category of Duty-Free Concessions to decades in the category of Homes for the Mentally Challenged. This directly violates Section 29 of the Housing Act (#12 of 2016), which accords priority to such categories of vulnerable persons. The first lag is the average processing time between the date of receiving the request and the date that it is presented to the HLAC. In each of the seven categories of assistance reported, all categories except one exceeded a year. The second lag is the average processing time between the date of presenting the request to the HLAC and the date that the HLAC makes its assessment and responds to the applicant. In each of the seven categories of assistance reported, all but two categories (Duty Free Concessions: 47 days; Warden Assisted Units: 24 days) exceeded a year. [Source: Housing Unit’s Progress Report for fiscal year 2020/2021, p. 9]

**3.16 There is a long waiting list for public housing.** Data from the Housing Unit confirmed that a long waiting list has persisted for many years. Examples from recent years are in Table 3.1. These numbers approximate 5% to 6% of the island’s population.

**Table 3.1: Number of persons on the waiting list for public housing**

<b>Fiscal Year Ending</b>	<b>Number of persons waiting</b>
March, 2018	303
March, 2019	282
March, 2020	258
March, 2021	279
March, 2022	247

**3.17 Infrequent meetings of the HLAC.** The Committee had only one meeting during the fiscal year 2020/2021. For that year, the HLAC had four Round Robins. The Urgency Sub-Committee of the HLAC had six Round Robins in that period. Whilst the pandemic was cited as a reason for not meeting, we found that the relevant public-health regulations and orders [a] imposed only brief periods of national lockdowns, [b] allowed for small groups to meet, [c] permitted the continuity of all essential services, and [d] provided clear protocols for safe in-person meetings. There were no restrictions on telecommunications and virtual meetings.

**3.18 Low public profile; No use of online presence and social media.** The MLDA has regular communications by telephone, by email and in person. However, it lacks a website and has not been active in social media. Online search-results are dominated by items from other entities referring to the MLDA rather than items from the MLDA itself.

## Recommendations

**3.19 Integrate the MLDA's objectives with the Policy Agenda.** Ensure that the objectives for the MLDA are clearly defined, measured, and assessed each year, and explicitly linked to the Cabinet's Policy Agenda. Further links to the SDP should be made also.

**3.20 Clarify objectives and KPIs.** Review each objective for greater clarity and in practical terms. Ensure that every objective for the MLDA has KPIs and that all KPIs clearly support objectives. The MLDA and the related Departments/stakeholders should align and coordinate their strategic plans, objectives, KPIs, and targets.

**3.21 Review and improve the KPIs over time.** At least annually, the MLDA, the MALHE, and the Housing Unit should review and assess their KPIs to make them clearer, more measurable, more relevant to objectives, and focused more on strategic outcomes. Add new KPIs where the environment fundamentally changes (e.g., new technologies; COVID-19 or other pandemics; new public-health regulations; emerging travel/tourism trends and niches; changing demographics; climatic changes and local impacts).

**3.22 Improve the reporting of performance.** The MLDA, along with the MALHE and its Departments that are relevant to lands and public housing, should regularly measure, monitor, assess, and report their actual performance and progress against all of their objectives and KPIs, including public Annual Reports. The Quarterly Reports, for instance, should be complete and timely. Go beyond mandatory/statutory reporting (e.g., to the Legislative Assembly) to include broader accountability and transparency to the public.

**3.23 Broaden the scope for feedback from the public/stakeholders and communicate through multiple channels.** The MLDA should periodically seek, document, and report on feedback on its services and encourage inputs from tenants and other stakeholders e.g., through annual surveys. Beyond the option of a regular radio programme both for public education and outreach, the MLDA and other key stakeholders should collaborate in reaching and

engaging tenants, current and potential commercial tenants, patrons, promoters, sponsors, hospitality providers, accommodation providers, and other categories of stakeholders, using a range of available channels: e.g., websites, social media, telephone, mobile marketing, email, radio, news-broadcasts, audio, video, and other media.

**3.24 Reduce the waiting times for assessment of requests for housing assistance.**

The Housing Unit, the HLAC, the MALHE, and the MLDA should urgently collaborate to review each part of the process for receiving, processing, reviewing, and assessing requests for housing assistance. Establish standards for service and measure performance at each stage of the process. Major improvement is needed in shortening the time from receiving requests to giving responses to applicants. Improve the communication with applicants: e.g., provide updates and feedback throughout each stage of the process and not only at the end.

**3.25 Make full use of telecommunications and virtual meetings.** Each Board, Committee, and Department involved in any aspect of public housing should meet a minimum of monthly. Among the lessons of the COVID-19 pandemic have been the great opportunities for remote working, for virtual meetings, and for wider use of telecommunications and electronic channels. In these ways, the vital functions of each entity can continue regardless of temporary restrictions on physical meetings and other contingencies arising from time to time.

# CHAPTER 4: EFFECTIVENESS OF THE M.L.D.A.'s OPERATIONS

## Overview

**4.1** The MLDA has a large portfolio of real assets. The lands ultimately belong to the GOM and are in two categories: those vested in the MLDA; those (the great majority) assigned to the MLDA to manage on the GOM's behalf. Human resources are limited to four office-employees, plus two external groundsmen for the Warden Supported housing complex at Look Out, and supplemented by a Board. All other required labour, equipment and materials are procured and outsourced through petty contractors, often through single-source arrangements for regular maintenance. Major projects are handled by public auctions and more stringent procurement procedures. Financial management is discussed in Part 1 of this chapter. Other aspects of management are presented in Part 2 of this chapter.

## Part 1: Financial Management

### Findings of the Audit

**4.2 There are clear guidelines for financial management.** The MLDA mainly uses its internal policies, such as its Financial Control Manual and its Risk Management Policies and Procedures, for managing its finances and its risks. The MLDA also has Procurement Guidelines. These are officially documented and they are followed by the MLDA's employees in the daily operations relating to its finances. (Documents: MLDA's Financial Controls manual; General Risk Management Policy and Procedures) (Board's Minutes of April 22<sup>nd</sup>, 2021)

**4.3 Trend of deficit budgets.** The MLDA does its budgeting at the beginning of each year and this is based on past data and trends. Budgets are prepared by the MLDA's staff and then presented by the Manager to the MLDA's Board for review and for final approval. For 3 of the most recent 5 financial years for which we received evidence, deficit budgets were approved: the MLDA approved budgets with deficits in fiscal years 2018/2019, 2021/2022 and 2022/2023 in the amount of \$(60,478.55), \$(46,388.51) and \$(47,475.81) respectively. This reflects that the entity recognises

both that shortfalls are likely (owing to the persistent gap between revenues and costs) and that additional funds need to be provided for maintenance.

**4.4 Some gaps exist in the budgeting and reporting.** In reviewing the MLDA’s budgets over several years, we found that some items in the accounts are not included in the budgeting. (See Appendix 6.) A notable example is that interest income is a major recurring income in the accounts for the MLDA but does not appear as a line-item in the budgets. Other examples are (1) that there was no budgeted line for sales of properties and related costs (a major item both of revenues and of expenses in the financial statements) (see Table 4.2 below) and (2) that there was no budgeted line for grants (i.e., those that were in addition to the GOM’s regular annual subvention, which does have its own line within the budgets). We also found it difficult to match some balances in the financial accounts with specific lines in the MLDA’s budgets. In turn, we noticed that some items were also missing from the Quarterly Reports to the MOFEM; however, the reports in this format do helpfully compare most items of revenues and expenses (year-to-date actuals versus budgets) on a consolidated basis.

**4.5 Stand-alone accounts are difficult to assess against a consolidated budget.** Historically, separate accounts and financial statements have been kept for the MLDA Corporate versus those ascribed to the MLDA Housing Stock. Consolidated financial statements are not prepared, but the budgets combine revenues and expenses for both entities. (See Appendix 6.) This makes it difficult to analyse and to assess all aspects of budgets versus actual revenues and expenses. It also makes it difficult to see the true (third-party) net revenues and expenses of the MLDA as an economic entity viewed as a functional whole, whereas the stand-alone financial statements have intercompany/related-party revenues and expenses (which should net to zero, but did not exactly correspond between the two entities within each year’s financial statements).

**Table 4.1 Summary of the MLDA’s consolidated operating revenues & expenses.**

Year	Consolidated Income (excluding property sales)	Consolidated Expenses (excluding property sales)	Consolidated Operating (Losses) / Surplus
2021/2022	<b>814,634</b>	<b>1,136,621</b>	<b>(321,987)</b>
2020/2021	<b>800,901</b>	<b>1,009,864</b>	<b>(208,963)</b>
2019/2020	<b>769,576</b>	<b>880,046</b>	<b>(110,470)</b>
2018/2019	<b>823,447</b>	<b>955,561</b>	<b>(132,114)</b>
2017/2018	<b>763,885</b>	<b>1,010,505</b>	<b>(246,620)</b>
2016/2017	<b>741,549</b>	<b>901,905</b>	<b>(160,356)</b>
2015/2016	<b>774,122</b>	<b>895,349</b>	<b>(121,227)</b>
2014/2015	<b>821,609</b>	<b>891,053</b>	<b>( 69,444)</b>

Note #1: Table 4.1 is based on the Auditors' analysis of the stand-alone financial statements for MLDA Corporate and for MLDA Housing Stock. (See Appendix 6 also.)

Note #2: See Table 4.2 for the additional losses that were realised on properties sold below cost.

**4.6 The MLDA has experienced continued net losses.** In year 2017, the MLDA (Corporate accounts) experienced a small gain, but had significant financial losses in the three subsequent years. In year 2017, the profit was \$8,178; following that, losses were recorded in the amounts of (\$24,991), (\$93,739), (\$10,330) in years 2018, 2019 and 2020 respectively. (Analysis of Financial Statements). The stand-alone accounts for the Housing Stock showed overall losses of (\$320,118) in year 2017 and (\$368,923) in year 2018. The recurrent rental income is sufficient to cover most of the basic operating expenses of the MLDA (e.g., salaries, utilities, and insurance), but not all of the depreciation plus maintenance. Moreover, the consolidated position reflects large net losses arising from properties sold below their costs. (See Table 4.2.) (See Appendix 6 also.)

**Table 4.2 Recent Nine-Year Summary of the MLDA's Sales of Properties.**

Fiscal Year (Ending March 31 <sup>st</sup> )	Net Revenue from Sales of Properties	Costs of Properties Sold	Net (Losses) / Gains on Properties Sold
2021/2022	<b>37,200</b>	<b>79,016</b>	<b>(41,816)</b>
2020/2021	<b>18,027</b>	<b>41,186</b>	<b>(23,159)</b>
2019/2020	<b>0</b>	<b>0</b>	n/a
2018/2019	<b>202,837</b>	<b>73,285</b>	<b>129,552</b>
2017/2018	<b>317,597</b>	<b>388,579</b>	<b>(70,982)</b>
2016/2017	<b>(3,840)</b>	<b>155,648</b>	<b>(159,488)</b>
2015/2016	<b>277,751</b>	<b>1,981,070</b>	<b>(1,703,319)</b>
2014/2015	<b>48,890</b>	<b>592,938</b>	<b>(544,048)</b>
2013/2014	<b>757,152</b>	<b>6,240,627</b>	<b>(5,483,475)</b>
9-year TOTALS	<b>\$1,655,614</b>	<b>\$9,552,349</b>	<b>\$(7,896,735)</b>

Source: Auditors' analysis of the stand-alone financial statements for MLDA Corporate and for MLDA Housing Stock.

**4.7 Low and outdated rents, plus unpaid amounts, limit the MLDA.** As of April, 2021, 15 housing units were vacant and, therefore, earned no revenue. Of the 180 tenants on the

Register, 14 were mentally challenged and did not pay any rents. Over 40% of tenants were receiving rental assistance from the Social Services Department. Across the MLDA's portfolio, the financial impact of the social-housing policy is that most of the rents were originally set below market-rates. As these have hardly changed over the years, they are becoming less and less adequate to provide cash-flow for the maintenance of the units. Using rounded figures, an annual total of rental income of \$500,000 across roughly 200 units means that the MLDA is receiving an average of less than \$50 gross revenue per week per unit. This is a very important indicator because all units require maintenance, even those that are not occupied. Furthermore, tenants who become unable to pay rent and have accumulated arrears are referred to the Social Services Department for assistance. However, in most cases, assistance applies to current rent, and does not address arrears, some of which have accumulated for years. [Board's Minutes of April 22, 2021]

**4.8 Outdated criteria and procedures for awarding public housing.** The main thrust of the reforms to the MLDA's mandate in the late 1990s arose from the emergencies caused by massive exodus from the Exclusion Zone following the volcanic eruptions that began in year 1995. Likewise, the criteria for the HLAC give high scores to those who claim to have been displaced during that era. As nearly 30 years have elapsed, and the majority of those that were displaced left the island, the criteria and the weighting of scores for applicants are less relevant to current social, economic, and demographic realities: e.g., (1) everyone currently residing on the island is outside the Exclusion Zone; (2) nearly half of the population is non-native (per the Census of 2018); (3) several issues and trends affecting the need for public assistance are common to natives as well as immigrants: for example, aging, domestic violence, elder abuse, economic recessions, periods of unemployment, the absence of unemployment-benefits (or unemployment-insurance through the Social Security Fund), epidemics of chronic diseases, the impacts of pandemics, and widespread incidence of various disabilities. Likewise, social services generally preclude assistance to non-native residents even though they, across the society and the economy, contribute to tax-revenues and make contributions to Social Security.

**4.9 Restrictive scope and terms of reference for rent-setting.** A Rent Setting Committee was established in recent years with delegated authority to set rents for public housing. However, in practice, the Terms of Reference for that Committee were limited to the 4 recently constructed resilient houses (year 2018). These represent a trivial percentage of the units managed by the MLDA. This limits the effective operation of the committee and the value that it can add. Moreover, Parts 73 and 74 of the Housing Act give a much broader role for this Committee.

**4.10 Insurance costs are high.** The majority of the properties that the MLDA manages are insured, excepting those at Lookout 2A and 2B because they are of concrete structure. Also, some units that house the mentally challenged tenants in Lookout, in Davy Hill, and in Shinlands are not

insured. The insurance premia are high and these continue to be a large recurring expense for the Authority. (See Table 4.3 below.) Insurance premia are paid twice a year: in January/February and August. It is general insurance coverage with three agents/providers: Nagico/Ryan Investment, Nagico Insurance Associates, and Massy United Insurance Company Limited.

**Table 4.3 Recent Nine-Year Summary of the MLDA’s Cost of Insurance of Properties (Housing Stock only).**

<b>Fiscal Year</b> (Ending March 31 <sup>st</sup> )	<b>Insurance Expenses re Properties</b>
2021/2022	<b>128,190</b>
2020/2021	<b>132,730</b>
2019/2020	<b>126,987</b>
2018/2019	<b>119,493</b>
2017/2018	<b>124,778</b>
2016/2017	<b>133,385</b>
2015/2016	<b>132,973</b>
2014/2015	<b>141,200</b>
2013/2014	<b>191,999</b>
9-year TOTALS	<b>\$1,231,735</b>

Source: Auditors’ analysis of the stand-alone financial statements for the MLDA Housing Stock.

**4.11 No benefits realised from insurance.** Following the passage of hurricanes Maria and Irma in September, 2017, insurers rejected the MLDA’s insurance-claims. The major factor in this was that the damages claimed were assessed as being largely due to a lack of maintenance, instead of being directly related to the hurricanes. (Reference: Review of the Board’s Minutes: esp. Feb 19, 2019, p. 5 & 6).

## Recommendations

**4.12 Continue to improve planning and budgeting.** The MLDA, with the support of the MALHE and the Cabinet, should review its approach to planning and budgeting to minimise the large variances and shortfalls of past years: e.g., deficits; overspending versus budget; overspending



versus actual revenue. Realistic figures should be used for estimating costs and adequate amounts should be budgeted for agreed activities for the MLDA to deliver on its mandate. In turn, the MLDA should enhance its management of spending to deliver within its budget. A prudent approach also includes making provision for contingencies within the budget for each year, thus minimising the need for frequent requests for supplementary funds. Likewise, realistic figures should be used for projecting revenues, given such factors as vacant units and arrears of rental income. Therefore, the budgeted revenues should be revised in line with the actual trend, and regularly updated for any available more recent information affecting forecasts.

**4.13 Implement consolidated accounting and reporting.** For greater clarity for policy-makers, for the Board, and for the public, the MLDA should present consolidated statements of its operations. This would make clear the true net performance of the MLDA Corporate and the MLDA Housing Stock combined as one functional entity in practice and in economic substance, versus the current approach, which takes a legalistic perspective to entity-accounting. Consolidated financial reports will make comparisons with consolidated budgets much easier to achieve, and will improve communication with all stakeholders. By including all account-items in the budgets, the MLDA will give each of its stakeholders/reportees a better overview of the full range of revenues and expenses that have occurred in its operations. Enhanced calculation and analysis of variances, more accurate budgeting, more complete disclosure, and better monitoring and evaluation will be among the benefits from an integrated approach to budgeting, accounting and reporting.

**4.14 The MLDA should diversify and grow its streams of revenue.** Building on the successful revenue-generating activities of earlier years, the MLDA, with the support of the Cabinet, should expand its efforts in areas that have proven capacity to cover their costs and to grow into the future (e.g., sand-mining leases; agricultural leases; commercial tenants). In addition, the MLDA should collaborate with its stakeholders to add new projects, products, and services that can provide sustainable new streams of revenues. This will assist the MLDA in becoming more self-sustaining, while continuing to build the portfolio of public housing and lands for the benefit of all stakeholders.

**4.15 Reallocate funds from insurance to overdue repairs.** The MLDA should consider (a) suspending the third-party insurance currently in place and (b) redirecting to the most urgent repairs, the large sums (e.g., over \$128,000 in fiscal year 2021/2022) that are being paid in insurance-premia each year. This will achieve immediate improvements (e.g., tangible benefits to tenants) and durable increases in the value for money for all stakeholders (e.g., longer useful life of assets). This would also be more in line with the GOM's longstanding policy of self-insurance for almost all of the capital assets in the public service. The MLDA would, of course, continue to

administer the group coverage on behalf of former tenants that have bought their homes and pay premia through the MLDA.

**4.16 Harmonise and integrate social welfare and social housing.** To improve outcomes for tenants, while ensuring the sustainability of the MLDA, a comprehensive review and integration of policies and procedures for social-welfare clients is urgently required. For example, clients meeting the criteria for rental assistance from the Social Services Department are given help with current and continuing rent. However, provision also needs to be given to clear those clients' accumulated rent-arrears. Simply gaining the Cabinet's approval to write off arrears solves only one part of the problems of social housing: the tenants' obligations. Actual cashflow is needed to address the related costs of the MLDA to maintain and to repair the tenants' units for the periods (ranging from months to years) that they were provided shelter despite rent-arrears. Likewise, separate provision is required for accommodating and caring for mentally challenged persons who are not suited to regular housing and especially those that cause damage to public housing units.

**4.17 Review the criteria and the process for the setting of rents.** the MALHE and other stakeholders should urgently review the criteria and the process for the setting of rents for public housing. An appropriate proposal should be advanced to the Cabinet to ensure that the criteria are updated for current trends and social and economic realities. These revisions should balance (a) discounts for those less able to pay, (b) waivers for those who are unable to pay, and (c) gradual increments to rents for those households that are able to pay more as their economic circumstances improve. An essential goal is close the gap between rents charged and the costs of providing public housing (on a net overall basis for the portfolio of public housing); this is fully supported by Part 73 and Part 74 of the Housing Act (#12 of 2016). Hence, it is about meeting the needs of the most vulnerable, while ensuring that others contribute more fairly in line with their means and in line with the costs of the services that they receive. One important aspect of this approach is to review and to re-assess the financial means and the economic condition of households at intervals over time, expanding support to those with new/increase needs, while reducing subsidies to those whose capacity improves over the years. A comprehensive and integrated approach is necessary to achieve better cost-recovery overall and the financial sustainability of public housing and of the MLDA itself. For instance, effective economic and financial policies (SDP Goal #1) will increase employment, self-employment, and incomes for more households, thus reducing their need for public housing and other welfare services (SDP Goal #3).

**4.18 Review the criteria and the process for giving housing/welfare assistance.** In line with the U.N. S.D.G.s and the global principles of non-discrimination, of equity, of leaving no one behind, and focusing on those who are most vulnerable, the MALHE and other stakeholders should urgently review the criteria and the process for giving housing assistance. An appropriate

proposal should be advanced to the Cabinet to ensure equal treatment of all applicants by need, regardless of age, of gender, of ethnicity, or of place of birth. It is also essential to pursue a whole-of-Government approach that integrates a review of the criteria and processes used in awarding other welfare and social services. These needs often coincide with cases of need for housing assistance. Likewise, social cohesion, economic development, and public health benefit all residents and, in turn, require equitable treatment of all residents, natives and non-natives alike. Ultimately, these recommendations will further the GOM's achievement of the National Vision and progress towards the goals of the SDP.

## Part 2: Performance Management

### Overview

**4.19** Housing and infrastructure are two of the complementary key sectors highlighted in the SDP, as well as subsequent capital-works programmes such as the Capital Investment Programme for Resilient Economic Growth (CIPREG) programmes #1 and #2, funded by the FCDO, as part of Montserrat’s national strategy for economic redevelopment following the volcanic crisis that began in July, 1995. Housing is an essential item both for retention of the remaining population as well as for the repatriation of displaced persons from the Diaspora. Thus, the MALHE’s effective management of the GOM’s policies and initiatives for housing, and the impact of the MLDA’s operations in developing the country’s public lands and social housing, also directly contribute to the economy and to the society, helping to achieve various objectives stated in the Cabinet’s Policy Agenda and in the SDP.

### Findings of the Audit

**4.20 The MLDA has stated objectives but does not consistently report on them.** The strategic objectives for the MLDA have been outlined in its Strategic Vision. These are also listed within the MLDA’s annual financial reports, but the six objectives are not specifically and consistently measured, discussed or reported.

**4.21 The performance of the MLDA’s staff is measured.** In prior years, there was no formal system in place for measuring the staff’s performance. This has improved as the MLDA has now adopted the Government of Montserrat’s system for Performance Development & Assessment Review (PDAR) to evaluate each of its employees’ performance. In turn, the MLDA’s Board reviews the performance of the Manager against agreed performance-indicators. (References: Review of Board Minutes: years 2017 to 2020).

**4.22 Dozens of housing units remain in decrepit and unsafe temporary structures.** In the aftermath of the evacuation from the south of the island, many persons were housed in temporary wooden structures. However, as our numerous site-visits revealed, over 20 years later,

many persons, including the elderly, persons with disabilities, and low-income households, are still occupying these units. These have deteriorated to deplorable conditions. They also pose multiple hazards to residents, as well as being unsightly and at risk of fire (e.g., cooking fires; gas leaks/explosions; electrical exposures), which could spread easily, given the density of homes in the surrounding communities. The damage/decay to doors, windows, roofs, and floors also poses risks related to rodents and insects, which are vectors of diseases such as Dengue fever, leptospirosis, Zika, and Chikungunya. Our observations were corroborated by data from the Housing Unit: 34 of the homes in Government Housing were assessed as substandard in fiscal year 2020/2021; these represented 17% of the tenants in social housing. [H.U., Progress Report, 2020/2021, p. 3.]

**4.23 Some units are vacant, but unsuited for tenancy.** Other units that we identified have fallen so badly into disrepair that they are no longer suitable for occupation. Hence, the effective number of available units is smaller than the master-list of units conveys. In some cases, tenants themselves (e.g., those with mental challenges or other disabilities) have caused damage to units. In other cases, the true interior conditions of units are not revealed or fully known to the MLDA until tenants die, relocate, or emigrate, and officers come to inspect properties to prepare them for the next tenants.

**4.24 The MLDA has made a major contribution to the elimination of homelessness.** One of Montserrat's visible achievements in the past 25 years is the relocation of the entire population to the northern third of the island. A variety of temporary and permanent homes, shelters, and apartment-buildings were constructed, often made possible with the large donations of materials and/or funds from friendly Governments and from other agencies. The MLDA's continuing partnerships with the MALHE's Housing Unit and with the Social Services Department have ensured that eligible social-welfare clients are housed. Several tenants, during the past two decades, have also been supported in becoming home-owners. These continue to benefit from discounted premium-rates, thanks to the Group Property Insurance policies administered by the MLDA. Over 200 housing units remain within the MLDA's portfolio.

**4.25 Some materials and structures are not suited to Montserrat's climate and terrain.** Throughout our site-visits and interior tours of housing units, it was clear that the quality and the types of materials and structures used for walls, for roofs, for doors, for windows, and for other aspects of housing affect both functionality and durability. For example, concrete structures, storm-proof windows, aluminum doors and windows, and concrete roofs were long-lasting but wooden structures were least durable. Several types of metal and wood used over the years proved to be corrosive amidst the continuous exposure to tropical weather and to salty spray from the sea.

**4.26 Generally, tenants are satisfied with the work carried out by MDLA but there is room for improvement in some areas.** The data obtained from the survey shows that 62% of the tenants had a good general view about MLDA, with 28% selecting Average, and the other categories being 3% each. The biggest segment of the tenants (37%) is those that have been occupying their units between 0 to 5 years, followed by 27% having tenancy for over 15 years, with some being there from the inception of the relocation in 1998. A large majority (71% of tenants) stated that they are satisfied with the state of their units while 16% were not satisfied. The analysis of the data shows that, whilst there were frequent complaints about how long some items took to be repaired or replaced, there was high satisfaction with repairs that were done: 50% of tenants were satisfied and 20% were very satisfied; the rating of Average was chosen by 13%, while 17% stated they are not satisfied. Collectively, almost all tenants (97%) are happy with their rent: 45% said that they are satisfied and 52% said that they are very satisfied; this is unsurprising since most tenants are either paying heavily subsidised rents or are welfare clients whose rent is paid by the Social Services Department. Based on our observations, most surveyed tenants' units were in good or fair condition with the need for minor repairs. However, a number of units require major repairs or retrofitting, and there were some instances of deplorable conditions that need urgent attention.

## Recommendations

**4.27 Renovate or replace the temporary units.** The MLDA should review, document, and monitor the status of all the wooden and temporary units within its portfolio to keep them in line with the standards for decent housing specified in the Housing Act. [a] Each year, compile a prioritised list of items needing to be repaired, replaced, renovated, added, or discarded. [b] Using stakeholders' feedback, evaluate whether alternate venues and units would better serve the tenants, especially to serve the needs of long-term tenants versus temporary shelters that are better suited for short-term tenants. [c] Develop a system to track scheduled repairs and restoration projects from planning to completion. This should include a monitoring dashboard of when each unit was last inspected and when it was repaired/renovated, et cetera.

**4.28 Regular inspections of all tenanted units.** The MLDA should take a proactive approach to property-management versus the current reactive problem-solving that prevails. Whilst the Authority generally responds promptly to tenants' calls and reports of faults and issues, our survey revealed that not all tenants are reaching out to the MLDA. To ensure that damage to units, especially that caused by tenants themselves or their guests, is better identified and so that corrective action can happen sooner, the MLDA should institute a regular schedule of inspecting

every unit at least once every 6 to 12 months. In cases of malicious acts, arson, or mental illness, for example, the MLDA could then promptly engage other agencies with the power and the resources to handle specific types of cases (e.g., the Royal Montserrat Police Service; the Ministry of Health and Social Services).

#### **4.29 Improve the quality of materials and approaches to maintenance and designs.**

To support the Policy Agenda's objectives (especially 1.1 and 3.3) and the National Vision to maintain a safe, healthy, and productive environment for all residents, the MLDA, along with the MALHE, should plan and implement timely maintenance and upgrades of buildings and premises across the public-housing infrastructure. Both in designs of new units, and in repairs/renovations to existing units, the focus should increasingly be on selecting materials and technologies that will minimise the total life-cycle cost of maintenance. Some durable items have a higher initial purchase-cost, for example, but very low maintenance-expenses and/or very long useful lives and, therefore, provide high value for money over time.

## CHAPTER 5: AUDIT CONCLUSION

**5.2** Overall, the MLDA has a clear legislative framework and governance structure in place for its operation. However, in practice, several key decisions are set by the Cabinet, including the setting of rents to tenants (social housing); the setting of selling prices of public lands; and the setting of selling prices of housing constructed under the MLDA's oversight. Thus, the MLDA is unable to make certain decisions for itself that would allow the Authority to achieve its full mandate in a financially sustainable manner. There is a large and recurring financial gap between [a] providing heavily subsidised rents (up to 100%) to tenants (per the GOM's social-housing mandate) and, on the other hand, [b] the reality of having to pay market-rates for construction and for recurring maintenance (economic sustainability), which are subject to regular price-increases, fluctuations in supplies, delays in shipping, and other external factors. This context of external policy-setting and the resulting growing internal financial gaps requires the GOM's further support for the MLDA's budget and operations.

**5.3** Historically, the MLDA had a large base of assets, was self-financing, and generated surpluses. During the volcanic crisis (year 1995 ff.), however, the MLDA lost most of its lands, its residential properties, and its income in what became designated as the Exclusion Zone, and had to relocate its operations to the northern third of the island. This relocation resulted in a massive decline in the value of its assets, thus greatly impairing its Balance Sheet, and jeopardising its ability to continue as a going concern. Nevertheless, in recent years, the Authority has been allowed to lease some of the lands in the unsafe zone for agricultural and sand-mining purposes as a source of income. The MLDA also relies on a recurring grant from the GOM as a key source of income. Meanwhile, the net effect of the post-eruption era has been that the MLDA is still not self-sustainable. Although the majority of the tenants are generally satisfied with their properties and the MLDA's service to them, there is still a backlog of maintenance that needs to be carried out urgently by MLDA. Non-paying tenants and rents below costs require a compensating source of funds for the MLDA to keep all housing units in decent liveable conditions.



## CHAPTER 6: MANAGEMENT RESPONSE

### Audit Recommendations & Follow-up Actions Re: Performance Review of the Montserrat Land Development Authority July, 2022

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<b>Chapter 2: Governance</b>			
<p><b>2.5 The MLDA has several financial &amp; policy-related constraints.</b></p>	<p><b>2.15 Review laws and roles for better alignment and outcomes.</b></p> <p>The MLDA, along with the P.S., MALHE, and the Minister of MALHE, should periodically review the Housing Act, the MLDA Act, and other relevant laws, regulations, and policies to ensure that they are current with the Policy Agenda and the SDP, still relevant to stakeholders’ needs and Montserrat’s circumstances, and coherent with each other.</p>	<p><b>2.15</b> There is agreement that there needs to be better alignment.</p> <p>However, there needs to be a review with stakeholders to guide the process.</p> <p>Possible re-alignment between MLDA &amp; Housing Unit was raised</p>	<p><b>2.15</b> The MLDA is planning a Retreat with some stakeholders on July 27<sup>th</sup>, 2022, which aims to review the Strategic Policy of the organisation and to chart the way forward.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>This review should take a whole-of-Government approach to include other stakeholders such as the Housing Unit, the Governor’s office, the Ministry of Health, the Social Services Department, the Attorney General’s Chambers, the Police Service, etc.</p> <p>In particular, where more than one stakeholder/agency has been involved in a given household or housing situation, review roles and responsibilities for areas of actual or potential overlap.</p> <p>Seek to improve clarity of roles and responsibilities.</p> <p>Look for opportunities to improve efficiency and effectiveness by consolidating each category of activities within one body/agency.</p>	<p>with ODG Organization Review consultants. We await the outcome of their review.</p>	<p>An initial report was done on the Organisation Review which is ongoing.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>2.6 There is no national Housing Policy or Housing Strategy</b></p>	<p><b>2.17 Formulate and implement a National Housing Policy.</b></p> <p>To give effect to the clear mandate in Part 25 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national policy for housing.</p> <p>This should be advanced through the MALHE for approval by the Cabinet for soonest implementation.</p> <p>In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.</p>	<p><b>2.17</b> The MLDA is not responsible for formulation of the National Housing Policy. The Housing Unit is responsible.</p> <p>The Authority will be part of the discussions and contribute to the development of the Policy and its implementation.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p><b>2.18 Formulate and implement a National Housing Strategy.</b></p> <p>To give effect to the clear mandate in Part 25 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national strategy for housing.</p> <p>This should be advanced through the MALHE for approval by the Cabinet for soonest implementation.</p> <p>In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.</p>	<p><b>2.18</b> The MLDA is not responsible for formulation of the National Housing Strategy. The Housing Unit is responsible.</p> <p>The Authority will be part of the discussions and contribute to the development of the Strategy and its implementation.</p>		
<p><b>2.7</b> There is no national Homelessness Strategy.</p>	<p><b>2.19 Formulate and implement a National Homelessness Strategy.</b></p>	<p><b>2.19</b> The MLDA is not responsible for</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>To give effect to the clear mandate in Part 26 of the Housing Act (#12 of 2016), the Housing Unit should urgently complete the overdue formulation of a national strategy for homelessness.</p> <p>This should be advanced through the MALHE for approval by the Cabinet for soonest implementation.</p> <p>In line with the SDP and the SDG framework, this should be reviewed and updated to reflect the changing complexion of the population, social and economic realities, and the principles of non-discrimination, equity, inclusiveness, and leaving no one behind.</p>	<p>formulation of the National Homelessness Strategy. The Housing Unit is responsible.</p> <p>The Authority will be part of the discussions and contribute to the development of the Strategy and its implementation.</p>		
<p><b>2.12 Meetings of the Board have been</b></p>	<p><b>2.16 Improve engagement and oversight by the Board.</b></p>	<p><b>2.16</b> The Board is mandated by the MLDA Act to meet once per</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>regular but infrequent</b></p>	<p>In line with best practice, the frequency of the Board’s meetings should be not less than monthly, rather than the actual trend of quarterly or less often over the past several years.</p> <p>There is need for more regular attention and oversight by the Board to hold the MLDA accountable for budgets, for timely and useful reporting, and for the closing of gaps in progress towards objectives, targets, and Key Performance Indicators.</p> <p>Strategic plans and budgets should be regularly reviewed and updated before the periods that they cover expire.</p> <p>Review the performance of the Board and each of its sub-committees at least annually, including attendance, participation, outputs, outcomes, and lags in decision-making.</p>	<p>quarter and will endeavour to do so. Nonetheless, meetings have been called whenever there is a requirement to do so.</p>		
	<p><b>Chapter 3: Efficiency</b></p>			

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>3.5 The MLDA has not explicitly linked its objectives to the Policy Agenda.</b></p>	<p><b>3.19 Integrate the MLDA’s objectives with the Policy Agenda.</b> Ensure that the objectives for the MLDA are clearly defined, measured, and assessed each year, and explicitly linked to the Cabinet’s Policy Agenda. Further links to the SDP should be made also.</p> <p><b>3.20 Clarify objectives and KPIs.</b> Review each objective for greater clarity and in practical terms. Ensure that every objective for the MLDA has KPIs and that all KPIs clearly support objectives. The MLDA and the related Departments/stakeholders should align and coordinate their strategic plans, objectives, KPIs, and targets.</p>	<p><b>3.19</b> This will become clearer with the MLDA’s retreat on July 27<sup>th</sup>, 2022.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>3.6 The decades-old backlog of maintenance needs urgent attention.</b></p>	<p><b>3.21 Review and improve the KPIs over time.</b></p> <p>At least annually, the MLDA, the MALHE, and the Housing Unit should review and assess their KPIs to make them clearer, more measurable, more relevant to objectives, and focused more on strategic outcomes.</p> <p>Add new KPIs where the environment fundamentally changes (e.g., new technologies; COVID-19 or other pandemics; new public-health regulations; emerging travel/tourism trends and niches; changing demographics; climatic changes and local impacts).</p>	<p><b>3.21</b> This will follow on from the outcomes of the MLDA’s retreat on July 27<sup>th</sup>, 2022.</p>		
	<p><b>3.22 Improve the reporting of performance.</b></p> <p>The MLDA, along with the MALHE and its Departments that are relevant to lands and public</p>			



Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>housing, should regularly measure, monitor, assess, and report their actual performance and progress against all of their objectives and KPIs, including public Annual Reports.</p> <p>The Quarterly Reports, for instance, should be complete and timely.</p> <p>Go beyond mandatory/statutory reporting (e.g., to the Legislative Assembly) to include broader accountability and transparency to the public.</p>			
<p><b>3.15</b> Extremely long waiting times for housing assistance through the HLAC.</p>	<p><b>3.24 Reduce the waiting times for assessment of requests for housing assistance.</b></p> <p>The Housing Unit, the HLAC, the MALHE, and the MLDA should urgently collaborate to review each part of the process for receiving, processing, reviewing, and assessing requests for housing assistance.</p>	<p><b>3.24</b> This is not a direct function of the MLDA. This is a direct function of the HLAC.</p>	<p><b>3.24</b> The Ministry [MALHE] has taken steps and has commenced the review of the criteria for the assessment of housing assistance.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>Establish standards for service and measure performance at each stage of the process.</p> <p>Major improvement is needed in shortening the time from receiving requests to giving responses to applicants.</p> <p>Improve the communication with applicants: e.g., provide updates and feedback throughout each stage of the process and not only at the end.</p>			
<p><b>3.18 Low public profile; No use of online presence and social media.</b></p>	<p><b>3.23 Broaden the scope for feedback from the public/stakeholders and communicate through multiple channels.</b></p> <p>The MLDA should periodically seek, document, and report on feedback on its services and encourage inputs from tenants and other stakeholders e.g., through annual surveys.</p>	<p><b>3.23</b> See the proposed actions that are being undertaken. [next column]</p>	<p><b>3.23</b> Steps are being taken to develop a website for the MLDA with a local company.</p> <p>A leaflet for tenants is being designed/developed.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>Beyond the option of a regular radio programme both for public education and outreach, the MLDA and other key stakeholders should collaborate in reaching and engaging tenants, current and potential commercial tenants, patrons, promoters, sponsors, hospitality providers, accommodation providers, and other categories of stakeholders, using a range of available channels: e.g., websites, social media, telephone, mobile marketing, email, radio, news-broadcasts, audio, video, and other media.</p>			
	<p><b>3.25 Make full use of telecommunications and virtual meetings.</b></p> <p>Each Board, Committee, and Department involved in any aspect of public housing should meet a minimum of monthly.</p>			

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>Among the lessons of the COVID-19 pandemic have been the great opportunities for remote working, for virtual meetings, and for wider use of telecommunications and electronic channels.</p> <p>In these ways, the vital functions of each entity can continue regardless of temporary restrictions on physical meetings and other contingencies arising from time to time.</p>			
	<p><b>Chapter 4: Effectiveness: Part 1</b></p>			
<p><b>4.3 Trend of deficit budgets</b></p>	<p><b>4.12 Continue to improve planning and budgeting.</b></p> <p>The MLDA, with the support of the MALHE and the Cabinet, should review its approach to planning and budgeting to minimise the large variances and shortfalls of past years: e.g.,</p>	<p><b>4.12</b> Realistic figures have been used for projecting revenues, e.g., rents, leases etc. Each year, an assessment is carried out on projected revenue, and this is based on assessment of</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>deficits; overspending versus budget; overspending versus actual revenue.</p> <p>Realistic figures should be used for estimating costs and adequate amounts should be budgeted for agreed activities for the MLDA to deliver on its mandate.</p> <p>In turn, the MLDA should enhance its management of spending to deliver within its budget.</p> <p>A prudent approach also includes making provision for contingencies within the budget for each year, thus minimising the need for frequent requests for supplementary funds.</p> <p>Likewise, realistic figures should be used for projecting revenues, given such factors as vacant units and arrears of rental income.</p> <p>Therefore, the budgeted revenues should be revised in line with the actual trend, and regularly</p>	<p>trends/patterns of collection over time for each property. A Rental Worksheet is prepared annually as part of the Budget preparations.</p> <p>It is due to the realistic revenues and expenditures that were budgeted over the past years, that the MLDA Board had to approve Deficit Budgets. These were especially in response to the high [level of required] repairs and maintenance.</p> <p>The MLDA, in practice and on most occasions, spends within its budget. Any over-expenditures are due to unforeseen circumstances or to hikes in cost of goods and</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>updated for any available more recent information affecting forecasts.</p>	<p>services, which are seen worldwide and locally.</p> <p>The is little or no scope for budgeting with a Contingency due to deficits being realised.</p> <p>There are no frequent requests for supplementary funds. In one case, the Social Services Department made an urgent request for housing a homeless individual and made a financial contribution to the MLDA to assist in the renovations to the building.</p> <p>In another case, the Social Services Department assisted with the renovation of a unit that</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
		<p>was totally destroyed by one of their tenants.</p> <p>The Social Services Department also made a contribution towards the completion of the construction of railings at the Warden-Supported Units at Lookout.</p>		
<p><b>4.4 Some gaps exist in the budgeting and reporting.</b></p>	<p><b>4.12 Continue to improve planning and budgeting.</b> The MLDA, with the support of the MALHE and the Cabinet, should review its approach to planning and budgeting to minimise the large variances and shortfalls of past years: e.g., deficits; overspending versus budget; overspending versus actual revenue. Realistic figures should be used for estimating costs and adequate amounts should be budgeted for agreed activities for the MLDA to deliver on its mandate. In turn, the MLDA should enhance its</p>	<p><b>4.12</b> The MLDA normally delivers within its budget.</p> <p>See the 4.12 Management Response above.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>management of spending to deliver within its budget. A prudent approach also includes making provision for contingencies within the budget for each year, thus minimising the need for frequent requests for supplementary funds. Likewise, realistic figures should be used for projecting revenues, given such factors as vacant units and arrears of rental income. 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><b>4.5 Stand-alone accounts are difficult to assess against a</b></p>	<p><b>4.13 Implement consolidated accounting and reporting.</b></p> <p>For greater clarity for policy-makers, for the Board, and for the public, the MLDA should</p>	<p><b>4.13</b> The Accounting Standards used for the Government’s properties are different from those of the MLDA Corporate’s operations.</p>		



Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>consolidated budget.</b></p>	<p>present consolidated statements of its operations.</p> <p>This would make clear the true net performance of the MLDA Corporate and the MLDA Housing Stock combined as one functional entity in practice and in economic substance, versus the current approach, which takes a legalistic perspective to entity-accounting.</p> <p>Consolidated financial reports will make comparisons with consolidated budgets much easier to achieve, and will improve communication with all stakeholders.</p> <p>By including all account-items in the budgets, the MLDA will give each of its stakeholders/reportees a better overview of the full range of revenues and expenses that have occurred in its operations.</p> <p>Enhanced calculation and analysis of variances, more accurate budgeting, more complete disclosure, and better monitoring and evaluation</p>			

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	will be among the benefits from an integrated approach to budgeting, accounting and reporting.			
<p><b>4.7 Low and outdated rents, plus unpaid amounts, limit the MLDA.</b></p>	<p><b>4.16 Harmonise and integrate social welfare and social housing.</b> To improve outcomes for tenants, while ensuring the sustainability of the MLDA, a comprehensive review and integration of policies and procedures for social-welfare clients is urgently required.</p> <p>For example, clients meeting the criteria for rental assistance from the Social Services Department are given help with current and continuing rent. However, provision also needs to be given to clear those clients' accumulated rent-arrears.</p> <p>Simply gaining the Cabinet's approval to write off arrears solves only one part of the problems of social housing: the tenants' obligations. Actual</p>	<p><b>4.16</b> To achieve this would require a policy change from the Social Services Department.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>cashflow is needed to address the related costs of the MLDA to maintain and to repair the tenants' units for the periods (ranging from months to years) that they were provided shelter despite rent-arrears.</p> <p>Likewise, separate provision is required for accommodating and caring for mentally challenged persons who are not suited to regular housing and especially those that cause damage to public housing units.</p>	<p>The Social Services Department is responsible for the area of accommodating and caring for mentally challenged persons and has the budgetary allocations to deal with this.</p>		
<p><b>4.8 Outdated criteria and procedures for awarding public housing.</b></p>	<p><b>4.17 Review the criteria and the process for the setting of rents.</b></p> <p>The MALHE and other stakeholders should urgently review the criteria and the process for the setting of rents for public housing.</p> <p>An appropriate proposal should be advanced to the Cabinet to ensure that the criteria are</p>	<p><b>4.17</b> The current housing stock caters only for Social Housing.</p> <p>It is agreed that rents should be set at market rents in accordance with Section 27 (2)(c) of the MLDA Act.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>updated for current trends and social and economic realities.</p> <p>These revisions should balance:</p> <ul style="list-style-type: none"> <li>(a) discounts for those less able to pay,</li> <li>(b) waivers for those who are unable to pay, and</li> <li>(c) gradual increments to rents for those households that are able to pay more as their economic circumstances improve.</li> </ul> <p>An essential goal is close the gap between rents charged and the costs of providing public housing (on a net overall basis for the portfolio of public housing); this is fully supported by Part 73 and Part 74 of the Housing Act (#12 of 2016).</p> <p>Hence, it is about meeting the needs of the most vulnerable, while ensuring that others contribute more fairly in line with their means and in line with the costs of the services that they receive.</p>	<p>However, until there is an element of commercial housing within the portfolio, the recommendations will not be practical or realised.</p>		

<b>Findings</b>	<b>Recommendations</b>	<b>Management Response</b>	<b>Actions Undertaken To Date &amp; Responsibility</b>	<b>Date of Planned Implementation</b>
	<p>One important aspect of this approach is to review and to re-assess the financial means and the economic condition of households at intervals over time, expanding support to those with new/increase needs, while reducing subsidies to those whose capacity improves over the years.</p> <p>A comprehensive and integrated approach is necessary to achieve better cost-recovery overall and the financial sustainability of public housing and of the MLDA itself. For instance, effective economic and financial policies (SDP Goal #1) will increase employment, self-employment, and incomes for more households, thus reducing their need for public housing and other welfare services (SDP Goal #3).</p>			

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>4.9 Restrictive scope and terms of reference for rent-setting.</b></p>	<p><b>4.18 Review the criteria and the process for giving housing/welfare assistance.</b> In line with the U.N. S.D.G.s and the global principles of non-discrimination, of equity, of leaving no one behind, and focusing on those who are most vulnerable, the MALHE and other stakeholders should urgently review the criteria and the process for giving housing assistance.</p> <p>An appropriate proposal should be advanced to the Cabinet to ensure equal treatment of all applicants by need, regardless of age, of gender, of ethnicity, or of place of birth.</p> <p>It is also essential to pursue a whole-of-Government approach that integrates a review of the criteria and processes used in awarding other welfare and social services. These needs often coincide with cases of need for housing assistance.</p>	<p><b>4.18</b> This is not the direct responsibility of the MLDA. This is the responsibility of the HLAC.</p>	<p><b>4.18</b> Two (2) Workshops were held by the HLAC on June 23<sup>rd</sup>, 2022, and on July 19<sup>th</sup>, 2022, which reviewed the Criteria. These will be followed by Recommendations to the Cabinet.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>Likewise, social cohesion, economic development, and public health benefit all residents and, in turn, require equitable treatment of all residents, natives and non-natives alike.</p> <p>Ultimately, these recommendations will further the GOM's achievement of the National Vision and progress towards the goals of the SDP.</p>			
<p><b>4.11 No benefits realised from insurance.</b></p>	<p><b>4.15 Reallocate funds from insurance to overdue repairs.</b></p> <p>The MLDA should consider:</p> <p>(a) suspending the third-party insurance currently in place and</p> <p>(b) redirecting to the most urgent repairs, the large sums (e.g., over \$128,000 in fiscal year 2021/2022) that are being paid in insurance-premia each year.</p>	<p><b>4.15</b> This is an ongoing discussion that is being held.</p> <p>A Cabinet paper was drafted and reviewed by the MALHE Minister.</p> <p>No decisions have been reached on the way forward.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>This will achieve immediate improvements (e.g., tangible benefits to tenants) and durable increases in the value for money for all stakeholders (e.g., longer useful life of assets).</p> <p>This would also be more in line with the GOM's longstanding policy of self-insurance for almost all of the capital assets in the public service.</p> <p>The MLDA would, of course, continue to administer the group coverage on behalf of former tenants that have bought their homes and pay premia through the MLDA.</p>	<p>The MLDA does not see any direct benefit in continuing this facilitation.</p>		
	<p><b>Chapter 4: Effectiveness: Part 2</b></p>			
<p><b>4.22 Dozens of housing units remain in decrepit and unsafe</b></p>	<p><b>4.27 Renovate or replace the temporary units.</b></p> <p>The MLDA should review, document, and monitor the status of all the wooden and temporary units</p>	<p><b>4.27</b> The MLDA is aware of the status of all the wooden and temporary units within the portfolio.</p>		



Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>temporary structures.</b></p>	<p>within its portfolio to keep them in line with the standards for decent housing specified in the Housing Act.</p> <p>[a] Each year, compile a prioritised list of items needing to be repaired, replaced, renovated, added, or discarded.</p> <p>[b] Using stakeholders' feedback, evaluate whether alternate venues and units would better serve the tenants, especially to serve the needs of long-term tenants versus temporary shelters that are better suited for short-term tenants.</p> <p>[c] Develop a system to track scheduled repairs and restoration projects from planning to completion. This should include a monitoring dashboard of when each unit was last inspected and when it was repaired/renovated, et cetera.</p>	<p>However, those units have passed their projected lifespan of 15 years.</p> <p>As a result, the maintenance costs on these units are high, and far exceed the monthly rents collected on these units, which range from \$50 to \$110 per month.</p> <p>Nonetheless, New Spend Requests have been made to the Ministry of Finance, and funds in the amount of \$110,000 have been received over the past 2 years, which were used to maintain/ upgrade the units.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
<p><b>4.23 Some units are vacant, but unsuited for tenancy.</b></p>	<p><b>4.28 Regular inspections of all tenanted units.</b></p> <p>The MLDA should take a proactive approach to property-management versus the current reactive problem-solving that prevails.</p> <p>Whilst the Authority generally responds promptly to tenants’ calls and reports of faults and issues, our survey revealed that not all tenants are reaching out to the MLDA.</p> <p>To ensure that damage to units, especially that caused by tenants themselves or their guests, is better identified and so that corrective action can happen sooner, the MLDA should institute a regular schedule or inspecting every unit at least once every 6 to 12 months.</p> <p>In cases of malicious acts, arson, or mental illness, for example, the MLDA could then promptly engage other agencies with the power</p>	<p><b>4.28</b> Agreed.</p> <p>The MLDA will review and update the existing system, to ensure that problem solving is more proactive.</p>		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	and the resources to handle specific types of cases (e.g., the Royal Montserrat Police Service; the Ministry of Health and Social Services).			
<p><b>4.25 Some materials and structures are not suited to Montserrat's climate and terrain.</b></p>	<p><b>4.29 Improve the quality of materials and approaches to maintenance and designs.</b></p> <p>To support the Policy Agenda's objectives (especially 1.1 and 3.3) and the National Vision to maintain a safe, healthy, and productive environment for all residents, the MLDA, along with the MALHE, should plan and implement timely maintenance and upgrades of buildings and premises across the public-housing infrastructure.</p> <p>Both in designs of new units, and in repairs/renovations to existing units, the focus should increasingly be on selecting materials and</p>	<p><b>4.29</b> The MLDA recognises that the environment in the current location of the properties is harsh. This contributes to high maintenance costs.</p>	<p><b>4.29</b> Attention is paid to the types of materials being used in maintenance.</p> <p>More durable materials are utilised e.g. for counter top repairs, and light fixtures.</p> <p>Wooden railings have been replaced with concrete columns etc.</p>	

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	<p>technologies that will minimise the total life-cycle cost of maintenance.</p> <p>Some durable items have a higher initial purchase-cost, for example, but very low maintenance-expenses and/or very long useful lives and, therefore, provide high value for money over time.</p>			

**Manager**  
**Montserrat Land Development Authority**  
**20 July 2022**

# APPENDIX 1: OFFICE OF THE AUDITOR GENERAL

## “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 the purposes of subsection (1), **the Auditor General and any person authorised 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.”

The independence of both (a) the functioning of the Auditor General and (b) the budgetary allocations from the Government’s national Consolidated Fund to finance the Office of the Auditor General are clearly stated and emphatically declared as follows below:

## “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 this 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.” [Bold and underlined emphases added throughout.]

In line with international standards for public-sector auditors and global best practices for Supreme Audit Authorities, the O.A.G. of Montserrat espouses the following values and priorities:

## OUR VALUES

**Respect.** We seek to build productive professional associations and cordial personal working relationships with colleagues internally as well as with other public servants externally.

**Honesty.** We tell the truth even when it is unpleasant or embarrassing. Accurate self-assessment is vital for every person and for every unit of Government to acknowledge its strengths and its weaknesses, and to begin to address performance-gaps and shortfalls from relevant policies, from applicable standards, and from currently binding laws and regulations.

**Transparency.** Our work is in the service of the Government and the people of Montserrat. Therefore, all of our final reports on engagements undertaken are made available to all stakeholders, to the public and to any other interested parties via publication on our website.

**Confidentiality.** In the course of our duties, we protect the identity of all persons who reveal secret information or private details. Our reports disclose general conclusions and focus on practicable solutions rather than highlighting any person or department directly.

**Accountability.** By definition, the work of the O.A.G. is to hold accountable all public-sector Ministries, Departments, agencies, public-private partnerships, and State-owned enterprises. In turn, we are accountable (a) to colleagues through quality-control procedures and through peer-review, (b) to local, regional and multinational professional accounting and auditing bodies, and (c) to global standards-setting bodies. Finally, the O.A.G. itself is subject to annual audits by an independent external audit-firm of the highest repute.

**Objectivity.** Auditors must remain impartial, devoid of partisan bias, without membership of political parties, and otherwise focused on the truth and the facts, rather than personal opinions, emotions, or self-interest. All of our analyses, conclusions and recommendations are based on facts and verifiable and auditable evidence, supported by retained audit-papers and work-in-progress files throughout each and every audit-engagement. Information is gathered solely for the purposes of the official audit and never to be used for personal advantage of either the auditors themselves or of any other person, party, entity, or enterprise.

**Independence.** Vitally important to the respectability of the O.A.G. is the independence of the Auditor-General and of his/her staff both in appearance and in fact, both in public discourse and in social intercourse. Auditors must avoid any potentially compromising personal relationships or business activities with any public-sector auditee. Where he/she has (i) any material private indirect interest and/or (ii) any direct financial or other interest in an auditee and/or (iii) in or with any of its employees, suppliers, investors, creditors, or other related parties, an auditor must either refrain from any part of an audit of such entity and/or disclose the nature and the extent of such actually or potentially compromising interest whatsoever it be.

## APPENDIX 2: KEY REFERENCES

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**Montserrat Land Development Authority Act.** Legislative Assembly, Government of Montserrat.

**Housing Act.** Legislative Assembly, Government of Montserrat.

**Housing Unit.** Progress Report for year 2020/2021. Ministry of Agriculture, Lands, Housing, and Environment, Government of Montserrat.



## APPENDIX 3: TERMINOLOGY

**Efficiency.** Efficiency is measured as the ratio of inputs per given or desired unit of output. The performance goal is to minimise inputs and/or input-costs per unit of output.

**Productivity.** Productivity is measured as the ratio of actual units of output per given unit of each input. The performance goal is to maximise output per unit of each input.

**Effectiveness.** Effectiveness is measured as the ratio of actual units/costs of all outputs to the desired units/costs of output. The performance goal is to minimise gaps between desired output(s) and actual output(s), subject to the desired quality of that output.

**Value for money.** This is the *desired surplus and/or value of benefits* derived from actual output(s), deliverable(s), or outcome(s). It is measured as the consumer's utility or economic surplus: i. e., (1) the actual (and/or user perceived) value of all benefits of each unit of output, minus (2) the actual costs per unit of each input required to produce and to enjoy the benefits of that unit of output. The performance goal is to maximise the total value of incremental benefits (minus marginal costs) derived from all units of output (e. g., public services or public goods), subject to the desired quality of that output, and to any applicable standards, regulations, contractual obligations, client service objectives, or legal requirements.

**Performance.** This concept defines observable behaviours in respect of a specified function or activity. In practical terms, performance is measured as the comparison of *ex post* actual outcomes with *a priori* desired or pre-agreed outcomes. This lends itself very well to objective definition, measurement, monitoring, reporting, feedback, and recommendations for improvement, wherever gaps are identified between (a) desired behaviours and outcomes and (b) actual behaviours and outcomes. Learning, for instance, is measured by improved behaviours.

**Performance audits.** Performance audits are objective, external, and independent reviews of activities, processes, organisations, financial statements, and/or other objects of interest, having explicit regard to such parameters as (i) applicable laws, (ii) external regulations, (iii) internal policies, (iv) internal rules, (v) international treaties, (vi) bilateral or multilateral agreements, (vii) industrial benchmarks, (viii) contracts, (ix) codes of conduct, (xi) ethics, (xii) morals, and/or (xiii) professional standards. Performance audits go well beyond (1) *financial audits* and (2) *internal audits*, for instance, to examine the actual, observable, and measurable behaviours, outputs, efficiency, effectiveness, and value for money of an entity, a programme, an agency, a statutory corporation, or an entire public sector, as the case might be. In this regard, performance auditing is inherently more far reaching, more strategic, and more consultative than other types of audit. When it is well executed by the auditor(s), and when, thereafter, its findings are wisely attended and its recommendations expeditiously implemented, a performance audit in the public sector has the potential to offer the greatest value for money to the Government and, ultimately, to the people of Montserrat. In short, it pays for itself many times over.

# APPENDIX 4: AUDIT FIELDWORK

## Background

Housing is a topic of broad public interest and the MLDA was specially requested for study by the Governor, given concerns about its ability to continue as a sustainable entity. This performance audit focused on (1) the governance and processes of the MLDA and the GOM's related Departments for using and maintaining public lands and housing, (2) the GOM's policy framework for housing, for social housing, and for commercial uses of public lands and buildings, and (3) the MLDA's and related Departments' efficiency, effectiveness, and accountability in their use of resources. These connected dimensions have implications (a) for governance, (b) for departmental stewardship of public funds and other assets, and (c) for the quality of outputs, of outcomes, and of the delivery of services to the public. In turn, the MALHE's policies and operations impact every public employee and, in turn, public services affect the economy and society of Montserrat. This is important since, in the post-1995 era, the central GOM and the wider public sector constitute, directly and indirectly, about 75% of GDP and roughly 65% of full-time employment in the national economy, and they have numerous multiplier effects.

## Objectives of the Audit

**Purpose and mandate.** The audit sought to examine efficiency, effectiveness and quality of service in the management of the public housing by the MLDA and related Departments within the MALHE, including the level of governance and the quality of the processes of planning, budgeting, and use of people and assets. We considered (a) the quality of internal records, monitoring, and reporting, (b) the related management of human, financial, and other resources, (c) interviewees' reported issues, limitations, and challenges and their causes, and (d) their impact on the efficiency and effectiveness of participating Departments. Finally, the study aimed to assess the impact of the MLDA in relation to major policies and strategic plans, including [1] the GOM's Policy Agenda, and [2] the Montserrat Sustainable Development Plan (SDP) 2008 to 2020. In particular, we sought to identify the major planning challenges, budgeting deficiencies, and operational issues facing the MLDA and related Departments, and, hence, opportunities and recommendations for improving their outputs and outcomes for all stakeholders in public housing and public lands.

**Key questions.** This study was one of the topics of interest to the public, arising from a focus-group in February, 2020, and contributes to the OAG's mandate to provide assurance about the

efficiency and the effectiveness of the GOM's spending. This audit sought to examine the efficiency and the effectiveness of the management of the public lands and housing by the MLDA and related Departments within the MALHE, 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 MLDA is managed efficiently and effectively. To answer this overarching question, we considered 4 issues:

[a] Are the objectives of the MLDA and related Departments clear?

[b] Do the MLDA and related Departments have the governance and organisational structures in place to deliver their objectives?

[c] Have the MLDA and related Departments applied good practices in the use of their resources to meet their objectives?

[d] How are the MLDA and related Departments performing against their objectives/metrics?

### **Criteria used.**

Criteria used for assessing the strategic objectives in this audit were:

(1) Are there clear, stated objectives that are aligned to the overall strategy?

(2) Are there plans detailing how the objectives will be met?

(3) Are the related KPIs/metrics defined and explained?

Criteria used for assessing the key performance indicators (KPIs) in this audit were:

(1) Are KPIs clearly stated?

(2) Are KPIs correctly classified?

(3) Are KPIs appropriate?

(4) Are KPIs measurable and effective?

Criteria used for assessing the use of information in this audit were:

- (1) Is there a clearly defined system of accountability?
- (2) Are Departments regularly reporting their progress against budgets and strategic plans?
- (3) Do reportees give appropriate and timely feedback to reporters?
- (4) Is there evidence of an effective feedback-loop whereby measuring, reporting and monitoring of progress (or lack of it) results in timely actions and better decision-making?

## Scope of the Performance Audit

The scope of this performance audit was to examine the history and the status of the MLDA over the years since the MLDA's mandate was amended (expanded to social housing) in year 1999. We emphasised the past 5 years' trends of planning, budgeting, and use of resources within the MLDA and related Departments in managing the GOM's portfolio of lands and public housing. We included the MLDA and several related GOM departments in our interviews of stakeholders in order to assess the perspectives and the experiences of stakeholders regarding the MLDA vis-à-vis their mandate, structure, efficiency, quality of outputs, communication, quality of service, and overall performance. Financial and other data-analyses focused mostly on the prior 5 to 10 years (i.e., fiscal years 2013/2014 to 2021/2022). Where we received information subsequent to our fieldwork, more recent updates are provided in some parts of the report.

## Scale of the Performance Audit

The scale of this performance audit included [a] the MALHE's headquarters, [b] the MLDA, [c] the Housing Unit, and [d] the Housing & Land Allocation Committee. Prior performance audits by the OAG, as well as past audits by the GOM's Internal Audit Department, provided additional data and perspectives of many other stakeholders and other areas relevant to the background of this study.

## What We Excluded from this Audit

We excluded data preceding those of the year 2012, except for background knowledge and local context (e.g., the history of MLDA since the MLDA Act was amended in years 1998 and 1999). We excluded comparative analyses and other cross-country reviews. We also largely excluded regional

and international data sets, except for background information, thus emphasising Montserrat specific current and very recent historical data-sets.

## Why We Performed This Audit

**Accountability to external donors.** In Montserrat, the public sector is largely funded by the UK Government through its Foreign, Commonwealth & Development Office (FCDO). Therefore, those providing aid have requested a series of performance reviews to provide greater assurance about public planning, budgeting, and implementation, including the efficient and effective use of people and other assets, all of which directly affect both the public sector and the private sector.

**Development of Lands & Housing.** Since most of the island's employment is within the public sector, the SDP aims at developing the private sector. However, a large percentage of the population remains dependent on the Government for social housing, social welfare, and various forms of assistance with building or repairing private homes. The MLDA's mandate is to develop and to manage public lands and properties to meet the growing demands for housing, as well as spaces for small local businesses.

**Governance & Investment.** Over 60% of the GOM's recurrent spending and about 90% of its capital spending are funded [1] by external aid from the UK Government and [2] by grants from multilateral institutions. Hence, the MPS faces increasing scrutiny and accountability [a] for the management of public funds, [b] for the execution of strategic plans, and [c] for the delivery of programmes, of projects, and of outputs. As it is entrusted with public lands and housing and it is also partly funded by the GOM's annual grant through the oversight of the MALHE, the MLDA is accountable for the use of the public funds in each year's budget and operations.

## How We Performed This Audit

**Interviews & site-visits.** Initially, we engaged in interviews with employees of the MLDA and with senior public-sector officials across related departments, including site-visits to see the premises that they use and a broad sample of the MLDA's tenanted properties. The list of interviewees is provided at the end of this Appendix. With the guidance provided by these meetings and inspections, we proceeded to devise questionnaires and data gathering techniques suitable for the purpose of assessing (i) the governance of the MLDA and the related Departments, including their strategic planning and budgeting, (ii) the efficiency and the effectiveness of data gathering, reporting, human resources, and interdepartmental communication and co-operation related to the use of resources, and (iii) the recent trends, outputs, and outcomes of their uses of resources.

**Reviews of relevant law, regulations and literature.** Before and during our fieldwork, we researched the GOM's policies, laws, and regulations in order to establish the legislative framework for our performance audit. The programme of research also included literature on such relevant subjects as (a) governance, (b) strategic planning and national budgeting, (c) public sector efficiency and effectiveness, (d) monitoring and implementation, including project management and capital assets, and (f) performance benchmarks and standards of service. These sources supplemented our reviews of various internal and external documents related to the GOM's policies, structures, and operations affecting the issues of public planning, budgeting, procurement, and deployment of resources in the development of the Festival.

**Internal & External Evidence.** Various requests for information were made during April, 2021 to February, 2022. Site-visits and interviews with tenants were concluded within this period. Emphasis was placed on factors affecting the MLDA's and the related Departments' governance, planning, budgets, implementation, asset management, efficiency, and performance. In particular, we sought to know (a) whether there were adequate staffing, skills and other resources during the past several years, (b) issues affecting the MLDA's processes, progress, and outputs, (c) the quality of reporting, communication, and co-operation among the stakeholders, and (d) recommendations/opportunities for improvements. Above all, we sought to get the tenants' perspectives and experiences in assessing the quality of housing, the adequacy of maintenance, and the overall service that they receive from the MLDA and its partners.

**Standards used.** This audit was conducted according to standards promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI) for performance audits. Those standards require that we plan and perform our audit in order to obtain sufficient and appropriate evidence to reach a reasonable conclusion about the performance of the entities/areas studied with regard to [a] their governance and [b] their management during the period under review. The international standards used to perform this audit-engagement and to assess the findings of this audit include ISSAI-P 12, ISSAI 100, ISSAI 3000, and GUID 3910.

## Questionnaire for Interviewees

### Correspondents & Interviewees

- (1) The Permanent Secretary, MAHLE; Chairperson, Board of Directors, MLDA
- (2) The Manager, MLDA
- (3) The Office Manager, MLDA
- (4) The Real Estate Officer, MLDA
- (5) The Director, Housing Unit, MALHE
- (6) Residential tenants
- (7) Commercial tenants

# APPENDIX 5: GOM'S POLICY AGENDAS

## SAMPLE #1: YEAR 2017

### Government of Montserrat Policy Agenda 2016/17 – 2018/19 and Priority Ranking from Cabinet Workshop on July 7<sup>th</sup>, 2017, and Follow-on Survey, All Responses

Goal 1: Prudent Economic Management	Cabinet Votes	Priority
1.1 To change the development focus from post-volcano mode to developing and implementing plans focused on sustainable self-sufficiency that capture the spirit of Montserrat's past and preserve Montserrat's culture including enhancing relationships within the region and with key development partners.	2	6
1.2 Priority sectors for generating foreign direct investment identified including those that leverage Montserrat's unique assets and character and implement appropriate sector strategies.	1	7
1.3 Identification of obstacles to doing business and sequenced plans implemented for their removal and mitigation.		8
1.4 Priority infrastructure for generating economic growth identified and plans put in place to deliver.	8	1
1.5 Local resources unlocked to stimulate growth in domestic business.	6	2
1.6 The diaspora and the expatriate community engaged in national development.		8
<b>Goal 2: Enhanced Human Development</b>		
2.1 Increased access to essential medical services through leveraging technology as well as direct service provision.	5	3
2.2 Increased and expanded health promotion services to reduce public health concerns, to reduce the incidence and effect of non-communicable diseases, to improve the care of the elderly and including a focus on vector-borne diseases.		8
2.3 Strengthened community-based treatment programs for vulnerable groups of society.	1	7
2.4 Education provision improved to raise educational outcomes to be regionally and internationally competitive and equip people for sustainable livelihoods.	5	3



2.5 An equitable social protection framework which transitions those able to work back into the labour market while adequately supporting those unable to work.	1	7
2.6 Improved access to affordable housing for low and middle income residents.	4	4
2.7 Increased social housing stock supported by an equitable allocation policy.	5	3
2.8 Enhanced youth development through national programs including sports.	5	3
2.9 Increased protection of our children and vulnerable youth.	2	6
2.10 Montserrat strives to promote gender equality, equity and social justice to improve the quality of life for all its citizens.	3	5
<b>Goal 3: Sustainable Environmental Management and Appropriate Disaster Management Practices</b>		
3.1 Improved legislation, governance framework, capacity, scientific monitoring and outreach to sustainably manage environmental resources (terrestrial and marine) and make the island a centre of excellence in environmental and volcanic research.		8
3.2 Increased focus on mitigating disasters in addition to strengthening preparedness and emergency response.	1	7
3.3 Physical infrastructure, including housing, designed and built for resilience against disasters and climate change conditions.		8
<b>Goal 4: Good Governance</b>		
4.1 Strengthened transparency, accountability and public engagement within the national Governance Framework.	1	7
4.2 Public Service reformed to improve efficiency and effectiveness in the provision of essential public services.	8	1
4.3 Montserrat's reputation preserved as a just, safe and secure place to live and visit.	3	5
<b>Goal 5: Increased Population</b>		
5.1 Rebuilt communities which embrace diversity and enable population growth to develop a sustainable Montserrat.		8
5.2 Essential skills attracted and retained through immigration management and training.		8

## SAMPLE #2: YEAR 2019 DRAFT Government of Montserrat Policy Agenda 2019/20 – 2021/22

Agenda Item	Rank
1.7 Advance strategic actions for strengthening accessibility to the island (to include infrastructure considerations)	1st
2.1 Increased access to essential and specialised medical services through leveraging technology as well as direct service provision.	1st
2.8 Enhanced youth development through national programs including sports.	2nd
1.1 Advance the development focus from recovery mode to developing and implementing plans focused on sustainable self-sufficiency [that capture the spirit of Montserrat's past and preserve Montserrat's culture]	3rd
1.5 Operationalisation of plans to deliver priority infrastructure for generating economic growth	3rd
2.4 Education provision improved to raise educational outcomes to be regionally and internationally competitive and equip people for sustainable livelihoods.	3rd
3.3 Physical infrastructure, in particular housing and communication technology, designed and built for resilience against disasters and climate change conditions.	3rd
4.2 Public Service reformed through institutional strengthening (processes, tools, legal framework, procedures, policies) to improve efficiency and effectiveness in the provision of ALL public services.	3rd
1.4 Develop strategies for addressing obstacles to doing business and implement sequenced plans for the removal and mitigation of these obstacles.	4th
1.6 Sectoral resources unlocked for business development, investment promotion and trade facilitation aimed at stimulating economic growth.	4th
2.2 Increased and expanded health promotion services to reduce public health concerns, to reduce the incidence and effect of non-communicable diseases, to improve the care of the elderly and including a focus on vector-borne diseases	4th
2.5 An equitable social protection framework which transitions those able to work back into the labour market while adequately supporting those unable to work.	4th
2.6 Improved access to affordable housing for low- and middle-income residents.	4th
2.10 Promotion of gender equality, equity and social justice to improve the quality of life for all its citizens.	4th
3.1 Improved legislation, governance framework, capacity, scientific monitoring and outreach to sustainably manage environmental resources (terrestrial and marine) and make the island a centre of excellence in environmental and volcanic research.	4th
3.2 Increased focus on mitigating disasters in addition to strengthening preparedness and emergency response.	4th
4.1 Strengthened transparency, accountability and public engagement within the national governance framework.	4th
1.2 Develop stronger strategic relationships within the region and with key development partners.	5th
1.3 Develop and implement appropriate sector strategies for priority sectors aimed at generating foreign direct investment to leverage Montserrat's unique assets and character.	5th
1.8 Incorporation of the 'Innovation for Development' concept into sector development strategies	5th
1.9 Enhance the national capacity building programme and policy to address sectoral needs	5th
1.10 The diaspora and the expatriate community engaged in national development.	5th
2.3 Strengthened community-based treatment programs for vulnerable groups of society.	5th
2.7 Increased social housing stock supported by an equitable allocation policy.	5th
2.9 Increased protection of our children and vulnerable youth.	5th
4.3 Montserrat's reputation preserved as a just, safe and secure place to live and visit.	5th
5.1 Development and implementation of social cohesion initiatives which embrace diversity and enable population growth.	5th
5.2 Skills gaps reduced through attraction and retention of appropriate persons through immigration management and diaspora outreach	5th

## APPENDIX 6: THE MLDA'S BUDGETS & ACTUAL REVENUES AND SPENDING

**Table 4.5: Summary of the MLDA's Revenues & Spending: Budgeted versus Actual for Year 2018/2019 (Unaudited)**

	GOM's Fiscal Year 2018/2019		
	Budget	Actual Revenue / Spending	Variance - Over budget / (Under budget)
Revenue - Total Budget (MLDA's records)	638,828		
Revenue - Total Actual (MLDA's records)		727,820	
Revenue - Total variance over/(under)		[GOM's subvention was \$100,000]	88,992
Expenditure - Total Budget (MLDA's records)	699,306		
Expenditure - Total Actual (MLDA's records)		714,190	
Expenditure - Total Variance over/(under)			14,883

Overall outcome:	Deficit =	
Budgeted Expenditure versus Budgeted Revenues	\$ (60,478)	
Actual Expenditure versus Actual Revenues		Surplus = \$13,630

Auditors' adjustments for items not budgeted/reported:

Reported Revenue (see above)	\$ 727,820
ADD: Interest income	\$ 93,951
ADD: Miscellaneous income	\$ <u>1,676</u>
<b>Estimated consolidated income (A)</b>	<b><u>\$ 823,447</u></b>
Reported Expenses (see above)	\$ 714,190
ADD: Depreciation expenses	\$ 241,371
ADD: Bad Debts expenses	\$ <u>0</u>
<b>Estimated consolidated expenses (B)</b>	<b><u>\$ 955,561</u></b>

<b>Estimated consolidated net operating losses (A – B)</b>	<b>\$ (132,114)</b>
ADD: Net gain/(loss) on sales of properties	<u>\$ 129,552</u>
<b>Estimated consolidated comprehensive net losses</b>	<b><u>\$ ( 2,562)</u></b>

Source: Actuals were taken from the MLDA's draft Management Accounts for fiscal year 2018/2019.

**Table 4.6: Summary of the MLDA’s Revenues & Spending: Budgeted versus Actual for Year 2019/2020 (Unaudited)**

	GOM’s Fiscal Year 2019/2020		
	Budget	Actual Revenue / Spending	Variance - Over budget / (Under budget)
Revenue - Total Budget (MLDA’s records)	642,566		
Revenue - Total Actual (MLDA’s records)		675,870	
Revenue - Total variance over/(under)		[GOM’s subvention was \$100,000]	33,304
Expenditure - Total Budget (MLDA’s records)	642,564		
Expenditure - Total Actual (MLDA’s records)		635,097	
Expenditure - Total Variance over/(under)			(7,467)

Overall outcome: Surplus =  
 Budgeted Expenditure versus Budgeted Revenues \$ 2

Actual Expenditure versus Actual Revenues Surplus =  
 \$40,773 (Note: Temporary surplus arose because actual spending on repairs and maintenance was \$40,455 below the total maintenance budgeted for this year.)

Auditors’ adjustments for items not budgeted/reported:

Reported Revenue (see above)	\$ 675,870
ADD: Interest income	\$ 93,256
ADD: Miscellaneous income	\$ 450
<b>Estimated consolidated income (A)</b>	<b><u>\$ 769,576</u></b>

Reported Expenses (see above)	\$ 635,097
ADD: Depreciation expenses	\$ 244,949
ADD: Bad Debts expenses	\$ 0
<b>Estimated consolidated expenses (B)</b>	<b><u>\$ 880,046</u></b>

**Estimated consolidated net operating losses (A – B) \$ (110,470)**

ADD: Net gain/(loss) on sales of properties \$ ( 0)

**Estimated consolidated comprehensive net losses \$ (110,470)**

Source: Actuals were taken from the MLDA’s draft Management Accounts for fiscal year 2019/2020.

**Table 4.7: Summary of the MLDA’s Revenues & Spending: Budgeted versus Actual for Year 2020/2021 (Unaudited)**

	GOM’s Fiscal Year 2020/2021		
	Budget	Actual Revenue / Spending	Variance - Over budget / (Under budget)
Revenue - Total Budget (MLDA’s records)	632,274		
Revenue - Total Actual (MLDA’s records)		710,482	[A grant of \$38,134 was received re repairs & maintenance]
Revenue - Total variance over/(under)		[GOM’s subvention was \$100,000]	78,208
Expenditure - Total Budget (MLDA’s records)	618,256		
Expenditure - Total Actual (MLDA’s records)		765,856	
Expenditure - Total Variance over/(under)			147,600

Overall outcome: Surplus =  
 Budgeted Expenditure versus Budgeted Revenues \$ 13,747

Deficit =  
 \$ (55,374) (Note: This

Reported Actual Expenditure versus Actual Revenues reflected extra amounts spent on repairs and maintenance.)

Auditors’ adjustments for items not budgeted/reported:

Reported Revenue (see above)	\$ 710,482
ADD: Interest income	\$ 90,089
ADD: Miscellaneous income	\$ 330
<b>Estimated consolidated income (A)</b>	<b><u>\$ 800,901</u></b>

Reported Expenses (see above)	\$ 765,586
ADD: Depreciation expenses	\$ 244,008
ADD: Bad Debts expenses	\$ 0
<b>Estimated consolidated expenses (B)</b>	<b><u>\$ 1,009,864</u></b>

**Estimated consolidated net operating losses (A – B) \$ (208,963)**

ADD: Net gain/(loss) on sales of properties \$ ( 23,159)

**Estimated consolidated comprehensive net losses \$ (232,122)**

Source: Actuals were taken from the MLDA's draft Management Accounts for fiscal year 2020/2021.

Notes: Consolidated Revenues (actual) = Rental income (Housing Stock) + interest income (Housing Stock) + interest income (MLDA Corporate) + rental of leased lands (MLDA Corporate) + Project Management Fees (MLDA Corporate) + miscellaneous income.



**Table 4.8: Summary of the MLDA’s Total Revenues & Spending: Budgeted versus Actual for Year 2021/2022 (Unaudited)**

	GOM’s Fiscal Year 2021/2022		
	Budget	Actual Revenue / Spending	Variance - Over budget / (Under budget)
Revenue - Total Budget (MLDA’s records)	<b>649,422</b>		
Revenue - Total Actual (MLDA’s records)		<b>648,354</b>	[A grant of \$56,138 was received re repairs & maintenance]
Revenue - Total variance over/(under)		[GOM’s subvention was \$100,000]	<b>(1,068)</b>
Expenditure - Total Budget (MLDA’s records)	<b>695,810</b>		
Expenditure - Total Actual (MLDA’s records)		<b>730,257</b>	
Expenditure - Total Variance over/(under)			<b>34,447</b>

Overall outcome: Deficit =  
 Budgeted Expenditure versus Budgeted Revenues \$ **(46,388)**

Reported Actual Expenditure versus Actual Revenues Deficit =  
 \$ **(81,903)**

Auditors’ adjustments for items not budgeted/reported:

Reported Revenue (see above)	\$ 648,354
ADD: Increase in residential rents collected (revenues)	\$ 71,249
ADD: Increase in rents collected for leased lands (revenues)	\$ 726
ADD: Interest income	\$ 94,120
ADD: Miscellaneous income	\$ <u>186</u>
<b>Estimated consolidated income (A)</b>	<b><u>\$ 814,634</u></b>

Reported Expenses (see above)	\$ 730,257
ADD: Increase in operating expenses	\$ 56,599
ADD: Depreciation expenses	\$ 233,332
ADD: Bad Debts expenses	\$ <u>116,726</u>

**Estimated consolidated expenses (B) \$ 1,136,621**

**Estimated consolidated net operating losses (A – B) \$ (321,987)**

ADD: Net gain/(loss) on sales of properties \$ ( 41,816 )

**Estimated consolidated comprehensive net losses \$ (363,803)**

Source: Unadjusted Actuals were taken from the MLDA’s Quarterly Strategy and Fiscal Performance Reports to the MOFEM for fiscal year 2021/2022. Subsequent updates were made for data received on July 13<sup>th</sup>, 2022, per draft Management Accounts.