



REPORT OF THE AUDITOR GENERAL

ON THE

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

FOR THE

FISCAL YEAR ENDED 31 MARCH 2023



OFFICE OF THE AUDITOR GENERAL

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15 August 2024

AUD 7/24

Honourable Minister of Finance
Premier and Minister of Finance and Economic Management
Government Headquarters
Brades
Montserrat

Sir,

In accordance with Sections 100 and 103 (2) of the Montserrat Constitution Order 2010 and Section 42(2) of the Public Finance (Management and Accountability) Act 2008, I forward herewith, for laying before the Legislative Assembly, my Report on the Public Accounts of Montserrat, and of other financial statements and accounts required to be audited by me in respect of the financial year ending 31 March 2023.

Respectfully

Marsha V. E. Meade
AUDITOR-GENERAL (Ag)

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ABBREVIATIONS USED

BOML	Bank of Montserrat Limited
BNTF	Basic Needs Trust Fund
CDB	Caribbean Development Bank
CAROSAI	Caribbean Organization of Supreme Audit Institutions
DITES	Department for Information and e-Government Services
ECCB	Eastern Caribbean Central Bank
EU	European Union
FCDO	Foreign and Commonwealth Development Office
FISCAM	Federal Information Systems Control Audit Manual
GOM	Government of Montserrat
GYFCE	Golden Years Foundation for Care of the Elderly
HRMU	Human Resource Management Unit
IDI	INTOSAI Development Initiative
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IRD	Inland Revenue Department
MATLHE	Ministry of Agriculture, Trade, Lands, Housing & the Environment
MCWEL	Ministry of Communication and Works, Energy and Labour
MOEYAS	Ministry of Education, Youth Affairs & Sports
MOFEM	Ministry of Finance and Economic Management
MOHSS	Ministry of Health and Social Services
MCSA	Montserrat Civil Service Association
MFSC	Montserrat Financial Services Commission
MICA	Montserrat Info-Communication Authority
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPS	Montserrat Public Service
MSSF	Montserrat Social Security Fund
MVO	Montserrat Volcano Observatory
MUL	Montserrat Utilities Limited
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PFMAA	Public Finance (Management and Accountability) Act
PFMAR	Public Finance (Management and Accountability) Regulations
SAI	Supreme Audit Institution
UKOT	United Kingdom Overseas Territories

PREAMBLE

Vision Statement

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

Mission Statement

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

The Goal

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



**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE YEAR ENDING 31 MARCH 2023**

QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

1. The Public Accounts of Montserrat for the financial year ended 31 March 2023 as defined by Schedule (Section 41) to the Public Finance (Management and Accountability) Act (herein after referred to as the PFMAA) have been audited. These Accounts comprise:

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

2. In my opinion, except for the matters described in the Basis of Qualified Opinion paragraph, the accompanying financial statements referred to in paragraph one above present fairly, in all material respects, the financial assets and liabilities of the Government of Montserrat as at 31 March, 2023 and the revenue and expenditure of Government Ministries and Departments for the financial year ended 31 March, 2023 in accordance with the IPSAS cash-modified basis of accounting.

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

3. The 2022/23 Public Accounts were qualified for the following reasons:

- a) The Accountant General withdrew the Fixed Asset Statement after its submission and subsequent audit, this therefore renders the Public Accounts materially misstated due to the Statement's omission from the final accounts.
- b) The arrears listing contains significant amounts that are deemed uncollectible for various reasons including that some of the entities no longer exist and some individuals have died. The figures thus presented in the statement provide an inaccurate picture of how much money can be collected.

4. The audit was conducted in accordance with accepted auditing standards, except for full independence of our Offices as required by ISSAI 10¹. The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

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

RESPONSIBILITIES OF THE ACCOUNTANT GENERAL AND ACCOUNTING OFFICERS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

10. The Auditor General communicates with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit of the public accounts for the year ended 31 March, 2023.

SUBMISSION OF REPORT

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



**MARSHA V. E. MEADE
AUDITOR-GENERAL (Ag)
OFFICE OF THE AUDITOR-GENERAL
MONTSERAT
15 AUGUST 2024**

CHAPTER 1 GENERAL MATTERS

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

Constitutional and Legal Basis for the Audit

1.2 The Auditor General has the responsibility of auditing the Public Accounts of Montserrat and of all public offices and public bodies established by an Act of Parliament and to provide a report on her findings to the Legislative Assembly as per Section 103 of the Montserrat Constitution Order² and Section 42(1) of the Public Finance (Management and Accountability) Act 2008.

Scope and Scale of the Audit

1.3 This Report contains the findings of audits of the Statements mandated to be presented by the Accountant General and some of the accounts and transactions of Accounting Officers and Collectors of Revenue for the 2022/2023 fiscal year. These statements are for the central Government's Ministries and Departments only. Information of the audit status of statutory agencies and Government-owned companies is provided in Chapter 4.

Audit Objective

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

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

Criteria and Standards Used

1.5 The Public Finance (Management and Accountability) Act (PFMAA), 2008, and the Public Finance (Management and Accountability) Regulations (PFMAR), 2009, were the main criteria used to conduct this audit. INTOSAI Auditing Standards and the IPSAS cash-modified basis of accounting were the main guidelines used to conduct the audit.

Audit Approach and Coverage

1.6 In order to express a professional opinion on the public accounts of the Government of Montserrat, audits are carried out in accordance with the International Standards of

² See Appendix 2 for extract from Montserrat Constitution Order 2010

Supreme Audit Institutions (ISSAIs). Each audit is designed to provide assurance as to the propriety of the Government's financial transactions. Examinations of subsidiary books and records are conducted to determine the accuracy of the accounting records. The audit of all Ministries and Departments includes a general review of the accounting procedures and systems of internal control, together with such tests of the records and supporting documents as are considered necessary. Compliance with statutes, regulations, directives, and administrative requirements was also tested.

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

1.8 We audited twenty-four statements that were prepared and presented in accordance with the PFMAA, with an additional two statements being prepared in line with IPSAS. At the audit planning stage, all 53 central government Ministries and Departments³ were included in our sample. However, by adopting a risk-based approach, we focused the audit on those entities that had a performance materiality level⁴ of 0.75% expenditure for the year⁵. As a result, Departments representing 98.7% of the GOM's total expenditures were subjected to substantive testing.

Summary of Significant Accounting Policies

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

Audit Findings

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

Conclusions from the Audit of the 2022/2023 Accounts

1.11 As outlined in the audit certificate, the audit opinion on the Public Accounts for the financial year ending 31 March 2023, was qualified for the following reasons:

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

⁴ Performance materiality level refers to 'the amount(s) set by the auditor to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements for the financial statements as a whole' does not lead to a material misstatement of the entire accounts.

⁵ Any unit Ministry/Department with expenditure greater than \$1,051,288 was subjected to substantive testing.

- a) **Fixed Assets Statement omitted.** The Fixed Asset Statement was withdrawn after its submission and subsequent audit, this therefore renders the Public Accounts materially misstated due to the Statement’s omission from the final accounts.
- b) **Arrears of Revenue.** At the close of the fiscal year, Arrears of Revenue stood at \$40.59M. We again highlight the fact that a number of these arrears are deemed uncollectible; that is, they have no real prospect of collection. Their inclusion materially overstates the collectible amounts. Action was taken to write off some amounts however, further effort is needed to present a more accurate statement.

Analysis of financial Statements

1.12 **Revenue Collected.** The overall revenue for the year totaled \$147,897,087, which was \$11,121,971 more than the amount collected in the previous financial year. Taxes on Income, Profits and Capital Gains and Taxes on Arrears recorded the largest increases when actual collection was compared against budget.

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

Recurrent Revenue for Fiscal Year 2022/2023				
	Approved Estimates 2023 \$	Actual Revenue 2022 \$	Actual Revenue 2023 \$	Increase (Decrease) \$
Tax Revenue	43,992,000	44,614,970	51,054,854	6,439,884
Non-Tax Revenue	8,148,000	7,625,273	6,249,880	(1,375,393)
Special Budgetary Assistance	88,031,700	84,534,872	90,592,353	6,057,481
Total Revenue	140,171,700	136,775,116	147,897,087	11,121,971

1.14 **Expenditure Control.** In addition to the Appropriation Act, a number of Supplementary Estimates and Virement Warrants were issued to facilitate recurrent expenditure management.

1.15 **Recurrent Expenditure.** Total Recurrent Expenditure for the financial year was \$145,794,945. This was \$10,009,549 more than the expenditure incurred in the prior financial year. Transfers and Subsidies and Goods and Services had significant increases of \$6.99M and \$5.67M respectively.

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

Recurrent Expenditure for Fiscal Year 2022/2023				
	Approved Estimate 2023 \$	Actual Expenditure 2022 \$	Actual Expenditure 2023 \$	Increase (Decrease) \$
Personal Emoluments	50,483,200	47,644,585	47,239,196	(405,389)
Pension & Gratuities	14,567,500	13,979,713	13,934,726	(44,987)
Goods & Services	43,915,300	42,839,231	48,510,552	5,671,321
Transfers & Subsidies	19,428,000	17,586,857	24,586,386	6,999,529
Social Services	4,500,200	4,633,935	4,969,381	335,446
Other Expenditure	5,922,800	7,869,933	5,204,224	(2,665,709)
Debt	1,354,700	1,231,143	1,350,481	119,338
Total	140,171,700	135,785,397	145,794,945	10,009,549

1.17 **Payment of Invoices.** We investigated a population of 21,766 invoices to determine whether payments were made within the policy deadline. We found that 6,642 invoices were paid by the target deadline and 12,177 invoices were paid within eight to thirty days. However, 2,947 invoices remained outstanding after thirty days; this was a reduction of 922 invoices when compared to the prior financial year.

Summary of the Government's Financial Performance.

1.18 **Surplus.** For this financial year, a surplus of \$2.10M was reported. This was a \$1.11M improvement over the previous year. A summary of the GOM's financial performance over the 2021/22 and 2022/23 fiscal years is provided below.

	2021/2022 EC\$	2022/2023 EC\$
Revenue	136,775,116	147,897,087
Expenditure	135,785,397	145,794,945
Surplus/(Deficit)	989,719	2,102,142

Summary of Government Financial Position

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

Description	Balances (EC\$) 31 March 2022	Balances (EC\$) 31 March 2023
Consolidated Fund	5,303,935	4,871,638
Development Capital Fund	34,693,686	25,626,550
Miscellaneous Funds	7,484,553	7,464,846
TOTAL	47,482,174	37,963,034

1.20 **Development (Project) Expenditure.** With respect to capital expenditure, the Appropriation Warrants authorized \$53,862,000 to be spent on project works undertaken during the fiscal year. Supplementary Estimates and reallocations totaling \$11,605,400 increased the amount to \$65,467,400. Actual expenditure was \$35,033,923, which was 53.5% of the amount allocated.

1.21 **Project Expenditure Increased.** Several projects were undertaken during the fiscal year. Most progressed smoothly and according to plan and we have seen an increased in development expenditure for the reporting year.

1.22 **Arrears of Revenue.** At the close of the fiscal year, Arrears of Revenue stood at \$40.59M. This has increased by \$6.54M when compared to the prior year's balance. We again highlight the fact that a number of these arrears are deemed uncollectible; that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts. We note that some balances were written off, however further action is required to remove them from the arrears listing as these materially overstate the total amount.

1.23 **Public Debt.** This refers to payments for external and domestic debts with associated interest payments. For this fiscal year, a total of \$1.12M was paid as total debt. Balances for external and domestic debt are reported as \$7.57M and \$0.97M, respectively. Overall, public debt remains very low, both as a percentage of the annual budget, and as a percentage of Gross Domestic Product.

1.24 **Decrease in Outstanding Liabilities.** This Statement provides information on monies owed by the Government for goods and services procured, for outstanding contributions to regional and international organizations, and for monies owed to depositors of the now defunct Government Savings Bank. Amounts outstanding at the end of the reporting period totaled \$1.39M. This has decreased by \$158,502 when compared to the prior year's balance.

1.25 **Contingent Liabilities.** These relate to possible outcomes of litigation charges brought against the Government and amounted to \$4.07M at the end of the reporting period. There is a case for which an estimate has not been provided and the possibility remains that the above total estimation may increase.

Other Financial Audits

1.26 **Lateness of Audited Accounts.** Statutory Agencies and Government-owned companies are required to compile their financial statements and to submit them for audit within 3 months of the close of the fiscal year. Of the thirteen Statutory Agencies and State-owned companies only the MLDA – Housing Stock, MNT and BOML had audited financial statements up to the fiscal year 2023 at the time of drafting this report. The Government of Montserrat through the Ministry of Finance & Economic Management maintains oversight over these entities. Although there has been some improvement in the finalization of the audits, there are some entities that are too far behind in their reporting namely, the MAC, the MCC, the MPB, the BNTF and the MVO.

1.27 The outstanding audits for Statutory Agencies and State-Owned Enterprises can be seen below.

Outstanding Audits for Statutory Bodies and State-Owned Enterprises

ENTITY	Year(s) Outstanding								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Financial Services Commission									√
Basic Needs Trust Fund					√	√	√	√	√
Montserrat Arts Council				√	√	√	√	√	√
Montserrat Community College		√	√	√	√	√	√	√	√
Montserrat Info-Communication Authority							√	√	√
Montserrat Land Development Authority – Corporate							√	√	√
Montserrat Land Development Authority – Housing Stock									
Montserrat National Trust									
Montserrat Philatelic Bureau	√	√	√	√	√	√	√	√	√
Montserrat Port Authority									
Montserrat Social Security Fund								√	√
Montserrat Utilities Limited								√	√
Montserrat Volcano Observatory				√	√	√	√	√	√
Bank of Montserrat Limited									

Performance and Special Audits

1.28 **The Montserrat Land Development Authority:** 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 subsidized rental income and paying market-rates for construction and maintenance of public housing units.

1.29 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.

1.30 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.

1.31 Procurement of the Cuban Medical Brigade – Lesson Learned Report: This review assessed the Ministry of Health and Social Services' procurement and deployment of medical professionals from Cuba, including compensation, terms and conditions, services to residents, financial management, and public-health outcomes.

1.32 The Government has earned revenues of approximately \$83,000 from patients who benefitted from the work of the Cuban medical specialists (especially in obstetrics and gynaecology): related fees totalled \$39,200 in fiscal year 2020/2021 and \$43,511 in fiscal year 2021/2022. In addition, the Government achieved large cost-savings through employing Cuban medical doctors versus the GOM's regular market-rates otherwise applied to recruiting these categories of workers (plus the costs of prolonged vacancies). At regular market-rates, the cost of recruiting 5 medical doctors alone would have exceeded E.C.\$1.5 million per year (salaries only). For a similar sum, for the period of July, 2020, to March, 2021, the GOM obtained 5 doctors plus 8 nurses from Cuba (including salaries, accommodation, meals, transportation and incidentals).

1.33 Fiscal Stimulus Packages – Business Support: This audit sought to examine the overall adequacy of the management of the stimulus packages and the effectiveness of the management and evaluation controls. Despite not having sufficient time required for the design and implementation of the fiscal stimulus packages, the MOFEM considered what was needed in the initial design to meet the Government's objective of delivering the benefits of the scheme to eligible workers as quickly as possible. The procedures for applying for benefits and for assessing the requests were streamlined for ease of understanding and for ensuring simplicity. In addition, the MOFEM introduced a number of controls to limit potential abuse of the scheme however, there were concerns relating to overlapping of roles, deviation from the agreed policy and undocumented changes of process.

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

IT Audits

1.34 Interactive Whiteboards in Schools: A number of systems were implemented to support resource management and to facilitate learning. The procurement of information and communication technology assets project was one such initiative in an effort to improve teaching and learning at the various schools on island. Our review revealed that the benefits of utilizing interactive whiteboards and other related devices made learning more enjoyable, easier and engaging. This was reflected in the feedback from the teachers and the students that were interviewed. However, we found that the Ministry of Education has an unendorsed ICT Policy which will need to be updated and implemented and be shared with all the relevant stakeholders. This review highlighted that constant internet disruption

affects the viewing of online material on the interactive whiteboards. Further, the ICT assets such as the whiteboards, printers and other devices were not labelled and recorded in the fixed asset register.

1.35 Overall, we have determined that value for money was not achieved for the Government, for the teachers or for the students and recommend that with corrective action greater benefits for which this project was initiated will be realized.

1.36 **Fishcana – Fisheries Data Management System:** We found that the Fishcana system is well-designed and very user-friendly with simple modules composed of dropdown menus with options. The system is not being adequately utilized for the collection of data, owing to software and hardware related issues. Of concern to us is that the legal framework in place does not give the requisite authority for the collection of fees for the registration and certification of fishing vessels and of fishermen. 134 registration applications for 89 fishermen and 45 fishing vessels have been pending since 2017.

1.37 As a result, the Office of the Auditor General has determined that all fishing activities and operation of fishing vessels in Monserrat’s waters are technically illegal. We note that the Fisheries Unit has been seeking to update the fisheries law for a number of years.

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

CHAPTER 2 TREASURY ACCOUNTS FOR FY 2022/2023

2.1. **PFMAA Mandate.** Section 41(1) of the PFMAA 2008 requires the Accountant General⁶ within the Treasury Department to prepare several statements making up the Public Accounts and to submit them to the Auditor General for audit examination. As per the PFMAA, the accounts were to be submitted within 4 months of the financial year end. The first draft of the accounts was received on 1 August, 2023. A synopsis of the Statements received, and findings of our audit exercise will be highlighted throughout this Chapter.

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

2.3. **Target Audit Completion Date Not Kept.** Given the extended vacant post of the Auditor General, coupled with circumstances beyond our control, we could not meet the target completion date of having audited accounts by the end of December, 2023.

Basis of Accounts Preparation

2.4. The financial statements preparation is largely governed by the PFMAA. They are also compliant with the IPSAS – Cash Basis Part 1. The cash basis of accounting recognizes revenues when they are received and expenditures when they are paid. The current cash basis system used by the Government of Montserrat (GOM) does not allow the true financial position of the GOM to be reflected in a Statement of Financial Position. For several years, the IPSAS Board has urged the adoption of accrual accounting by all Governments, as this basis provides more information to facilitate better decision-making. We have not seen any significant move to implement the accrual basis of accounting. In its recent release dated 14 August 2024, the International Public Sector Accounting Standards Board (IPSASB) encourages public sector entities and jurisdictions around the world to apply the accrual basis of accounting through the adoption and implementation of accrual basis IPSAS. This method allows an entity to recognize its assets in the accounts when they are owned, and liabilities recognized when they occur, whether or not cashflow has occurred.

Primary Statements Received

2.5. Twenty-five statements were submitted for audit to meet the PFMAA's mandate and to produce the accounts to meet the IPSAS standards. Some statements are replicas of others but they are produced differently. At other times, the statements are produced at both

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

summary and detailed levels. All the statements were audited. To minimize repetition, however, we will report only on those that we consider to be the primary statements.

Statement of Assets and Liabilities of the Consolidated Fund

2.6. Table 1 below highlights movements in financial assets and liabilities over the period 1 April 2022 – 31 March 2023.

Table 1
Consolidated Fund
Statement of Assets and Liabilities

	2022 \$	2023 \$	Increase/ (Decrease) \$
Assets			
Cash	47,482,174	37,963,034	(9,519,140)
Investments	23,655,510	15,284,849	(8,370,661)
Advances	455,193	518,024	62,831
Total	71,592,877	53,765,906	(17,826,971)
Taxpayers' Equity			
Deposits	30,950,328	19,340,010	(11,610,318)
Consolidated Fund	40,642,549	34,425,896	(6,216,653)
Total	71,592,877	53,765,906	(17,826,971)

2.7. **Investments.** The net reduction in Investments of \$8,370,661 included a significant decrease of the Bank of Montserrat share price moving from \$7.28 to \$4.66 per share and a reduction in the RAC investments. The number of beneficial shares held by the GOM now stands at 3,168,454. The GOM holds more than 50% shares over in the Bank of Montserrat and occupies 5 seats on the Board of Directors.

2.8. We continue to highlight a savings account in the name of MDC Business Financing Facility held at the St Patrick's Co-operative Credit Union which reflects a fixed balance of \$218,098 as at 31 March, 2023. It is overdue for the GOM to have these funds transferred to its name and be included in the Public Accounts.

2.9. At the close of the fiscal year, a savings account in the name of the Ministry of Education held at the Montserrat Building Society Limited reflects a balance of \$31,436. The majority of the signatories are no longer working within this Ministry.

2.10. **Deposits.** Movements on deposits include an increase in Miscellaneous Deposits of \$111,566 from the prior year's balance.

2.11. **Consolidated Fund.** The Consolidated Fund can be likened to the equity section of a Statement of Financial Position with a private sector institution. It is being presented here as

there is no individual statement to reflect this. Table 2 below provides an overview of the Consolidated Fund.

Table 2
Consolidated Fund

	2022 \$	2023 \$
Balance brought forward	32,081,351	40,642,549
Fund Adjustments	7,571,478	(8,318,794)
Recurrent Revenue	136,775,116	147,897,087
Recurrent Expenditure	(135,785,397)	(145,794,945)
Surplus/(Deficit)	989,719	2,102,142
Transfer of Local Costs	-	-
Balance carried forward	40,642,549	34,425,896

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

- (i) Write down of clearing accounts as there were no claims against the balances from a third party;
- (ii) Adjustments to recognize exchange losses on the Crown Agents account held in pound sterling amounted to \$61,600; and
- (iii) The significant reduction in the share price of the Bank of Montserrat shares at the end of the financial year when compared to the prior year i.e. \$7.28 to \$4.66.

2.13. **Surplus/(Deficit).** Recurrent revenue collected was more than the recurrent expenditure collected resulting in a surplus of \$2,102,142 as is shown below.

	(EC\$)
Receipts	147,897,087
Less Expenditures	145,794,945
Surplus/(Deficit)	2,102,142

2.14. **Transfer of Local Costs.** This refers to a situation where the Government undertakes local projects, but has no external source of funding to finance their implementation and, therefore, the projects must be funded from the Consolidated Fund. For this fiscal year, there was no contribution to local projects from previous years' surplus.

Statement of Cash Flows

2.15. Total cash available at fiscal year-end amounted to \$37,963,034. Table 3 below provides an overview of the cash flows from the various activities undertaken by the Government. As it can be seen, the net cashflow for this fiscal year was negative \$9,519,140.

Table 3
Statement of Cash Flows

Particulars	2022	2023
	ECS	ECS
Net Cash Outflows from Operating Activities	(1,487,959)	7,244,834
Net Cash Inflows from Investing Activities	9,974,560	(16,797,265)
Net Cash Inflows from Financing Activities	(452,782)	31,291
Net Cash Inflows	8,033,820	(9,519,140)
Add: Balance brought forward at 1 April, 2022	<u>39,448,355</u>	<u>47,482,174</u>
Balance carried forward at 31 March, 2023	<u>47,482,174</u>	<u>37,963,034</u>

Statement of Cash Receipts and Payments

2.16. **Reconciliation of Accounts.** We noted that at the end of the fiscal years, there were stale-dated cheques as far back as 9 months that were recorded on the reconciliation in relation to the main account for the Treasury Consolidated Fund. The records pertaining to the TCF2 E-Commerce Bank Account and the Development Capital Fund Account were kept in good order and there were no substantial findings.

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

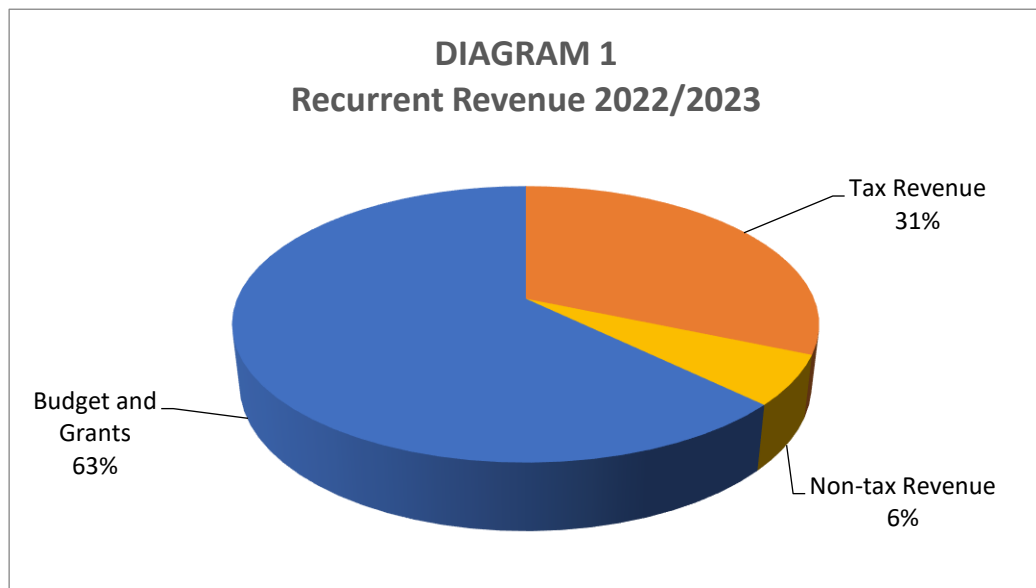
Table 4
Statement of Cash Receipts and Payments

Receipts (Sources)	2022	2023
	EC\$	EC\$
Tax Revenue	44,614,970	51,054,854
Non-tax Revenue (Other)	6,749,210	6,073,674
External Assistance – Budgetary Aid	84,534,872	90,592,353
External Assistance – Development Grants	22,317,647	23,312,038
Capital Receipts	44,300	37,605
Receipts from Investments	901,077	207,914
Net Receipt Advances and Deposits	(399,014)	92,890
Total Receipts	158,763,062	171,371,327
Payments (Uses)		
Personal Emoluments	47,644,585	47,239,196
Pensions, Gratuities and Other Benefits	13,979,713	13,934,726
Goods & Services	42,839,231	48,510,552
Transfers and Subsidies	17,586,857	24,586,386

Social Services	4,633,935	4,969,381
Other Expenditure	7,869,933	5,204,224
Debt	1,231,143	1,350,481
Capital Expenditure – Development Fund	9,485,644	32,452,031
Revenue Expenditure – Development Fund	<u>5,404,434</u>	<u>2,581,891</u>
Total Payments	<u>150,675,475</u>	<u>180,828,868</u>
Cash flow Increase/(Decrease)	8,087,586	(9,457,541)
Exchange rate impact on Crown Agents a/c	<u>(53,767)</u>	<u>(61,600)</u>
Net Cash flow Increase/(Decrease)	8,033,819	(9,457,541)
Add: Cash at beginning of the year	<u>39,448,355</u>	<u>47,482,174</u>
Cash at end of the year	<u>47,482,174</u>	<u>37,963,034</u>

Statement of Recurrent Revenue

2.18. **Appropriated Revenue.** \$140,171,700 was allocated for Recurrent Revenue collection for fiscal year 2022/2023. Actual revenue collected amounted to \$147,897,087 giving a surplus of \$7,725,387. This increase was due primarily to the collection of Withholding, Consumption, Income and Company Arrears Taxes. Diagram 1 below provides an insight into major revenue flows.



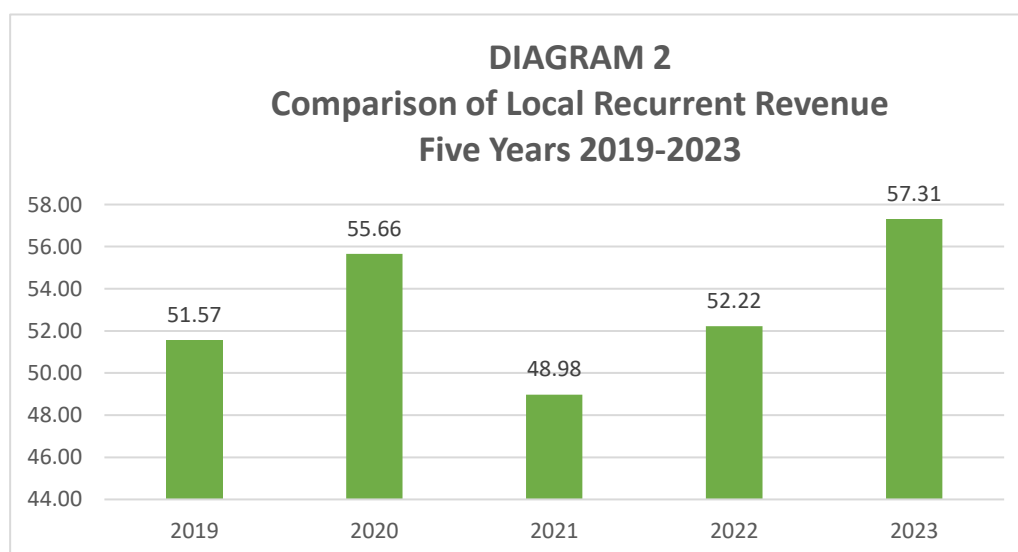
2.19. **Revenue Surpluses and Shortfalls.** Revenue collections showed an overall surplus of \$7,725,387 when actual collection is compared against budget. Table 5 below records surpluses or shortfalls in the various categories of revenue.

Table 5
Revenue Surpluses and Shortfalls

SOURCE OF REVENUE	BUDGETED EC\$	ACTUAL EC\$	SURPLUS EC\$	SHORTFALL EC\$
Taxes on Income, Profit & Capital Gains	16,759,900	21,341,276	4,581,376	0
Taxes on Property	745,000	722,497	0	22,305
Taxes on Domestic Goods & Services	1,839,000	2,027,254	188,254	0
Licences	3,180,700	3,157,605	0	23,095
Taxes on International Trade & Transaction	20,787,400	21,713,014	925,614	0
Arrears of Taxes	680,000	2,093,208	1,413,208	0
Fees, Fines and Permits	2,120,900	2,116,173	0	4,727
Rents, Interest and Dividends	1,474,500	1,042,892	0	431,608
Reimbursements	972,500	805,544	0	166,956
Other Revenue	3,580,100	2,285,271	0	1,294,829
Budgetary Aid and Grants	88,031,700	90,592,353	2,560,653	0
TOTAL	140,171,700	147,897,087	9,669,105	1,943,718
Net Surplus/(Shortfall)			7,725,387	

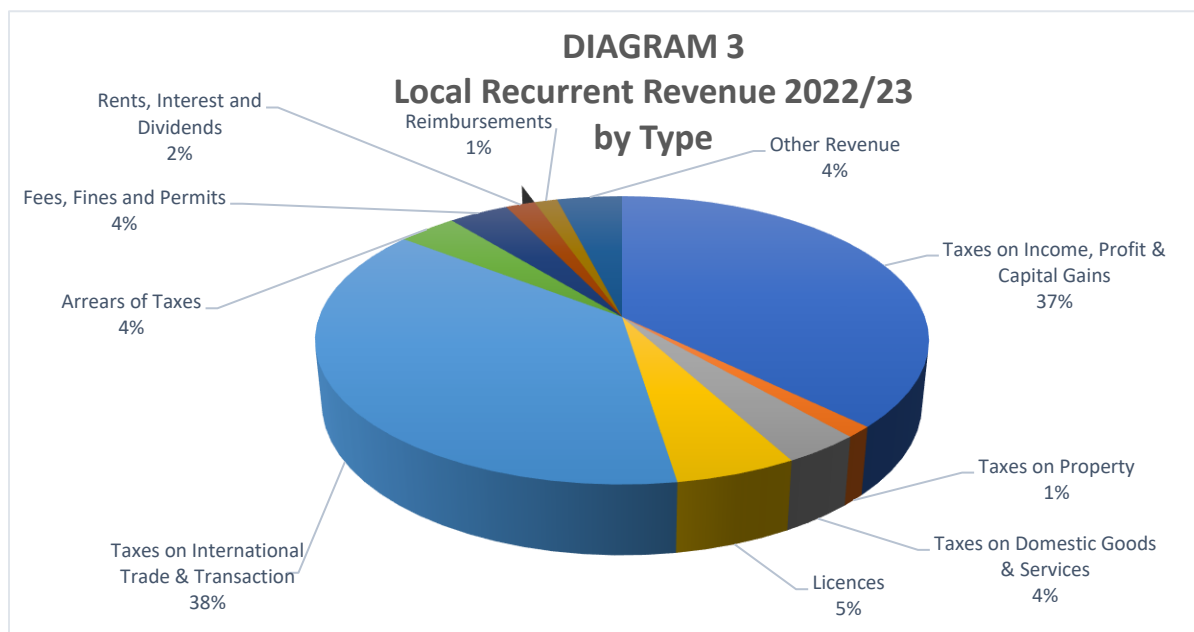
2.20. **Total Recurrent Local Revenue.** Projected Recurrent Local Revenue was \$52,140,000. Actual collection was \$57,304,734, resulting in a surplus of \$5,164,734 when compared to authorized collections for the year. Further analysis revealed an increased collection of \$5.09M, when compared to the prior fiscal year.

2.21. The collection of local tax has steadily increased from 2018/2019 to 2019/2020; followed by a sharp fall in 2020/2021 and an increase of \$3.24M in 2021/2022 and a further increase of 5.09M in the reporting year. The trend in this collection can be seen by the movements outlined below.



2.22. Actual Local Recurrent Revenue collected can be split into Tax and Non-Tax elements. For this fiscal year, Tax Revenues collected were \$51.05M whilst Non-Tax Revenue amounted to \$6.25M.

2.23. Diagram 3 below shows local revenue collected by type of revenue stream, with percentages, for the 2022/2023 fiscal year.



2.24. **Special Budgetary Assistance.** Approved special budgetary assistance was projected to be \$88,031,700. Actual receipts totalled \$90,592,353, resulting in an increase of \$2,560,653.

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

Table 6
Budgetary Aid 2022/23

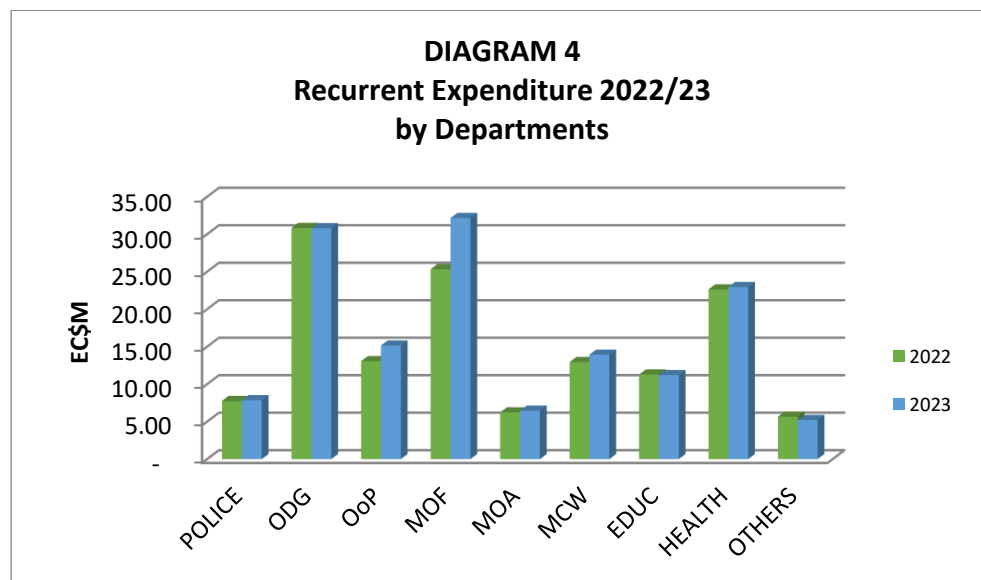
Date	Particulars	Receipt #	£	EC\$
23/05/2022	1 st Tranche 2022/23	062674	10,218,167	33,796,588
03/10/2022	2 nd Tranche 2022/23	064546	7,856,113	22,977,559
28/12/2022	3 rd Tranche 2022/23	067783	5,477,178	17,370,323
13/03/2023	4 th Tranche 2022/23	069772	<u>5,228,522</u>	<u>16,447,883</u>
	Total Budgetary Aid		<u>28,779,980</u>	<u>90,592,353</u>

Statement of Recurrent Expenditure

2.26. **Appropriation and Expenditure Control.** The Appropriation Bill 2022/2023 was passed by the Legislative Assembly on the 5th day of April 2022 and the preceding provisional warrant authorized recurrent expenditure of \$140,171,700. Three Supplementary Estimates valuing \$7,895,200 were also passed, these bringing the Revised Authorized to \$148,066,900. Virement Warrants were also authorized to allow Accounting Officers to move monies between Subheads under their control.

2.27. **Actual Expenditure.** Monies spent to acquire goods and services over the reporting period amounted to \$145,794,945 leaving an unspent balance of \$2,271,955. However, when compared to monies actually spent for the previous fiscal year, we observed a 7% increase.

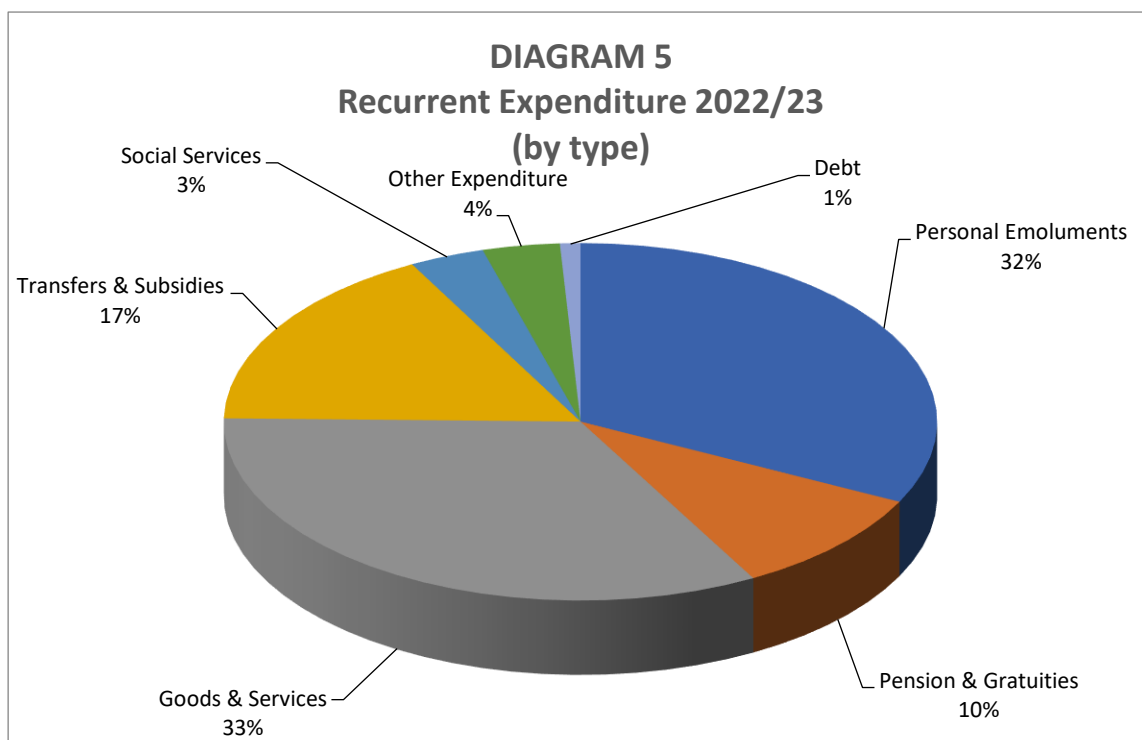
2.28. Diagram 4 below shows actual Recurrent Expenditure by Ministries and Departments. Those Departments that do not form part of any Ministry, except for Royal Montserrat Police Service, are grouped under Others⁷. They are primarily non-ministerial departments.



2.29. **Trend of Expenditure Usage.** Over the years, Personal Emoluments and Goods and Services were the major categories of expenditure, utilizing over 30% of expenditure per category. A trend analysis has indicated that, for the year under review, Recurrent Expenditure continued to be utilized in a similar pattern.

⁷ These departments include the Magistrate Court, Supreme Court, Legal Department, Legislature, Office of the Auditor General and the Office of the Director of Public Prosecution.

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



Statement of Assets and Liabilities of the Development Fund

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

Table 8
Assets and Liabilities of the Development Fund: Fiscal year 2022/23

ASSETS	2022 EC\$	2023 EC\$
British Development Aid Claims Outstanding (1)		5,482,527
Donor Agencies Expenditure Outstanding (2)		9,317,592
Consolidated Fund Receivable	<u>29,235,290</u>	<u>17,513,405</u>
TOTAL ASSETS	<u>29,235,290</u>	<u>32,313,524</u>
LIABILITIES		
Deposits Within the Development Fund (3)	39,304,246	40,401,094
Local Funds (4)	11,469	10,094
British Development Claim Deposits	17,238	
Consolidated Capital Fund	(15,525,232)	3,624,221
Development Fund Adjustment		
Add Expenditure Over Revenue	<u>7,427,569</u>	<u>(8,097,664)</u> <u>(11,721,885)</u> <u>(8,097,664)</u>
TOTAL LIABILITIES	<u>29,235,290</u>	<u>32,313,524</u>

Development Fund Revenue

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

Table 9
Development Fund Revenue: Fiscal Year 2022/23

Agency	Amount Received EC\$
Foreign, Commonwealth and Development Office	6,780,305
Caribbean Development Bank	9,060,346
European Union	7,058,876
United Nations Development Programme	27,000
Foreign and Commonwealth Office	41,280
Pan American Health Organization	18,635
Joint Nature Conservation Committee	222,584
University of Liverpool	17,282
University of Exeter	50,946
Center for Environmental Fisheries & Agriculture Science	10,121
Department of Fisheries Oceans – Canadian Coast Guard	24,663
TOTAL	23,312,038

Statement of Development Fund Expenditure

2.33. **Appropriation Accounts.** The Legislative Assembly authorized \$53,862,000 to allow expenditures on capital projects for the fiscal year. Supplementary Appropriations for a total of \$11,605,400 were added during the year bringing the Revised Appropriations to \$65,467,400. Actual spending for the year amounted to \$35,033,923 being 53.51% of the authorized capital expenditure for the year.

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

Table 10
Development Expenditure: Fiscal Year 2022/23 (by Ministries)

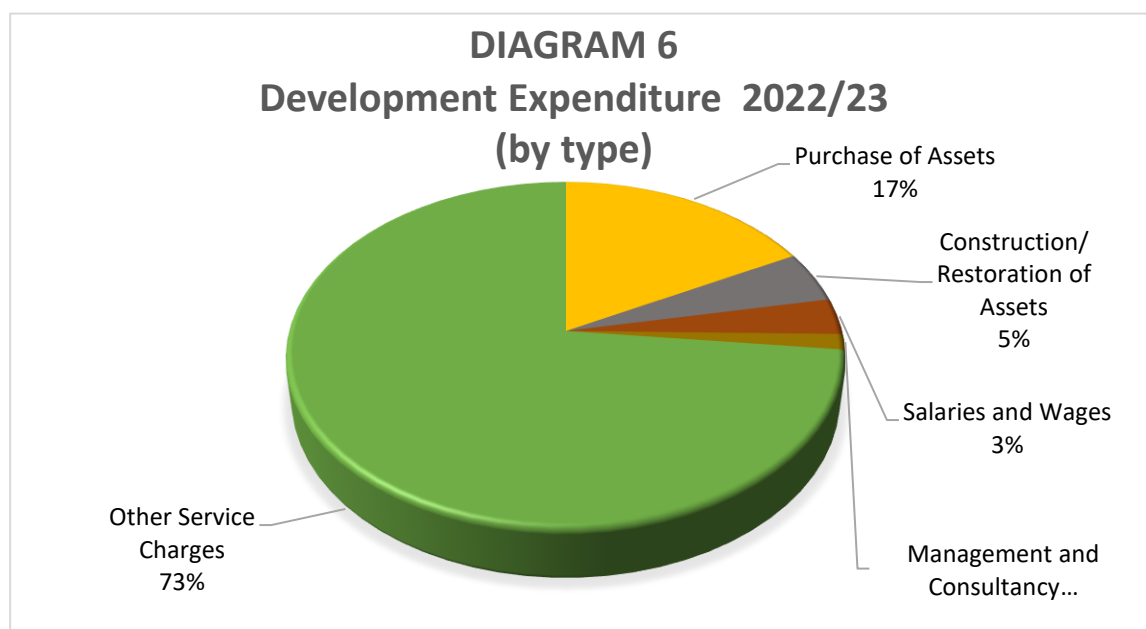
Ministry/Department	Authorized EC\$	Actual EC\$	% Used
Office of the Deputy Governor	180,800	0	0
Office of the Premier	2,097,900	854,071	41
Ministry of Finance	17,715,847	8,562,907	48
Ministry of Agriculture	2,915,800	853,465	29
Ministry of Communications & Works	36,875,400	22,544,356	61
Ministry of Education	3,317,900	1,087,250	33
Ministry of Health	<u>2,363,753</u>	<u>1,131,874</u>	48
TOTAL	<u>65,467,400</u>	<u>35,033,923</u>	54

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

Table 11
Comparison of Development Fund Estimates and Results: Fiscal Year 2022/23

Development Fund Expenditure	Authorized EC\$	Actual EC\$	Variance EC\$
FCDO	22,689,700	12,321,351	10,368,349
EU	21,175,200	3,803,942	17,371,258
LOCAL	214,000	1,375	212,625
CDB	20,000,000	18,585,818	1,414,182
DARWIN	13,900	1,650	12,250
OPEP	22,800		22,800
UoL	17,200	8,841	8,359
PAHO		18,636	(18,636)
UNICEF	30,700		30,700
UoE	103,500	59,050	44,450
UNDP	28,900	19,983	8,917
CEFAS	10,100	9,395	705
STATSC	65,600		65,600
JNCC	259,200	172,467	86,733
RESEMBID	804,000		804,000
EFTEC	7,900	6,896	1,004
DFOCCG	24,700	24,519	181
TOTAL	65,467,400	35,033,923	30,433,477

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



Statement of Advances

2.37. Advances are monies owed to the Government of Montserrat for various reasons. An increase of \$43,939 is recognized when compared to the amount outstanding at the end of the prior reporting period. The categories of advances and their amounts are listed below.

Details	2022 EC\$	2023 EC\$	Increase/(Decrease) EC\$
Personal Advances	301,744	329,166	27,422
Outstanding Imprests	0	31,146	31,146
Other Gov't & Administrations	<u>153,449</u>	<u>157,711</u>	<u>4,262</u>
TOTAL	<u>455,193</u>	<u>518,023</u>	<u>62,830</u>

Statement of Deposits

2.38. Included under this heading is the Development Fund Receivable account, which has shown a decrease of \$11,721,886. The Miscellaneous Deposits account registered an increase of \$111,566 when compared to the prior year balance.

Statement of Public Debt

2.39. **External Debt.** This statement focuses on guaranteed external obligations to the Caribbean Development Bank. At the close of the fiscal year, Total External Public Debt amounted to \$7,568,239.

2.40. Principal repayment on external debt was recorded as \$794,077, this being 1.39% of actual local recurrent revenue. This is well within the ECCB's debt sustainability threshold of 60% of the Government's revenues.

2.41. Interest payments for the year on external debt amounted to \$190,424, this being 0.33% of actual local recurrent revenue for the year.

2.42. Overdue and other interest charges amounted to \$1,314 for this reporting period.

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

2.44. **Domestic Debt** – These are monies owed to local institutions and repaid by the Ministry of Finance and Economic Management. At the end of the reporting period, the amount due to these institutions was \$972,984. Individual balances are shown in Table 12 below.

TABLE 12
Summary of Domestic Debt as at 31 March 2023

Institution	Particulars	Balance Owed as at 1 April 2022	Principal Paid during year	Interest Paid during year	Balance Owed as at 31 March 2023
MSSF	Davy Hill Housing Project	631,084	157,771	20,017	473,313
MUL	MONLEC Generating Set	666,228	166,557	21,132	499,671
	TOTAL	1,297,313	324,328	63,852	972,984

Statement of Contingent Liabilities

2.45. This refers to provisional estimates of the costs arising from possible litigation of activities brought against a few Ministries/Departments. Contingent Liabilities at the end of the fiscal year amounted to \$4,072,852.

Statement of Outstanding Liabilities

2.46. At the end of the reporting period, Outstanding Liabilities for goods and services worth \$275,327 were reported. There was no outstanding contribution due to regional entities, however 1,117,742 was still owing to depositors of the now defunct Government Savings Bank, a reduction of \$35,105 when compared to the prior year balance. This brings the total of outstanding liabilities to \$1,393,069.

Statement of Arrears of Revenue

2.47. **Arrears of Revenue Audited.** We are happy to report that we have received the relevant Arrears of Revenue Statements such that we were able to audit 95.5% of the total value presented. Our audit covered balances that were 1%, or greater, of the total arrears' receivable.

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

Table 13
Arrears of Revenue

Subhead and Account Description	Mar-22	Mar-23
110-13005 Audit Fees	1,500	1,500
152-13001 Advertising and Broadcasting Fees	0	47,817
205-12210 Trade Licences	10,975	11,770
206-11001 Company Tax	14,681,527	19,284,885
206-11002 Income Tax – Personal	13,353,361	13,380,510
206-11501 Property Tax	3,023,303	3,684,620
206-12501 Import Duty	7,212	0
206-12505 Consumption Tax	10,701	0
206-12507 Customs Processing Fee	3,750	0
206-13011 Customs Officers Fees	7,635	0
207-16099 Money Order Reimbursements	590	590

221-53531 Emergency Fuel Supplies	90,429	0
300-13022 Real Estate Licences	1,500	1,500
300-16038 Lease of Government Lands	129,755	130,255
350-12209 Telecom Licences	282,736	464,330
351-13032 Public Works Department's Laboratory	7,166	26,146
352-16039 Revenue - Re-Saleable Stock	25,727	23,544
352-16041 Revenue - Mechanical Spares	18,853	22,062
352-16042 Revenue - Plant & Workshop Operation	35,045	104,866
353-13032 Aircraft Landing Fees	6,745	3,331
353-13037 Scenic Flights	338,455	331,119
353-13502 Concessions Rental - Airport	6,260	3,330
353-16019 Navigational Charges	9,690	6,168
355-13027 Work Permit Fees	18,550	9,950
450-16018 Hospital Receipts	433,380	477,905
454-14505 Reimbursements	1,498,092	2,499,319
Other Customs Taxes	48,068	0
TOTAL	34,051,005	40,585,167

2.49. **Increasing Arrears.** When we compare the Arrears of Revenue balance for this reporting period with that of the previous year, we note a significantly large increase of \$6,534,162. Noteworthy, is that Company Tax Arrears have shown a marked increase by \$4,603,358.

2.50. **Write-off of Arrears.** The Resolution of the Legislative Assembly to Write Off Public Money S.R.O. 44 of 2022 authorized the write-off of \$48,068, which was for items that had been outstanding for a number of years and were deemed uncollectible.

2.51. **Statements of Fixed Assets Withdrawn.** We completed the audit of the Statement of Fixed Assets that was submitted as part of the Annual Audit of the Public Accounts 2022-2023.

2.52. The Treasury Department initially provided a Statement of Fixed Assets but this statement was later withdrawn from the final accounts as it was reported that not all of the previous audit findings had been addressed.

2.53. Section 41 of the PFMAA requires the Accountant General to prepare and submit accounts to the Auditor General and the Minister within 4 months of the year end. These accounts are to:

- be prepared in accordance with generally accepted accounting practice and any instructions issued by the Accountant General.
- state the basis of accounting used in their preparation; and
- identify any significant departures from the generally accepted accounting practice as recognised by the accounting profession in Montserrat and approved by the Accountant General for use in Government and shall state the reasons for those departures.

2.54. On review of the legislation and regulations, we can see no reference that the Accountant General has the authority to withdraw the accounts once submitted for audit. Therefore, we consider that the public accounts are materially misstated due to the omission of the Statement of Fixed Assets totaling in excess of \$80M.

2.55. **Statement of Net Worth of Statutory Bodies.** A Statement of Net Worth was submitted; however, some entities' accounts are not up-to-date as some have not been audited. The last audited statements on file for the Montserrat Philatelic Bureau is 2014 and the Montserrat Community College is 2015. Therefore, some information included in the statement are misleading. This continues to be of great concern as movement to get entities accounts up to date and audited has not seen much action.

2.56. The GOM provided grants totaling \$12.15M into the operation of some of these entities for the fiscal year 2022/2023. In order to ensure good governance and greater accountability, it is important that these accounts be brought up to date and, thereafter, that they be kept current and compliant with applicable laws, regulations, policies, and standards.

Table 14
Grants to Statutory Organizations: Fiscal Year 2022/23

Statutory Organizations	EC\$
Montserrat Volcano Observatory	6,816,045
Montserrat Land Development Authority	100,000
Montserrat National Trust	326,000
Financial Services Commission	819,200
Montserrat Arts Council	1,108,980
Montserrat Info Communication Authority	227,000
Montserrat Philatelic Bureau	155,000
Montserrat Community College	1,446,500
Golden Years Home	750,000
UK Overseas Mission	404,072
Total	12,152,797

2.57. The Government of Montserrat makes grant and subsidy payments to regional institutions, private sector and non-governmental organizations as well as some statutory bodies to deliver public services or to facilitate their delivery. These sums amounted to a total of \$24,586,386 during this fiscal year.

Statement of Investments

2.58. The PFMAA requires the presentation of a statement detailing the Government's investments at the end of the fiscal year. This statement was presented with a total investment value of \$16,230,034.

Statement of Undrawn External Assistance

2.59. **Non-compliance.** Although the accounts provide many instances where grant funding is provided, (for example, for project execution by many departments,) this statement was not presented for audit. The external assistance totaling \$23,202,531 was given to the GOM by multilateral and bilateral donor agencies.

CHAPTER 3 RETURNS BY ACCOUNTING OFFICERS FOR FY 2022/2023

3.1 **General Directive.** In accordance with Section 41 (b) of the PFMAA, Accounting Officers are required to submit the accounts set out in paragraph 2 of the Schedule to the Act⁸. It states that “each Accounting Officer shall within three months prepare and submit to the Minister and the Auditor General, with a copy to the Accountant General, in respect of the financial year and in respect of the votes, revenues, resources and monies for which the accounting officer is responsible, the accounts and information set out in paragraph 2 of the Schedule to this Act.”

3.2 Both Paragraph 2 of the Schedule, and the Accountant General’s directives require Accounting Officers to submit the following:

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

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

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

⁸ See Appendix 4 for submissions required from Accounting Officers.

Submission of Annual Returns

3.4 The PFMAA requires that Annual Returns are to be submitted to the Accountant General with a copy to the Auditor General within 3 months after the end of the fiscal year. We received Annual Returns from most Accounting Officers within the stipulated deadline.

Statement of Appropriation Accounts

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

3.6 **Recurrent Expenditure.** During the financial year 2022/2023, expenditure was incurred under 42 Heads of expenditure as outlined on the Statement of Detailed Expenditure included within the Treasury Department's Statements. Recurrent Expenditure incurred by Ministry/Department is shown in Table 13.

Table 13
Recurrent Expenditure for Fiscal Year 2022/2023
(by Department)

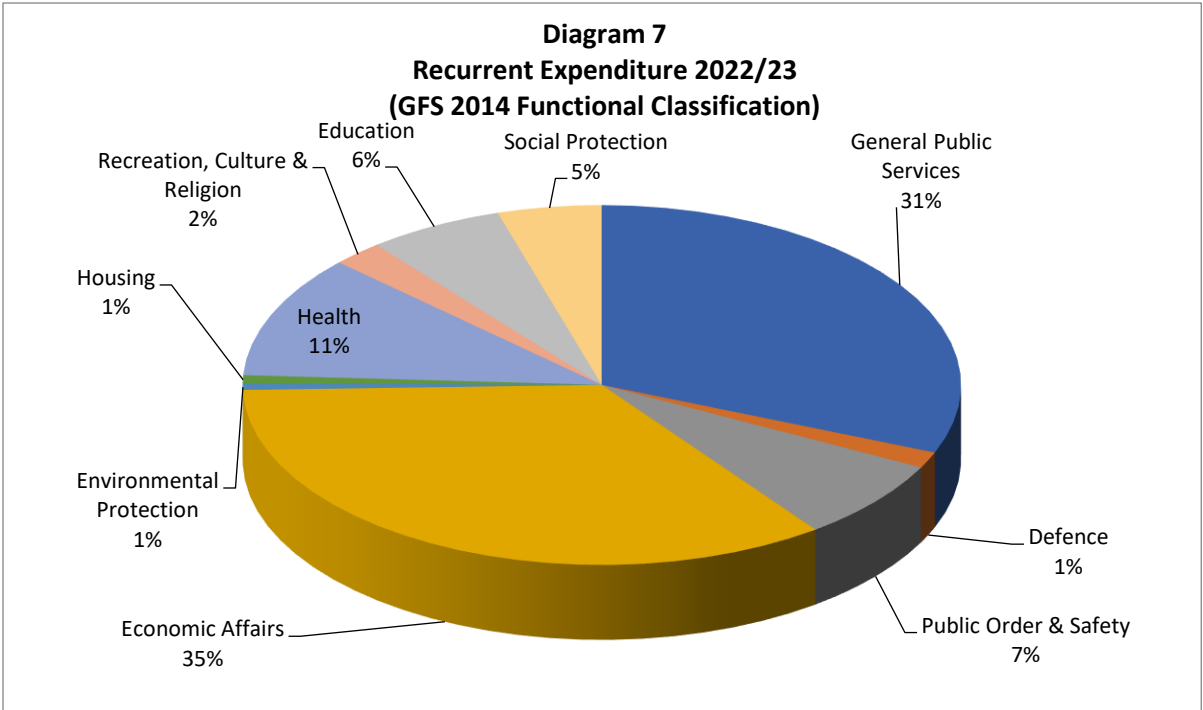
Vote	Details	Revised	Actual	Variance	Actual
		Estimate	Expenditure		Expenditure
		EC\$	EC\$	EC\$	%
05	Police	7,931,800	7,855,921	75,879	5.4
07	Legal	1,327,600	1,253,229	74,371	0.9
08	Magistrate's Court	205,800	184,014	21,786	0.1
09	Supreme Court	705,100	635,534	69,566	0.4
10	Legislature	1,560,700	1,527,313	33,387	1.0
11	Office of the Auditor General	1,129,400	1,092,058	37,342	0.7
12	Office of the Deputy Governor	31,171,100	30,799,793	371,307	21.1
13	Public Prosecution	600,300	539,277	61,023	0.4
15	Office of the Premier	15,322,800	15,153,137	169,663	10.4
20	Ministry of Finance & Economic Mgt.	32,855,500	32,172,025	683,475	22.1
30	Ministry of Agric., Housing, Lands & Env.	6,651,900	6,471,617	180,283	4.4
35	Ministry of Communications & Works	14,011,000	13,948,049	62,951	9.6
40	Ministry of Educ., Youth Affairs & Sports	11,387,900	11,207,769	180,131	7.7
45	Ministry of Health & Social Services	23,206,000	22,955,209	250,791	15.7
	Total	148,066,900	145,794,945	2,271,955	100

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

	2022	2023	Increase/(Decrease)
	EC\$	EC\$	EC\$
Authorized Expenditure	139,342,000	148,066,900	8,724,900
Actual Expenditure	<u>135,785,397</u>	<u>145,794,945</u>	<u>10,009,548</u>
Unspent Balance	<u>3,556,603</u>	<u>2,271,955</u>	<u>(1,284,648)</u>

3.8 **Recurrent Expenditure Utilization.** When reviewing the above, one will note that both the authorized spending and the actual expenditures increased when compared with the previous fiscal year’s figures. However, in terms of expenditure utilization, we note an increase of 1.0 percentage-point in the utilization of budget allocation, with utilization moving from 97.5% in fiscal year 2021/2022 to 98.5% in 2022/2023.

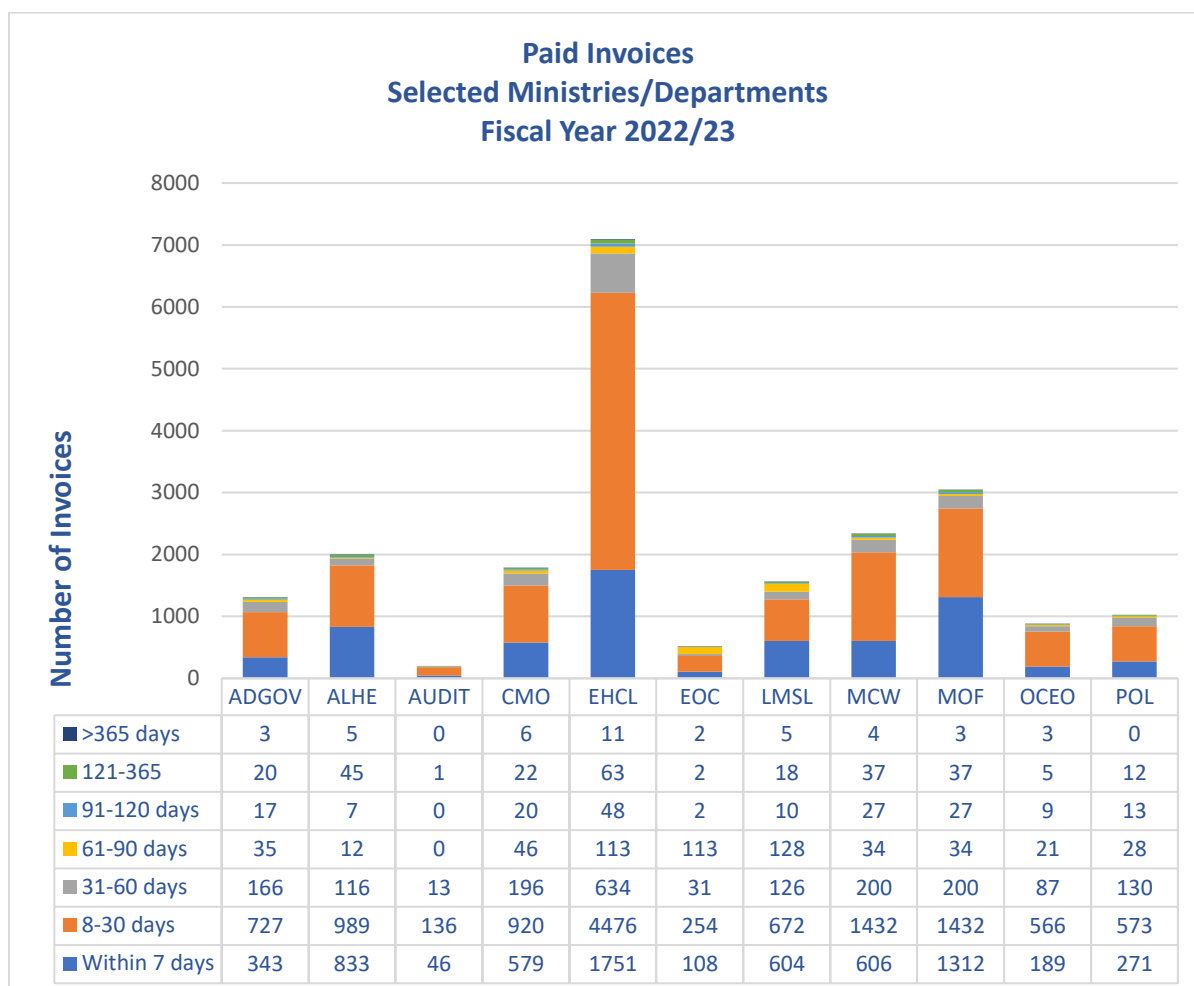
3.9 **Recurrent Expenditure by Functional Classification.** Diagram 7 below provides a further analysis of expenditure incurred by GFS functional classification. Expenditure was generally in line with projections at the beginning of the year as outlined in the Budget Speech for the fiscal year 2022/2023.



3.10 **Payment of invoices.** An analysis was conducted of the Ministries and Department’s payment of invoices over the reporting period to determine whether they were adhering to the GOM’s payment policy. We investigated 21,766 invoices to determine when payments were made. We found that 6,642 were paid within 7 days, 12,177 were paid within 8 to 30 days, and 2,947 were paid after 30 days, a reduction of over 922 when compared to the prior fiscal year.

3.11 **Extended Payment to Suppliers.** Again, we are concerned that a total of 304 invoices remained unpaid for more than four months. **Accounting Officers are therefore encouraged to pay their invoices within the stipulated deadlines.**

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



Statement of Outstanding Liabilities

3.13 **Total Outstanding Liabilities.** These amounted to \$1,393,069 and represented a decrease of \$158,502 when compared with outstanding amounts at the end of the prior fiscal year.

3.14 **Outstanding liabilities for goods and services supplied.** These amounted to \$275,327 and represented a major decrease of \$218,781 when compared with the outstanding amounts at the end of the prior fiscal year.

3.15 Section 68(2) of the PFMAR states that “Expenditure properly chargeable to the account of a given year must, as far as possible, be met within that year and must not be deferred for the purpose of avoiding an excess on the amount provided in the estimates”.

3.16 We have seen a vast reduction in the outstanding liabilities for Ministries/Departments. Using a sample of entities that had outstanding bills amounting to

more than one percent of total outstanding liabilities, the results of our investigation into the reasons for non-payment in the correct accounting year are detailed below.

Ministry/Department	Work completed late or bills received late for processing	Insufficient funds	Awaiting response from HRMU	Late reconciliation with entity	Invoices rejected by Treasury	Other	Total EC\$
AGC		318					318
MCRS	13,843						13,843
MHSS						83,343	83,343
MCW						719	719
HRMU						10,514	10,514
ODG	6,050						6,050
MOE						1,194	1,194
MAGISTRATE COURT	800						800
SUPREME COURT						762	762
MOFEM						96,774	96,774
OP						61,010	61,010
TOTAL	20,693	318				254,316	275,327

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

3.18 Bills Outstanding due to insufficient funds. Only \$318 of the total amount sampled was reported as outstanding due to insufficient funds.

3.19 Outstanding Liability – GSB Unsettled Deposits. Liabilities outstanding to the depositors of the now defunct Government Savings Bank amounted to \$1,117,742.

Statement of Revenue Received

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

Table 14

Local Revenue Collected by Ministry/Department Fiscal Year 2022/2023

Vote	Details	Budgeted Amount \$	Actual Collection \$	Variance \$
05	Police	675,600	346,960	(328,640)
08	Magistrate Court Service	55,000	32,656	(22,344)
09	Supreme Court	11,500	28,109	16,609
10	Legislature	2,000	5,517	3,517
11	Audit Office	60,000	11,400	(48,600)
12	Office of the Deputy Governor	290,000	334,331	44,331

15	Office of the Premier	795,500	362,653	(432,847)
20	Min. of Finance & Econ. Mgt.	43,751,300	50,434,203	6,682,903
30	Min. of Agriculture	1,158,000	1,448,487	290,487
35	Min. of Communication & Works	3,358,300	3,188,589	(169,711)
40	Min. of Education, Youth Affairs & Sports	332,000	198,287	(133,713)
45	Min. of Health and Social Services	<u>1,650,800</u>	<u>913,542</u>	<u>(737,258)</u>
	Total	<u>52,140,000</u>	<u>57,304,734</u>	<u>5,164,734</u>

3.21 **Increased Collections.** When compared to collections of the prior fiscal year, we note an increase of \$5,064,490 in actual local revenues. Additionally, the table also shows that actual collections of local revenue well exceeded their budgeted amounts for this fiscal year.

Statement of Arrears of Revenue

3.22 **Increasing Arrears of Revenue.** These amounted to \$40,585,167 and represented a significant increase of \$6,534,162 when compared with outstanding amounts at the end of the prior fiscal year.

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

3.24 We noted that, at time of drafting this Report, the Ministry of Finance and Economic Management made a request and received the necessary approval from the Montserrat Legislative Assembly to write off uncollectible arrears. This Resolution to Write Off Public Money, S.R.O. No. 3 of 2024, authorized the write-off of \$21,222,737, which was for items that had been outstanding for a number of years and were deemed uncollectible, however this will be reflected in the 2023/24 financial statements.

Statement of Development Expenditure

3.25 **Capital Expenditure Utilized.** The Appropriation Warrants authorized spending of \$65,467,400. Actual expenditure was \$35,033,923, this being 54% of the amount allocated. Expenditure utilization ranged from a high of 61% in the Ministry of Communications and Works to no capital expenditure being recorded in the Office of the Deputy Governor. The overall utilization has improved from prior fiscal years.

CHAPTER 4 OTHER FINANCIAL AUDITS

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

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

4.3 Our primary focus here is to report on the status of financial audits at the end of the reporting period. However, we will also report on audits that were undertaken, finalized, and tabled after that date, but before our Report on the Public Accounts for fiscal year 2022/2023 was completed.

Public Accounts of Montserrat

4.4 The Report on the Public Accounts for the fiscal year ending 31 March, 2022 was completed and tabled in the Legislative Assembly on the 29 September, 2023. The audit opinion was qualified for material misstatements.

Montserrat Land Development Authority (MLDA)

4.5 The audited Financial Statements (Corporate) for the year ended 31 March 2020 were tabled in the Legislative Assembly on 22 April 2024. This entity's status represents 3 years of arrears.

4.6 The audited Financial Statements (Housing Stock) for the year ended 31 March 2021 and 2022 were tabled on 5 March 2024. The statements for the year ending 2023 will be tabled at the next sitting of the Legislative Assembly.

Montserrat Social Security Fund (MSSF)

4.7 The audited Financial Statements for the financial year ending 31 March 2021 were tabled in the Legislative Assembly on 23 July 2024. This entity's status represents 3 years of arrears.

The Montserrat Port Authority (MPA)

4.8 The audited Financial Statements for the financial year ending 31 March 2023 were tabled in the Legislative Assembly on 30 January 2024.

Montserrat Financial Services Commission (MFSC)

4.9 The Financial Statements for the past 4 years were audited but not presented to the Ministry of Finance for tabling in the Legislative Assembly. The entity was instructed to make the relevant request for tabling at the next sitting.

Montserrat Utilities Limited (MUL)

4.10 The audited Financial Statements for the financial year ending 31 March 2021 were tabled in the Legislative Assembly on 20 December 2022. This entity's status represents 3 years of arrears.

Montserrat Info-Communication Authority (MICA)

4.11 The audit of the MICA's Financial Statements for the financial year ending 31 March 2020 was completed and is being finalized for tabling. This entity's status represents 4 years of arrears.

Montserrat Volcano Observatory (MVO)

4.12 The audit of the MVO's Financial Statements for the financial year ending 31 March 2015 were tabled in the Legislative Assembly on 22 April 2024. The audited Statements for 2016 and 2017 will be tabled at the next sitting of the Legislative Assembly. This entity's status represents 7 years of arrears.

Bank of Montserrat Limited (BOML)

4.13 The Bank Management has provided us with published copies of the audited Financial Statements for the fiscal year ending 30 September 2022. This entity's status represents fully current compliance.

Montserrat Arts Council (MAC)

4.14 The Financial Statements for the financial year ending 31 March 2017 were audited and will be submitted to the Legislative Assembly. This entity's status represents 6 years of arrears and requires urgent attention to be brought up-to-date.

Montserrat Community College (MCC)

4.15 We are awaiting the submission of the draft Financial Statements for the financial year ending 31 March 2016 for audit. This entity's status represents 7 years of arrears and requires urgent attention.

Montserrat National Trust (MNT)

4.16 The Financial Statements for the financial years ending 31 March 2021, 2022 and 2023 were audited and will be tabled at the next sitting of the Legislative Assembly. This entity's status represents fully current compliance.

Montserrat Philatelic Bureau (MPB)

4.17 The Financial Statements for the years ending 2014 to 2023 are outstanding. This entity's status represents 10 years of arrears and requires most urgent attention.

Basic Needs Trust Fund (BNTF)

4.18 The audited Financial Statements for the financial year 2020 will be tabled at the next sitting of the Legislative Assembly. This entity's status represents 3 years of arrears.

Montserrat Civil Service Association (MCSA)

4.19 The Financial Statements for the financial year ending 30 September 2017 were audited and will be tabled at the next sitting of the Legislative Assembly. This entity's status represents 6 years of arrears and requires urgent attention to be brought up-to-date.

Golden Years Foundation for Care of Elderly (GYFCE)

4.20 The Financial Statements for the fiscal year ending 31 December 2022 are being finalized. This entity's status represents 1 year of arrears.

Montserrat Girl Guides Association (MGGA)

4.21 We are awaiting the submission of the draft Financial Statements for the financial year ending 31 December 2021 for audit. This entity's status represents 3 years of arrears.

St. Augustine Primary School (SAPS)

4.22 We are awaiting the submission of the draft Financial Statements and accompanying source documents for the financial year ending 31 August 2015 for audit. This entity's status represents 9 years of arrears and requires urgent attention to be brought up-to-date.

Cross Cutting Issues

4.23 The status of audits for Statutory Agencies and State-Owned Enterprises at the time of drafting this report is shown. Notably, there has been significant improvement in entities ensuring the completion of the audited accounts.

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

ENTITY	Year(s) Outstanding									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Financial Services Commission										√
Basic Needs Trust Fund						√	√	√	√	√
Montserrat Arts Council					√	√	√	√	√	√
Montserrat Community College			√	√	√	√	√	√	√	√
Montserrat Info-Communication Authority								√	√	√
Montserrat Land Development Authority – Corporate								√	√	√
Montserrat Land Development Authority – Housing Stock										
Montserrat National Trust										
Montserrat Philatelic Bureau	√	√	√	√	√	√	√	√	√	√
Montserrat Port Authority										
Montserrat Social Security Fund									√	√
Montserrat Utilities Limited									√	√
Montserrat Volcano Observatory					√	√	√	√	√	√
Bank of Montserrat Limited										

4.24 **Slow responses to queries and/or requests for adjustments.** We have noted a number of occasions where responses to queries or requests for adjustments to the accounts take an inordinately long time in coming. It is management’s responsibility to ensure that they make timely responses to auditors’ queries and to make requested changes promptly, thus ensuring that audits are concluded in a timely manner.

CHAPTER 5 PERFORMANCE/COMPLIANCE AUDITS

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

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

Standards used

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

Performance Audit of the Montserrat Land Development Authority

Background

5.4 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 subsidized public housing for approved tenants; commercial leases of land; and sale of land/housing to eligible individuals at affordable prices.

Scope of Performance Audit

5.5 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

5.6 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

5.7 **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.

5.8 **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.

5.9 **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).

5.10 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 prioritized based on a worst-case scenario.

5.11 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

5.12 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.

5.13 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 centralization 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.

5.14 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.

5.15 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 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.

5.16 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

5.17 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 subsidized 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.

5.18 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 jeopardizing 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 livable conditions.

Special Audit of the Cuban Medical Brigade

Background

5.19 From the time that the W.H.O.'s reporting mechanisms alerted Governments worldwide about this new rapidly spreading disease, the Ministry of Health and Social Services in Montserrat began to plan for the local mitigation of risks of a COVID-19 pandemic. The Government of Montserrat requested the assistance of the Cuban Government in providing doctors and nurses to Montserrat. Initial contact was made by a Memorandum dated March 18th, 2020, through the OECS. The Director, External Affairs, Office of the Premier, Montserrat approached the Cuban Ambassador in St. Lucia by email dated April 30th, 2020. By email on May 2nd, 2020, the Deputy President of Cuban Medical Services, confirmed

their availability. A contract was signed on July 14th, 2020, for 13 medical professionals: 5 doctors and 8 nurses. Their actual date of arrival in Montserrat was July 21st, 2020.

Scope of Performance Audit

5.20 In exercising its mandate under the Constitution Order, 2010, the Office of the Auditor General performed a review of the Government of Montserrat's Response to COVID-19 as part of its annual financial audits of the Public Accounts. This brief report represents a summary of some additional work done to review a sub-set of that information and the available evidence for the early period of the pandemic.

Objectives of the Audit

5.21 Our objective in this review was to determine whether the Government's handling of the Cuban Medical Brigade followed relevant best practices and regulations. We sought, in particular, to identify areas of weakness and lessons learned that could be applied to continue to strengthen the system of public health on the island.

Main Findings

5.22 **Finding:** Several months passed between [a] the identification of gaps in local medical capacity in preparation for, and response to, the pandemic, and [b] the arrival of the first corps of physicians and nurses from Cuba. Negotiations were also constrained by available budgetary resources for the Ministry of Health.

5.23 **Finding:** Large sums were charged to the Government of Montserrat for local transportation of the Cuban medical workers. The Ministry of Health has explained that, during the early months of the pandemic, extra precautions were taken to safeguard the medical professionals through dedicated transportation-services, which provided a travel-bubble. Special arrangements for transportation were also necessary to accommodate the various shifts at the hospital, at clinics, and elsewhere, some of which involved long waiting times between incoming and outgoing personnel, and also included work-times that do not correspond with normal bus-services during 8 a.m. to 4 p.m. By contrast, the cost of transportation by members of the Defence Force was the incremental actual cost of gasoline/diesel only.

5.24 **Finding:** Comparison of some service-providers' invoices to the Government of Montserrat (e.g., transportation, rents, meals) with regular rates from other providers revealed evidence of a few instances of likely over-charging to pre-empt the tax-withholding of 10%. The net effect was that the Government was charged more than usual rates, both before and after taking account of the 10% tax-withholding. The Treasury Department has confirmed that it has had similar conclusions in some instances.

5.25 **Finding:** Some public officers provided, and were paid or charged the Government for, goods and services for the Cuban Medical Brigade. The General Orders for the Public Service and best practices against corruption usually require/recommend that full-time employees of the Government of Montserrat be dedicated to their occupation in the public service. However, there was good interdepartmental co-operation in the assignment of officers to provide specified services to the Cuban Medical Brigade.

Key Recommendations

5.26 **Recommendation:** The large number of existing drivers and vehicles within the public sector could be used more efficiently and effectively in the national interest at little or no additional costs. Greater interdepartmental coordination and oversight are required to ensure that the available vehicles and drivers are allocated optimally to provide the best service and outcomes at the lowest costs per unit of output/person served. E.g., even in cases of secondment/sharing, a given vehicle might be shared by two or more departments in complementary ways: for instance, one use might be for food-deliveries or home-visits during daylight hours or the main work-day, whilst another use of the same vehicle could be dedicated to transportation of medical employees for early morning and night shifts.

5.27 **Recommendation:** Even in times of emergency, there are opportunities, both in preparation for potential crises, and after crises arrive, to use pre-qualified service-providers at short notice. However, times of crisis and instances of new or unusual procurement are all the more important times to seek the advice and the inputs of the Procurement Unit. Indeed, the public-health protocols of the past two years encouraged the widest use of electronic channels for communication and for advertising of public procurement. The established procurement-platforms increase the visibility of contracts to be awarded, while minimizing the cost of procurement (including the cost of the advertising of goods and services desired).

5.28 **Recommendation:** The Government should establish a schedule of fair and reasonable rates and prices for commonly procured products and services. Deviations should be flagged immediately for investigation, review, and negotiation. The sharing of price-data and experiences across Ministries/Departments would benefit all participants by ensuring a broader and deeper range of inputs into procurement-decisions, a better assessment of suppliers over time, and more accountability for service-providers.

Special Audit

The Government of Montserrat Fiscal Stimulus Packages – Business

Overview

5.29 In mid-March 2020, the first case of coronavirus was identified on Montserrat and subsequently the Government of Montserrat activated its action plan. This virus threatened lives and forced the closure of all non-essential public and private sector services, disrupting health services and the economy in general. The first national lockdown was from 25 March to 24 May 2020. This is the third report in the trilogy, which focuses on the Government of Montserrat's (GOM's) Stimulus Packages, and was undertaken to support the Legislative Assembly in its scrutiny of the GOM's response to the COVID-19 pandemic. A number of financial initiatives were developed by the Ministry of Finance and Economic Management (MOFEM) to assist in alleviating the increasing hardship on businesses and individuals owing to the pandemic. This audit sought to examine the overall adequacy of the management of the stimulus packages and the effectiveness of the management and evaluation controls.

Main Findings

5.30. **Success in designing and execution.** The MOFEM must be commended for designing and executing the stimulus packages to support businesses and individuals who lost income as a result of the public health measures against the COVID-19 pandemic.

5.31. **Segregation of duties.** There was no segregation of duties as the assessor and the final approver of the applications was the same person for the period April to June 2020. Reportedly, for the month of February, 2021, the MOFEM adjusted the requirement to allow for segregation of duties in practice, but this was not documented.

5.32. **Non-compliance with internal guidance.** During year 2020, the MOFEM did not comply with the requirement of its Process and Guidance Note (PGN) for Covid-19 Business Applications that only bills/statements (and not receipts) are to be used for assessing the amounts eligible for payment. This action of accepting receipts was discontinued for the assessments in 2021 but the policy was not amended to reflect this change.

5.33. **Outcomes of the Application process.** The MOFEM received 294 and 117 applications in 2020 and 2021 respectively. Of the 117 randomly selected applications reviewed across the various schemes being offered for Fiscal Stimulus Packages payments, 33 business salary support applications and 5 one-time grants (2020) were deemed as ineligible. The main

reason for not being eligible was the non-payment of contributions to the Montserrat Social Security Fund.

5.34. **No internal assessment was undertaken.** The MOFEM did not conduct an overall review of the scheme. Reportedly, the MOFEM stated that the Relief Measures Reports and the built-in checks and balances put in place to detect any issues that could arise, were sufficient. We noted, though, that the MOFEM Outline of Actions – Coronavirus document dated 1 April, 2020, stated that a review of businesses will be carried out to confirm whether there were any instances that benefits payments were not passed on to eligible employees. The Relief Measures Reports presented only a synopsis and potential policy actions to combat the impact of the COVID-19 pandemic. The reports did not provide a wholistic picture of the outcome and effectiveness of the grant schemes.

5.35. **Enhance Inter-agency Co-operation.** The MOFEM should utilise this opportunity to enhance inter-agency co-operation (e.g. Companies and Intellectual Property Offices, the Montserrat Social Security Fund, and the Inland Revenue Division of the Montserrat Revenue and Customs Department) and create integrated databases for a comprehensive view of employees and businesses. This will make it easier to administer future benefits of all kinds, while minimising any potential risks.

5.36. **Ensure segregation of duties.** Segregation of duties is an internal control measure that separates duties among more than one individual to complete tasks to mitigate the risk of waste or fraud. To allow for effective segregation of duties in the future, the MOFEM must always ensure that the assessor and the approver cannot be the same person.

5.37. **Strengthen recording and documentation.** We recommend that, where there are amendments to an executed policy, adequate documentation should be maintained for ease of referencing. This should include (1) the rationale for each amendment, (2) evidence of the appropriate approval of the amendment, (3) the date that it was approved, and (4) the date that it became effective.

5.38. **Further enhance accountability and transparency.** As a lesson learned, the MOFEM should always conduct an internal review of all schemes to assess (a) their achievement of identified deliverables, (b) potential risks and (c) issues arising from previous or current schemes, to enable improvements in future schemes. In addition, the Ministry should consider strengthening the built-in checks and balances in order to minimise the errors noted during the audit.

Audit Conclusion

5.39. The GOM decided that a support scheme was required to minimize the hardship experienced by businesses that were struggling in the current economic environment with the ongoing pandemic. This scheme to assist business owners and unemployed/displaced individuals was effected with good intent.

5.40. Despite not having sufficient time required for the design and implementation of the fiscal stimulus packages, the MOFEM considered what was needed in the initial design to meet the Government's objective of delivering the benefits of the scheme to eligible workers as quickly as possible. The procedures for applying for benefits and for assessing the requests were streamlined for ease of understanding and for ensuring simplicity. In addition, the MOFEM introduced a number of controls to limit potential abuse of the scheme however, there were concerns relating to overlapping of roles, deviation from the agreed policy and undocumented changes of process.

5.41. Notwithstanding the findings highlighted above on the required strengthening of the criteria and controls, it is generally felt that given the prevailing economic circumstances and the sector's inability to cope or the extended difficulties that were being encountered, further assistance should have been given. The MOFEM could have extended the period of benefit to eligible businesses, especially businesses and workers in the tourism sector, which remained closed for about two years as the actual disbursements were approximately one third of the provisional amount.

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

CHAPTER 6 IT AUDITS

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

Standards Used

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

Integrated Information Technology Asset Management Audit on Ministry of Education Interactive White Boards in Schools

Overview

6.3 The Ministry of Education developed an Education Development Plan in alignment with the Government of Montserrat's (GOM) national long-term objectives and goals that were established in both the Sustainable Development Plan and the National Information Communications & Technology Policy, Strategy & Implementation (NICT) Plan. Under the focus area of "Learning", the NICT policy objective is to *"...Use ICTs to improve the management and delivery of education services, and enhance the learning experience and outcomes throughout the education system..."*. Interactive Whiteboards (IWBs) were one of the chosen ICT assets that were procured for the Montserrat Secondary School, and the Brades and Lookout Primary Schools under various projects.

Main Findings

6.4 The surveyed teachers highlighted that the use of Interactive Whiteboards for teaching lessons with images, videos, and/or audio files, has made learning more enjoyable. The online educational games, the question and answer sessions, the group problem solving and learning exercises, make the lessons more interesting and capture the students' attention. The Interactive Whiteboards also provide teachers with a different method of engaging students with disabilities, and/or those who have difficulty understanding the learning materials through the traditional way, that is, via visual, auditory, and kinetic elements. Therefore, the students are more interactive with the teachers and participate more in class lessons, which are now more vibrant and engaging.

6.5 Occasionally, there are disruptions in the Internet service from the local service provider(s), which hinders the viewing of online learning material during class (for example, YouTube).

6.6 There is a draft ICT Policy; however, it is not a recognized policy for regulating the ICT initiatives undertaken and implemented by the Ministry of Education.

6.7 Adequate asset records of the Interactive Whiteboards are not being kept: that is, they are not labelled with asset tags, nor are they recorded in the MOE's and Treasury Department's digital Asset Register. The MOE and public schools are not adhering to the various GOM policies and of the Public Finance (Management and Accountability) Act.

6.8 The four (4) all-in-one printers were never installed in the Science Labs and classroom for reason(s) that are unclear. Reportedly, all four of these heavy-duty printers are still in the sealed, original boxes, and being stowed in various storage rooms on the school's campus. During the audit, only one sealed box was observed by the auditors; the storage sites of the remaining three (3) devices could not be verified.

6.9 There is failure by Management to make provisions for the essential and ongoing capacity-building training of the MSS teachers to effectively use IWBs in the classrooms; especially with the high turnover of teachers. Therefore, both the teachers and the students have not fully benefited from the effective and efficient use of these very costly ICT assets; resulting in value for money not being achieved.

Recommendations

6.10 It is urgent and overdue for the Ministry of Education (MOE) to review, update, and officially endorse an ICT Policy, as it is very important to have structured principles to ensure Governance in ICT undertakings.

6.11 ICT Assets in the public schools should be properly labelled with asset tags, recorded in the MOE's and Treasury Department's digital Asset Registers, and also in hardcopy. It is the responsibility of the MOE and school officials to ensure that all assets distributed or receive by the Schools are appropriately registered.

6.12 The Montserrat Secondary School needs to give an account to the MOE about the locations and the operational status of the four all-in-one printers. If they are in working order and are not being used, they should be installed in the Science Labs and classroom with fully functioning IWBs, as per the original purpose they were purchased for with the awarded NICT grant funding.

6.13 The MOE must make provisions to facilitate continuous capacity building training for all GOM's public school teachers in the effective use of the IWBs, and full integration of these assets into individual lesson planning.

Audit Conclusion

6.14 Overall, the Office of the Auditor General has determined that the Ministry of Education and the other stakeholders involved in the various GOM initiatives to introduce the use of IWBs into the island's public schools, were compliant with the required procurement process as outlined in *CAP 17.07 Public Finance (Management and Accountability) Act 2008*, and the *Public Finance (Management and Accountability) (Procurement) Regulations, 2019*. The Interactive Whiteboards have proven to be useful teaching tools in the three Government-run schools; they have improved the quality of teaching, and enhanced the learning experiences of both teachers and students.

6.15 A strong regulatory framework is in place, but in practice, the Ministry of Education and the Montserrat Secondary School, have failed to meet the necessary requirements of registration, maintenance, write off and disposal of the Interactive Whiteboards and related devices.

6.16 Our findings also show that some of the IWB implementation projects were not very cost-effective, i.e. the Lookout Primary School Expansion project, and the incomplete BNTF funded ICT in Schools project. In addition, no consideration was given for the provision of a recurring budget towards the maintenance of the IWBs and the associated devices, or ensuring that there is a trained professional readily available within the MOE, or on island, to perform maintenance services. Consequently, a number of items (practically brand-new, obsolete, and/or inoperable ICT devices), remain mounted but useless in the classrooms. In each of these instances, there was no value for money for the Government, for the teachers, or for the students.

Department of Agriculture Fisheries and Ocean Governance Unit: FISHCANA Fisheries Data Management System

Overview

6.17 As a result of volcanic eruptions during and since year 1995, the Government of Montserrat lost historical data and documents that were largely paper-based (aerial photography, statistics, scientific papers, and associated data) and the existing data still remain vulnerable to damage or loss from inclement weather or more volcanic activity. More

recently, the Fisheries and Ocean Governance Unit, along with other Caribbean countries in the region, lost all of its historical fisheries data that were being housed by the Caribbean Regional Fisheries Mechanism's database CARIFIS (Caribbean Fisheries Information System). The CARIFIS database stopped working in late 2012/early 2013, owing to conflict caused by a software update. The Joint Nature Conservation Committee in partnership with the UK Government initiated two projects at MATLHE, aimed at improving Montserrat's capacity to store, to manage, to use and to analyze data. One of the projects was the development of the fisheries data collection database system, FISHCANA, for national and international reporting and support of Marine Spatial Planning.

Main Findings

6.18 The FISHCANA system on the iPads and the centralized database on the server, is very user-friendly with straightforward modules comprising dropdown menus with options, text fields, contained buttons for the easy input of fisheries data, and application and information security controls. The database can be accessed via a web browser from any ICT device once there is internet or Wi-Fi access.

6.19 Currently, the FISHCANA system is not being utilized for the collection of fisheries data, owing to software and hardware related issues, such as: (i) the FISHCANA iOS on all three iPads was not synchronizing with the server whenever the Fisheries Technicians attempted to upload and store the collected fisheries data into the database; (ii) the Reporting module does not properly filter and/or query the fisheries data, for analysis; and (iii) the sole iPad equipped with Wi-Fi access sustained damage to its screen, therefore viewing and input of the data were difficult.

6.20 As a result, the Fisheries Technicians (FT) have reverted back to the traditional part manual, part computerized method of collecting and recording the local fishers' catch and effort data, which are also being manually inserted into the FISHCANA database.

Subsequent Events

6.21 Two of the three iPads were retrieved by the contractor in late June 2022, in order to resolve the above-mentioned issues. However, towards the conclusion of the audit in early July 2022, the third iPad (with the damaged screen) could not be accounted for, by Management.

6.22 FISHCANA is owned by JNCC; but legally, the collected fisheries data that is entered and stored in the FISHCANA database and used for analysis, is owned by the fishermen not the Government of Montserrat. The Fisheries and Ocean Governance Unit has indicated that

it never formally asked for the fishermen's permission, since the advent of the FISHCANA project.

6.23 The *CAP 9.01 Fisheries Act* of 2013, does not enable the Chief Fisheries Ocean Governance (FOG) Officer to perform his duties effectively in regards to the registration and certification of fishermen and fishing vessels, as there are no prescribed fees. Therefore, all fishing activities and the operation of fishing vessels in Montserrat's waters are technically illegal. However, the Fisheries Unit is currently in the process of updating this law with the guidance of an overseas legal consultant.

6.24 The collection of fisheries data is ineffective and inaccurate. It is not being done properly for a number of reasons: for e.g., (1) poor collection protocols, (2) lack of cooperation by some of the fishers, (3) transportation issues, (4) data is not being collected from the other three landing sites, or during the weekends, when a lot of the fishermen go to sea.

Recommendations

6.25 Aside from the FISHCANA Fisheries Data Management software issues being resolved by the owner, JNCC, if effective and high-quality data-collection is to be achieved by the FOGU, the following and other key changes need to be considered and actioned:

6.26 **Collaboration of duties.** To ensure greater efficiency in the collection of data by the technicians, we suggest that two FTs should be present to collect the fisheries data at the major landing site. While one is measuring and/or weighing the catch, the other officer would be recording the information.

6.27 **Adjusting of the FOGU's working hours.** Consideration should be given for the implementation of a rotation shift system for the weekends to ensure that the FTs capture more robust, high-quality and comprehensive fisheries data.

6.28 Dedicated transportation for the FOGU. In order for the FTs to effectively and efficiently execute the required tasks for the proper collection of fisheries data (conduct interviews, visit the other landing sites, and data sampling), sizeable pieces of equipment and tools are to be transported. Therefore, it is important that the JNCC pickup truck be used exclusively by the FTs and the vehicle should be kept at the Little Bay Market parking lot for easy access during working hours. A second vehicle is required to ensure data collection at other landing sites.

Audit Conclusion

6.29 The Office of the Auditor General has determined that the FISHCANA software for the management of fisheries-related data is very well designed and user friendly. However, because this bespoke software has been adversely affected by a number of internal and external contributory factors, it is not being fully utilized for all of the intended purposes and expected benefits for which it was developed. To get full value for money from the software, several problems must be solved: that is, (a) to secure the data on MALHE's data gateway server by resolving and reforming the storage issue, to ensure that the fisheries data is readily accessible for analysis, (b) to streamline and to improve the flow of data from being collected at the landing site to being entered into the fisheries database, (c) to lessen the time taken for data entry, (d) to improve the quality of the collected data by reducing data entry errors.

6.30 However, once the software, hardware, environmental, interpersonal and other impacting factors are addressed, FISHCANA has the potential to be a very effective tool for the efficient collection, secure storage, and analysis of Montserrat's data for fisheries.

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

CHAPTER 7 AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE

Strategic Assessment

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

Governance Arrangements

7.2. Our preliminary work plans are usually shared with the Public Accounts Committee (PAC) and its input is sought for other areas that could be included. For audit work, I report to the Legislative Assembly, through the Ministry of Finance and the Clerk of the Legislative Assembly's Office. For administrative matters, I report to the Governor. Internally, the Audit Managers assisted the Auditor-General (Ag) in managing the department where necessary. Of major concern is that the substantive post of Auditor General has remained vacant since May, 2021. This, together with some other vacancies and issues, posed continuing challenges in fulfilling our mandate in a timely manner.

Legal Environment

7.3. Sections 103 of the Montserrat Constitution Order 2010 provides guidance on the functions of the Auditor General and by extension that of her office. Perusal of this section will highlight that the Auditor General is mandated to audit and to report on the public accounts of Montserrat and of all public offices, including the Courts, the central and local government administrations, universities and higher education institutions, and any public corporations or other bodies established by an Act of Parliament. This is supported by the Public Finance (Management and Accountability) Act (PFMAA), 2008, which outlines the accounts to be audited by the Auditor General.

7.4. The Constitution Order, 2010, also allows the Auditor General to conduct value-for-money audits where the economy, the efficiency and the effectiveness of Government's systems, operations, and transactions are assessed.

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

Risk Assessment and Management

7.6. The OAG manages risks to the achievement of both financial and operational objectives. The senior management team ensures that our risk register is kept under review and that there are appropriate management practices in place to mitigate the risks identified. We have identified our main risks and have grouped these under challenges. These risks are listed in the OAG's fiscal risk register. We endeavour to review the register semi-annually and amend it where necessary. It is important for risk assessment to be undertaken to assist us in achieving our objectives, while recognizing where we lack full capacity and resourcing.

Strategic Plan Progress

7.7. Our Key Strategies for the 2022/23 financial year were:

- a) Performing requisite audits and report on the public accounts of Montserrat and of all public offices in accordance with the Montserrat Constitution 2010. This is an on-going activity and involves performing our core function as the External Auditors for the Government of Montserrat.
- b) Establishing the Montserrat National Audit Office to ensure an independent audit office that facilitates accountability and transparency. Again, this did not come to fruition in this reporting year.
- c) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and development of policies, procedures and guidelines that facilitate quality work and meet international audit standards/guidelines. This is an ongoing activity in which we continuously engage in various capacity-building activities to improve our audit skills.
- d) Relocation of the Audit Office to new accommodation at the Financial Services Commission Building

7.8. The core activities of the OAG will continue to be the financial audits of the Government and its agencies; and performance audits reporting to the Legislative Assembly on the economy, the efficiency and the effectiveness of public spending. Holding the Government to account for its spending and for providing value for money in public services endures as our fundamental area of focus. Overall, we have had mixed results in accomplishing our strategic goals for the year. Some of the challenges we faced that impacted our achievement are highlighted below.

Challenges faced during the year

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

- Shortage of staff
- Untimely feedback from Auditees
- Ongoing accommodation Issues
- Intermittent utility outages

OAG's Financial Performance

7.10. Approved revenue amounted to \$60,000. Actual collection was \$6,000.

7.11. Our budgetary allocation for the fiscal year 2022/23 was \$1,364,400. Actual expenditure totaled \$1,165,267, leaving an unexpended amount of \$199,133.

7.12. As in prior years, material expenditures continue to be compensation of employees and acquisition of goods and services, utilizing 63% and 17% of the budget, respectively.

Human Resource Management and Development

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

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

Workforce Performance

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

Type of Audit	Quantity
IT Audit	2
Performance Audit	1
Financial Audit	3 (covering 5 years)
• Statutory/Private	1
• Public Accounts	1
Compliance Audit	0
Special Audit	2

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

7.16. As part of our audits, we provide recommendations that would aid Accounting Officers in improving their operations. It is our practice to see whether these recommendations are being implemented, or whether the issues identified in our audits have been otherwise addressed. In our review, we found that, as at 31 March 2023, 19% were fully implemented, 7% were partially implemented, 41% were in progress, and 31% were not implemented, whilst we got no response for implementation for 2%. See Appendix 5 for the status of audit recommendations.

7.17. We, are urging Accounting Officers and Heads of Departments to take seriously this aspect of their responsibilities. This will allow them to fulfil the requirements of the PFMAA, 2008 and the related Regulations, 2009.

Acknowledgements and Appreciation

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

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

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



MARSHA V. E. MEADE
AUDITOR-GENERAL (Ag)
OFFICE OF THE AUDITOR-GENERAL
MONTSERRAT
15 AUGUST 2024

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APPENDIX 1
GOVERNMENT OF MONTSERRAT
Consolidated Fund - Statement of Assets and Liabilities as at March 31, 2023
(with comparative figures for March 31, 2022)

FINANCIAL ASSETS	Notes	2022	2023
Consolidated Fund Accounts	2	5,303,935	4,871,638
Operating Account at ECCB	3	223,864	228,306
Development Capital Fund Account	4	34,693,686	25,626,550
Crown Agents # 2 Account	5	2,351,442	2,289,842
Fiscal Reserve - A/C # 1 Tranche ECCB	6	4,656,225	4,693,675
Volcano Relief Bank Accounts	7	253,022	253,022
Equity – Bank of Montserrat Limited	8	23,066,345	14,764,996
RAC Grenada Bond	9	589,165	519,853
Personal Advances	10	301,744	329,166
Outstanding Imprest	11	-	31,146
Advances to Other Governments & Administration	12	153,449	157,711
TOTAL ASSETS		<u>71,592,877</u>	<u>53,765,906</u>

CONSOLIDATED REVENUE FUND
Statements of Assets and Liabilities as at March 31, 2023
(with comparative figures for March 31, 2022)

	Notes	2022	2023
LIABILITIES			
Miscellaneous Deposits	13	1,700,079	1,811,646
Development Fund Payable	14	29,235,290	17,513,405
Special Funds	15	<u>14,959</u>	<u>14,959</u>
TOTAL LIABILITIES		30,950,328	19,340,010
 THE CONSOLIDATED FUND			
Balance at the start of the Year		32,081,351	40,642,549
Fund Adjustments	16	7,571,478	(8,318,794)
Revenue (recurrent) for the Year		136,775,116	147,897,087
Expenditure (recurrent) for the Year		<u>(135,785,397)</u>	<u>(145,794,945)</u>
Surplus/(Deficit)		989,720	2,102,142
Transfer to Local Costs	17	<u>-</u>	<u>-</u>
TOTAL CONSOLIDATED FUND		<u>40,642,549</u>	<u>34,425,896</u>
TOTAL		<u>71,592,877</u>	<u>53,765,906</u>

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

Accountant General, Montserrat

CASH FLOW STATEMENT as at March 31, 2023
(with comparative figures for March 31, 2022)

Cash Flows from Operating Activities	Notes	2022	2023
Cash Receipts for:			
Tax Revenues	18	44,617,970	51,054,854
Non-Tax Revenues	19	6,749,210	6,073,674
Budgetary Aid and Grants	20	84,534,872	90,592,353
Revenue Receipts Development Projects		2,627,108	7,460,327
 Cash Paid for:			
Recurrent Expenditure (Excluding SCAF)	21	(134,609,685)	(145,352,482)
Revenue Expenditure Projects		(5,404,434)	(2,581,891)
Net Cash flows from Operating Activities		<u>(1,487,959)</u>	<u>7,246,834</u>
 Cash Flows from Investing Activities			
Cash Receipts for:			
Capital Project Receipts	22	19,690,540	15,851,711
Receipts for Sale of Tangible Assets		44,300	37,605
Investing Receipts Financial Assets		901,077	207,914
 Cash Paid for:			
Capital Projects		(9,485,644)	(32,452,031)
Other Fixed Assets (SCAF)		(1,175,712)	(442,463)
Net cash flows from Investing activities		<u>9,974,560</u>	<u>(16,797,265)</u>
 Cash Flows from Financing Activities			
(Increase)/Decrease in Advances			
		15,556	(62,831)
Increase/(Decrease) in Deposits			
		(414,571)	155,721
Effect of exchange rate changes on cash and cash equivalents	5	(53,767)	(61,600)
Net Cash flows from financing activities		<u>(452,782)</u>	<u>31,291</u>
 Net cash flows			
		8,033,820	(9,519,139)
Cash and cash equivalents at the beginning of the period		<u>39,448,355</u>	<u>47,482,174</u>
Cash and cash equivalents at the end of the period		<u>47,482,174</u>	<u>37,963,034</u>

Accountant General, Montserrat

**Statement of Cash Receipts and Payments for the Government of Montserrat
as at March 31, 2023**

Receipts	Notes	2022	2023
Tax Revenue			
Taxes on Income, Profits and Capital Gains		18,628,556	23,122,280
Taxes on Property		932,344	1,034,701
Taxes on Domestic Goods & Services		1,772,565	2,027,254
Licences		2,722,783	3,157,605
Taxes on International Trade & Transactions		<u>20,558,722</u>	<u>21,713,014</u>
Total Tax Revenue	18	44,614,970	51,054,854
Non-Tax Revenue			
Rents and Interest and dividends	19	991,137	904,291
External Assistance - Budgetary Aid	20	84,534,872	90,592,353
External Assistance – Development Grants	20	22,317,647	23,312,038
Fees, Fines and Permits	19	1,874,608	2,116,173
Reimbursements	19	875,168	805,544
Other Receipts Recurrent	19	3,008,296	2,247,666
Capital Receipts	24	44,300	37,605
Receipt from Investment	22	901,077	207,914
Net Receipt Advances and Deposits	26	<u>(399,014)</u>	<u>92,890</u>
Total Non-Tax Revenue		114,148,091	120,316,473
Total Receipts		<u>158,763,062</u>	<u>171,371,327</u>
Payments			
Personal Emoluments	21	47,644,585	47,239,196
Pension, Gratuities and Other Benefits	21	13,979,713	13,934,726
Goods & Services	21	42,839,231	48,510,552
Transfers and Subsidies	21	17,586,857	24,586,386
Social Services	21	4,633,935	4,969,381
Other Expenditure	21	7,869,933	5,204,224
Debt	21	1,231,143	1,350,481
Capital Expenditure (Development Fund)	25	9,485,644	32,452,031
Revenue Expenditure (Development Fund)	25	<u>5,404,434</u>	<u>2,581,891</u>
Total Payments		150,675,475	180,828,868
Cash flow Increase/(Decrease)		8,087,587	(9,457,541)
Adjustments for: Crown Agents Sterling A/c	5	(53,767)	(61,600)
Total Adjustments		<u>8,033,820</u>	<u>(9,519,139)</u>
Cash at the Beginning of the Year		39,448,355	47,482,174
Cash at the end of the year		<u>47,482,174</u>	<u>37,963,034</u>

Consolidated Statement of Comparison of Budget and Actual Amounts as at March 31, 2023
(Budget Approved on a Cash Basis)
(Economic Classification of Payments)

	Notes	Original Budget	Final Budget	Actual 2023	Budget Variance	Actual 2022
Cash Inflows						
Taxation	18	43,992,000	43,992,000	51,054,854	(7,062,854)	44,614,970
Non-Tax	19	4,567,900	4,567,900	3,964,609	603,291	4,572,677
Other receipts	19	3,580,100	3,580,100	2,285,271	1,294,829	3,052,596
Grants:						
Budgetary Aid	20	88,031,700	88,031,700	90,592,353	(2,560,653)	84,534,872
Development Grants	20	53,862,000	65,467,400	23,312,038	42,155,362	22,317,647
Total Inflows		194,033,700	205,639,100	171,209,125	34,429,975	159,092,763
Cash Outflows						
Personal Emoluments	21	50,483,200	47,903,400	47,239,196	664,204	47,644,585
Pensions, Gratuities & Other Benefits	21	14,567,500	13,993,600	13,934,726	58,874	13,979,713
Goods & Services	21	43,915,300	49,507,800	48,510,552	997,248	42,839,231
Transfers and Subsidies	21	19,428,000	24,718,400	24,586,386	132,014	17,586,857
Social Services	21	4,500,200	4,999,200	4,969,381	29,819	4,633,935
Other Expenditure	21	5,922,800	5,588,400	5,204,224	384,176	7,869,933
Debt	21	1,354,700	1,356,100	1,350,481	5,619	1,231,143
Capital Expenditures	25	53,862,000	65,467,400	35,033,923	30,433,477	14,890,078
Total Outflows		194,033,700	213,534,300	180,828,868	32,705,432	150,675,475

CONSOLIDATED FUND - April 2021 to March 2023
Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
1A - Tax Revenue				
110: Taxes on Income, Profits and Capital Gains	16,759,900	16,759,900	21,341,276	4,581,376
115: Taxes on Property	745,000	745,000	722,497	(22,503)
120: Taxes on Domestic Goods & Services	1,839,000	1,839,000	2,027,254	188,254
122: Licences	3,180,700	3,180,700	3,157,605	(23,917095)
125: Taxes on Int'l Trade & Transactions	20,787,400	20,787,400	21,713,014	925,614
129: Arrears of Taxes	680,000	680,000	2,093,208	1,413,208
Total Tax Revenue	43,992,000	43,992,000	51,054,854	7,062,854
1B - Non-Tax Revenue				
130: Fees, Fines and Permits	2,120,900	2,120,900	2,116,173	(4,727)
135: Rents, Interest and Dividends	1,474,500	1,474,500	1,042,892	(431,608)
140: ECCB Profits	-	-	-	-
145: Reimbursements	972,500	972,500	805,544	(166,956)
150: Budget and Grants	88,031,700	88,031,700	90,592,353	2,560,653
160: Other Revenue	3,580,100	3,580,100	2,285,271	(348,204)
Total Non-Tax Revenue	96,179,700	96,179,700	96,842,233	662,533
TOTAL RECURRENT REVENUE	140,171,700	140,171,700	147,897,087	7,725,387
Development Revenue:-				
02. British Dev. Aid Grants - Local	9,016,800	9,016,800	6,780,305	(2,236,495)
07. CDB	20,000,000	20,000,000	9,060,346	(10,939,654)
10. Local	214,000	214,000		(214,000)
12. UNDP		28,900	27,000	(1,900)
14. FCO	1,619,700	14,476,900	41,280	(14,435,620)
17. UNICEF	30,700	30,700		(30,700)
21. PAHO			18,635	18,635
25. European Union	22,818,000	21,175,200	7,058,876	(14,116,324)
30. OTEP	22,800	22,800		(22,800)
31. DARWIN	13,900	13,900		(13,900)
32. JNCC		259,200	222,584	(36,616)
37. UOL		17,200	17,282	82
38. UOE	52,600	103,500	50,946	(52,554)
39. EFTEC	7,900	7,900		(7,900)
40. SC	65,600	65,600		(65,600)
43. CEFAS		10,100	10,121	21
44. DFOCCG		24,700	24,663	(37)
TOTAL DEVELOPMENT REVENUE	53,862,000	65,467,400	23,312,038	(42,155,362)

CONSOLIDATED FUND - April 2021 to March 2023

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	SAVINGS/ (EXCESS)
CONSOLIDATED FUND EXPENDITURE:-				
05 Police & Fire	8,135,800	7,931,800	7,855,921	75,879
07 Legal	1,580,900	1,327,600	1,253,229	74,371
08 Magistrates Court	205,800	205,800	184,014	21,786
09 Supreme Court	885,600	705,100	635,534	69,566
10 Legislature	1,635,700	1,560,700	1,527,313	33,387
11 Office of the Auditor General	1,203,400	1,129,400	1,092,058	37,342
12 Office of the Deputy Governor	32,144,100	31,171,100	30,799,793	371,307
13 Department of Public Prosecution	747,300	600,300	539,277	61,023
15 Office of The Premier	13,122,800	15,322,800	15,153,137	169,663
20 Min. of Finance and Economic Mgt	26,503,500	32,855,500	32,172,025	683,475
30 Min. of Agriculture, Lands, Housing, Environ.	6,351,900	6,651,900	6,471,617	180,283
35 Min. of Communications & Works	13,061,000	14,011,000	13,948,049	62,951
40 Min. of Education, Youth Affairs, Sports	11,387,900	11,387,900	11,207,769	180,131
45 Min. of Health & Community Services	23,206,000	23,206,000	22,955,209	250,791
TOTAL CONS. FUND EXPENDITURE	140,171,700	148,066,900	145,794,945	2,271,955
DEVELOPMENT EXPENDITURE:-				
12 Office of the Deputy Governor	180,800	180,800	-	180,800
15 Office of the Premier	5,459,800	2,097,900	854,071	1,243,829
20 Min. of Finance & Economic Management	4,965,000	17,715,847	8,562,907	9,152,940
30 Min. of Agriculture, Lands, Housing, Environ.	2,553,700	2,915,800	853,465	2,062,335
35 Min. of Communications & Works	35,040,400	36,875,400	22,544,356	14,331,044
40 Min. of Education, Youth Affairs, Sports	2,344,400	2,363,753	1,131,874	1,231,879
45 Min. of Health, Community Services	3,317,900	3,317,900	1,087,250	2,230,650
TOTAL DEVELOPMENT EXPENDITURE	53,862,000	65,467,400	35,033,923	30,433,477

**GOVERNMENT OF MONTSERRART
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2023
(with comparative figures as at March 31, 2022)**

ASSETS	Notes	2022	2023
BRITISH DEVELOPMENT CLAIMS OUTSTDG	1		5,482,527
DONOR AGENCIES EXPENDITURE OUTSTD	2		9,317,592
CONSOLIDATED FUND RECEIVABLE		<u>29,235,290</u>	<u>17,513,405</u>
TOTAL ASSETS		<u>29,235,290</u>	<u>32,313,524</u>
LIABILITIES			
DEPOSITS WITHIN THE DEVELOPMENT FUND	3	37,304,246	40,401,094
LOCAL FUNDS	4	11,469	10,094
BRITISH DEVELOPMENT CLAIMS DEPOSITS	1	17,238	
CONSOLIDATED CAPITAL FUND		(15,525,232)	3,624,221
ADD: REVENUE OVER EXPENDITURE		7,427,569	(8,097,664)
TOTAL LIABILITIES		<u>29,235,290</u>	<u>32,313,524</u>

NOTES TO THE BALANCE SHEET:

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

GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
Notes to the Financial Statements
Financial Year Ending March 31, 2023

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

Note 1. Basis of Preparation

The basis of preparation of the Financial Statements is largely governed by the provisions of the PFMAA. These statements are also compliant with the Cash Basis of the International Public Sector Accounting Standards (IPSAS) Part 1. The consolidation of the Financial Statements of other entities controlled by the GOM, in particular Statutory Bodies is no longer a requirement under IPSAS.

The cash basis of accounting recognizes transactions and events only the Consolidation Fund receives or pays cash (including cash equivalents). However, consideration is given to the Government's legal and regulatory framework in relation to public finances.

(i) Budget

The approved budget was prepared on the same accounting basis (cash basis), the same classification basis, and for the same fiscal period (from April 2022 to March 2023) as the Financial Statements. The approved Budget for the fiscal year 2022-23 was \$194.03 - comprised of recurrent \$140.17m and capital \$53.86m).

On the revenue side, the budgeted revenue from local sources was \$52.14m compared to \$48.20m in the previous FY.

During the financial year, the Legislative Assembly passed three Supplementary Appropriation Bills which increased the total authorized expenditure by \$7.89m.

(ii) Outstanding Liabilities

Outstanding liabilities (short-term) as at March 31st accrued to \$1.39m. The total sum captures the balance due for goods and services \$0.28m that remains payable at the end of the reporting period, as well as \$1.1m in unsettled for deposits the now defunct Government Savings Bank.

(iii) Contingent Liabilities

Contingent Liabilities are expenses that may be incurred by a Ministry/Department depending on the outcome of an uncertain future event such as a court case. These contingent liabilities

recognize that future expenditure may arise if certain conditions are met or certain events occur. That is, the risk of a call on the Consolidated Fund in the future will depend on the outcome of a future event that cannot be predetermined by GOM. The total estimate for GOM's quantifiable contingent liabilities at the end of the financial year was \$4,072,852. There remains a number of cases for which an estimate has not yet been assigned.

(iv) Reporting Entity

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

The Annual Statements of the Public Accounts show the financial performance of the Government of Montserrat for the financial year ended 31st March, 2023 on the basis of monies held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review.

The Government, through the Treasury Department, operates a centralized Treasury function that collects revenue, and administers payments on behalf of all Ministries and Departments of the Government.

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

Government Ministries and Departments

05 Police & Fire
07 Legal
08 Magistrates Court
09 Supreme Court
10 Legislature
11 Office of the Auditor General
12. Office of the Deputy Governor
13 Department of Public Prosecution
15 Office of The Premier
20 Ministry of Finance and Economic Management
30 Ministry of Agriculture, Lands, Housing etc.
35 Ministry of Communication & Works
40 Ministry of Education Youth Affairs and Sports
45 Min. of Health & Community Services

(v) GOM's Statutory Bodies and State-Owned Entities (SOEs)

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

Financial Services Commission
Montserrat Social Security Fund
Montserrat Land Development Authority
Montserrat Port Authority
Montserrat Philatelic Bureau
Montserrat Community College
Montserrat Utilities Limited
Montserrat Volcano Observatory
Bank of Montserrat Ltd.
Montserrat National Trust
Montserrat Info-Communication Authority
Montserrat Arts Council

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

(vi) Reporting currency

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

(vii) Foreign Currency Transactions

Transactions in foreign currency are recorded at the rates of exchange prevailing at the time of transactions. At the 31st March, 2023, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating income in the year realized. Losses on exchange are treated as operating losses in the year realized. Unrealized gains and losses that arise from the changes in the foreign currency exchange rates are not deemed to be cash receipts or cash payments. The effect of the exchange rate changes the value of the cash held the foreign currency has been reported in the statement of Cash Receipts and Payments so to reconcile the cash at the beginning and the end of the period. The amount is offset against the fund balance.

(viii) Refunds of Previous Year Expenditures

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

(ix) Payments by Third Parties

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

(x) External Assistance

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

MULTILATERAL AGENCIES	
BRITISH DEVELOPMENT AID/FCDO	6,780,305
EU	7,058,876
UNDP	27,000
CDB	9,060,346
PAHO	18,635
JNCC	222,584
CEFAS	10,121
DFO	24,663
TOTAL	23,202,531

Note 2. The Consolidated Fund

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

Note 3. Operating Account - ECCB

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

Note 4. Development Capital Fund

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

Note 5. Crown Agents #2 Account

The Government of Montserrat holds several accounts at Crown Agents in the UK in Pounds Sterling and in US dollars. The amounts in these accounts represent the value in the local currency at the end of the reporting period. GOM recorded a net gain of EC\$61,599, owing to the increase of the British Pound at the end of the 2023 fiscal year.

Note 6. Fiscal Reserve - A/C 1 Tranche

Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB on behalf of the Government of Montserrat. This account was set up following an agreement with ECCB and Participating Governments in order to encourage fiscal discipline among participating members. This account is also used to disburse or settle any profit or loss distribution. There has been no movement in recent years as the Bank requires a certain level of reserves in order to disburse such payments. The movement in the balance on the account during the reporting period was due to interest payments on the account only.

Note 7. Volcano Relief Account

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

Note 8. Equity BOM

The value represents Government owned shares held at the Bank of Montserrat Ltd. During the reporting period, the Cabinet approved the transfer of shares previously held in the name of the Government Savings Bank directly to the Government of Montserrat. This transfer increases the total shares held beneficially in the name of the Government of Montserrat to 3,168,454 shares. The book value per share during the reporting period decreased from \$7.28 to \$4.66 per share. The total value of BOM as reflected in the Statement of Assets and Liabilities is \$14.7m, a reduction of \$8m from the previous year.

Note 9. RAC Grenada Bonds

The amount in the financial statements is in reference to the principal balance remaining on an investment namely; Fixed Rate Non-Callable Bonds held with the Government of Grenada. The investment funds were derived from the now defunct Radio Antilles Corporation (RAC) as a donation to the Government of Montserrat. During the year GOM received \$69,314 in principal repayment and interest totaling \$138,602. The balance on this investment now stands at \$519,853

Note 10. Personal Advances

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

Note 11. Impersonal Advances and Outstanding Imprests

The amount denotes outstanding travel and department imprests which should have been retired on or before the end of the financial year. The accounts show an increase in the balances for impersonal advances and outstanding imprests. The increase on travel imprest can be linked to the resumption of international travel post-pandemic but mainly due to officers travelling at the end of March 2023. The list of the Outstanding Advances is provided in the Statement of Advances accordance with the PFMAA.

Note 12. Advances to Other Government Administrations

Advances to Other Government Administrations represent net transactions executed on behalf of Caribbean countries and other regional, British and international organizations. Reimbursement is intended to be monthly. The Statement of Advances to Other Governments and Administration attached to these accounts provides details of the movement of the balances to these accounts.

Note 13. Miscellaneous Deposits

This represents money deposited by third parties with the Government of Montserrat and accordingly, is shown as a liability for the reporting entity. (See statement of Miscellaneous Deposits) During the reporting period a total of \$1.5m was written off against retained earnings, due to the fact that for a number of years, the balance on this line item carried deposits that can no longer be substantiated as liabilities, as the Government of Montserrat does not owe these funds to a third party and funds have been subsequently utilized to fund

recurrent expenditure and deficits with the legislative approval of supplementary appropriations.

Note 14. Development Fund Receivable/Payable

This line item in the Statement of Assets and Liabilities represents the Consolidated Fund's holding as it relates to the Development Fund, which is accounted for separately in the Public Accounts in accordance with the PFMAA. The net position at the end of the fiscal year shows that deposits in the Development Fund exceeded project expenditure; hence, the reported amount is notionally due to the Development Fund. During the reporting period, this amount increased by \$11.7 which is equivalent to the variance between development expenditure and receipts at the end of the reporting period.

Note 15. Special Funds

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

Note 16. Fund Adjustments

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

- (i) The value of shares held in the Bank of Montserrat owing to the sharp fall of the Bank's share price from \$7.28 to \$4.66.*
- (ii) The value of the loss on the Crown Agents Account totaling \$61,599 due to the fall of the pound.*
- (iii) The write down of clearing accounts totaling \$29,287 and \$14,867 as there was no claims against these balances from a third party.*

Note 17. Transfer to Local Costs

This represents the amount expended on locally funded projects; projects are usually funded against the current or the previous year's surplus. During the reporting period, expenditure made from local projects drew down on balances that were brought forward and therefore there was no call on the previous year's surplus to fund the local expenditure in the accounting period.

Note 18. Tax Revenues

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

(i) Schedule of Tax Revenues and Licences

TAX REVENUE	
<i>Taxes on Income, Profits</i>	<i>21,341,276</i>
<i>Taxes on Property</i>	<i>722,497</i>
<i>Taxes on Domestic Goods and Services</i>	<i>2,027,254</i>
<i>Licences</i>	<i>3,157,605</i>
<i>Taxes on International Trade</i>	<i>21,713,014</i>
<i>Arrears of Taxes</i>	<i>2,093,208</i>
TOTAL	51,054,854

(ii) Taxes on Income Profits and Capital Gains

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

(iii) Taxes on property

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

(iv) Taxes on Domestic Goods and Services

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

(v) Licences

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

(vi) Taxes on International Trade

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

Note 19. Non-Tax Revenue

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

(i) Fees Fines and Permits

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

(ii) Rents, Interests and Dividends and Receipts from Investments

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

(iii) Other Receipts

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

Note 20. Budgetary Aid and Development Grants

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

Note 21. Recurrent Expenditure

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

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

(i) Pensions, Gratuities and Other Benefits

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

(ii) Goods and Services

This generally refers to the goods and services consumed to meet operational requirements. This includes the maintenance of public sector buildings, maintenance of the road network, materials for schools and medicines, as well as administrative costs, such as rent and utilities. Goods and Services also include an element of capital assets. Particularly the Small Capital Asset Fund (SCAF) managed by the Ministry of Finance and Economic Management affords all Ministry's and Departments the opportunity to submit proposals for capital or fixed assets that cannot be funded through their recurrent or capital budget owing to the significant cost of the asset. The Cash Flow Statement specifically shows the total recurrent expenditure net of amounts expended under the SCAF. Expenditure for the SCAF is depicted as an outflow for investing activities.

(iii) Transfers and Subsidies

The Government makes grant and subsidy payments to regional institutions, private-sector entities and non-governmental organisations, as well as some statutory bodies, to deliver public services or to facilitate their delivery. Payments of this nature are usually given to support on-going services; they can also be for the creation of new assets. The transfers and subsidies are essentially payments in return for the provision of a service mainly to compensate for any loss that would be incurred for charging a reduced fee for providing that service. The table below shows the payments made in the reporting period.

TRANSFERS AND SUBSIDIES	
Subvention to:	
Montserrat Volcano Observatory	6,816,045
UK Overseas Mission	404,072
Montserrat Land Development Authority	100,000
Montserrat National Trust	326,000
Financial Services Commission	819,200
Montserrat Arts Council	1,108,980
Montserrat Info Communication Authority	227,000
Montserrat Philatelic Bureau	155,000
Montserrat Community College	1,446,500
Golden Years Foundation	750,000
St. Augustine School	202,000
Local Airlines	216,000
Other Subventions	40,166
Grants and Contributions to:	
Local Institutions	6,381,185
Regional Institutions	4,785,084
International Institutions	809,155
TOTAL TRANSFERS AND SUBSIDIES	24,586,386

(iv) Debt

Debt refers to all liabilities that require payments of interest and a principal sum. The GOM's total debt stock stands at \$8.5 million and takes into account the GOM's external debts and two domestic debts as detailed below:

Loan Reference	Description
Port Development Loan MOT1	Payable to the Caribbean Development Bank
Port Development Loan MOT2	Payable to the Caribbean Development Bank

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

(See the Statement of Public Debt).

(v) Total Recurrent Expenditure

RECURRENT EXPENDITURE	
<i>Personal Emoluments</i>	47,239,196
<i>Pension, Gratuities and Other Benefits</i>	13,934,726
<i>Goods & Services</i>	48,510,552
<i>Transfers and Subsidies</i>	24,586,386
<i>Social Services</i>	4,969,381
<i>Other Expenditure</i>	5,204,224
<i>Debt</i>	1,350,481
TOTAL RECURRENT EXPENDITURE	145,794,945

(vi) Social Services Expenditure

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

SOCIAL SERVICES EXPENDITURE	
<i>Sickness and Disability Benefit</i>	1,329,957
<i>Old Age Benefit</i>	2,728,986
<i>Family and Children Benefit</i>	2,618
<i>Unemployment Benefit</i>	70,463
<i>Housing Benefit</i>	333,285
<i>Social Protection (Other)</i>	155,040
<i>Legal Aid</i>	17,500
<i>Nutrition & Health Education</i>	287,304
<i>Health Promotion</i>	44,228
TOTAL	4,969,381

(vii) Other Expenditure

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

Note 22. Investing Activities

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

The schedule below provides a breakdown of the investment receipts from the GOM's financial assets for the 2022-23 FY.

INVESTMENT RECEIPTS	
BOM Dividends	-
RAC: Principal	69,313.00
Interest	138,602
TOTAL INVESTMENT RECEIPTS	207,914

Note 23. Financing Activities

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

Note 24. Capital Receipts

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

Note 25. Capital and Revenue Expenditure/Development Grants Expenditure

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

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

Note 26. Deposits and Advances

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

APPENDIX 2
(extract from)

2010 NO.2474

THE MONTSERRAT CONSTITUTION ORDER 2010

PART VIII
FINANCE

Financial control and accounts

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

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

Auditor-General

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

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

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

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

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

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

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

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

Commonwealth or Ireland or a court having jurisdiction in appeals from such a court;

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

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

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

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

Position and remuneration of Auditor General

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

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

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

Functions of Auditor General

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

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

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

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

National Audit Office

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

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

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

Judith Simpson
Clerk of the Privy Council

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

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

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

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

Appendix 4

Accounts to be submitted by accounting officers

(Extract from Public Finance Management and Accountability Act)

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

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

APPENDIX 5
Status of Audit Recommendations as at March 31, 2023 (Reports Tabled by September 30, 2022)

Reviews	Finding	Recommendation	Current Status (see above)	Actions Undertaken	Responsible Officer/Completed/Target Date
<p>Report of the Auditor General on the Audit of the Public Accounts 2021</p>	<p><i>Reporting of Economic and Fiscal Information</i></p> <p>1.13. Section 4 of the PFMAA 2008 requires the Minister of Finance and Economic Management to prepare and to lay before the Legislative Assembly an economic and fiscal management plan on or before the 31st January each year. The section also requires the Auditor General to examine it and to report to the legislative Assembly on whether in my opinion:</p> <p>a) The conventions and assumptions underlying the preparation comply with the principles of prudent financial management.</p> <p>b) The information is sufficiently accurate and that the reasons given are fair and reasonable.</p> <p>c) The objects and activities are consistent with the approved</p>	<p>The decision must be made on whether the MOFEM intends to make this submission in the future and, if not, the Ministry should consider an amendment to the Act.</p> <p>Note: We see the value in your submission of this requirement and our review of the fiscal management strategy and the assessment of the reasonableness of any deviation of fiscal indicators ahead of the Annual Budget Speech.</p>	<p>Not Implemented</p> <p>MOFEM is undertaking a review of the requirement to determine the feasibility and practicality of implementation going forward.</p>	<p>The MoFEM in collaboration with CARTAC has determined that the Economic and Fiscal Management Plan is captured in the annual comprehensive budget submission debated in the Assembly in March. Discussions are being held to consider whether a separate submission is required based on the spirit of the law, or whether an amendment to the legislation is necessary to make the timelines more realistic. The MoFEM is intent on undertaking a review of the Act during the 23/24 financial year if resources are available</p>	<p>Financial Secretary</p>

	<p>overall macro-economic and fiscal policy.</p> <p>The Ministry of Finance and Economic Management has not complied with this provision and no plan of macro-economic and fiscal policy has been prepared for submission to the Legislative Assembly. As the plan was not submitted, I was unable to comply with the requirement of Section 4 of the PFMAA 2008.</p>				
	<p>1.20. Payment of Invoices. We investigated a population of 21,708 invoices to determine whether payments were made within the policy deadline of 7 days. We found that 4,471 invoices were paid by the target deadline and 12,253 invoices were paid within eight to thirty days. However, we are concerned that 4,984 invoices remained outstanding after thirty days, with some remaining unpaid after sixty days which runs the risks that this could lead to increased costs to the GOM.</p>		<p>In progress</p>	<p>Without actual incidents/evidence of this occurrence it is difficult to implement a “solution” to address the issue raised. For example the invoice may not have been presented on a timely basis by the vendor, or payment could not have been made due to incomplete/unsatisfactory service or goods provided or the department may not have uploaded payment to the system or due to the unavailability of funds the payment was deferred to another period or financial year - all of which are</p>	<p>Accountant General</p>

				outside the Control of the Treasury Department. The Treasury however continues to monitor the system for delayed payments by circulating an Invoice Pending Report to Approvers where necessary for appropriate action. In addition, consideration is being given in relation to clarifying the policy for the payment terms.	
	<p>Summary of the Government's Financial Performance.</p> <p>1.21. Deficit. A deficit is realized where a country pays more for goods and services than what it collects from its revenue sources. For this financial year, a deficit of \$2.90M was reported. This is \$0.42M more than the deficit reported for the 2019/2020 financial year.</p>		Implemented	MoFEM has acted to ensure probability of deficits are reduced in the future, through proper budgetary controls and processes.	Financial Secretary
	<p>1.25. Arrears of Revenue. At the close of the fiscal year, Arrears of Revenue stood at \$30,269,072. This</p>	Action should be taken to remove them from the arrears listing as	In progress	Cabinet approved the write-off of Revenue Arrears for Hospital	Financial Secretary

	<p>has increased by \$563,905 when compared to the prior year's balance. We again highlight the fact that a number of these arrears are deemed uncollectible; that is, they seem to have no real prospect of collection. Their inclusion tends to distort collectible amounts.</p>	<p>these issues materially overstate the total.</p>		<p>Receipts, Trade License and Social Welfare loans, Accounting Officers were encouraged to take necessary action to collect outstanding revenue to mitigate against the need to request a write off of revenue. Such a growing trend can serve as an incentive to default on their obligations to GOM.</p> <p>A further write-off for direct and indirect taxes is currently being considered by Cabinet and should be laid in the Legislative Assembly by the end of March.</p> <p>The amendments to the Tax Administration Bill will assist in ensuring that arrears are not built up over time. See Section 58 and 59. Additionally, part of the work programme of the DG MCRS is to develop a tax arrears strategy. MoFEM will also be considering a wider revenue arrears strategy to be finalized by the end of fy 2024.</p>	
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	<p>2.7. Investments. The net increase in Investments of \$1,316,797 comprised an increase of \$987,224 in the dividends received from the Bank of Montserrat Limited (BOML) and a small reduction in the RAC investments.</p> <p>2.8. The long defunct Government Savings Bank is the registered owner of 735,000 shares in the BOML; based on the last reported net book value as at September 30, 2021, these are now worth over \$5.3M.</p> <p>2.9. It is therefore overdue for the GOM to have these shares transferred to its name as they were the ultimate owner of the Government Savings Bank. In turn, the up-to-date value of this investment should be added to the relevant Statement. If this was included, the total assets would be \$62.9M instead of the currently reported total of \$57.6M.</p> <p>2.10. The GOM closed the Montserrat Development Corporation (MDC) in May 2015. The MDC's corporate annual returns on record at the Financial Services Commission confirmed that the GOM is the</p>	<p>It is overdue for the GOM to have these funds transferred to its name and be included in the Public Accounts. We are therefore urging those charged with governance to rectify these long outstanding matters.</p>	<p>Implemented</p>	<p>The Account of 2022 shows that these have been transferred outright to GOM.</p> <p>AG's Chambers is considering the best course of action to take. The shares have already been transferred to GoM shareholders being the Financial Secretary and the Director of the MAC. A paper is being drafted for Cabinet to consider</p>	<p>Financial Secretary/Accountant General</p>
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	<p>registered owner of common shares in Montserrat Airways Limited. However, this investment is missing from the Government of Montserrat's Statement of Assets and Liabilities and there is no record that the GOM ever received dividends on this investment. The income, if any, and the cumulative changes in the book value per share should be reflected in the GOM's financial statements with appropriate disclosure in the accompanying notes.</p> <p>2.11. Furthermore, a savings account in the name of MDC Business Financing Facility held at the St Patrick's Co-operative Credit Union reflects a balance of \$218,098 as at 31 March 2021.</p>			<p>winding up the Company in accordance with the Companies Act.</p>	
	<p>2.18. Delays in Reconciling Bank Balances. We noted delays in reconciliation of the Government's accounts at the Royal Bank of Canada and at the Bank of Montserrat. Furthermore, reconciling items were not promptly investigated; they remained unchanged for months, in the case of the TCF account. For example, there were 129 stale-dated cheques, debits and credits in the bank</p>	<p>We are recommending that the account either be closed, with proceeds being deposited to general revenue, or be utilised to fund a community project.</p>	<p>In progress</p>	<p>2.18The RBC Bank account was closed when the local branch was acquired by BOM.</p> <p>2.19 There has been measurable improvements in this process as the Department continues to process payments on the EFT platform. Discussions have been held with the Bank to improve the</p>	<p>Accountant General</p>

	<p>and cashbook that remained unadjusted for substantial periods.</p> <p>2.19. Implication for Late Investigations. Failure to perform timely reconciliations and to promptly investigate discrepancies poses the risk of financial losses with errors or omissions going undetected for long periods. Furthermore, account balances could be misstated leading to decision making challenges.</p> <p>2.20. Closure of Bank Account(s). The Volcano Relief Fund Account was opened to finance specific causes associated with the volcanic events. Although the relevant Act was repealed there has been no movement in the account for several years. Attempts were made to utilise the funds in a meaningful way but there was no traction.</p>			<p>timeliness of responses to queries and other anomalies. The Department has also abandoned the database previously used for bank reconciliations given the many challenges and shortcomings of that database.</p> <p>2.20 The attempt to utilize the funds in this account was not in keeping with the provisions of the Act hence there were issues regarding approval for spending. If the Act was repealed then account should be closed and the funds transferred to the TCF for a local project.</p>	
	<p>2.55. Increasing Arrears. The Arrears of Revenue balance has increased by \$941,401 when compared to the balance for the previous year. Noteworthy, is that Personal Income Tax Arrears have shown a marked increase by \$1,670,243. Revenue from the Plant and Hire Workshop Operations is</p>	<p>Again, we recommend that all options be explored to have these accounts receivables removed from the statements to give a more accurate representation of the GOM's arrears.</p>	<p>In progress</p>	<p>Ministry of Finance is implementing a two-pronged approach to addressing this issue. Firstly, it has affectively pursued the write off on taxes deemed uncollectible and this is being progressed.</p>	<p>Financial Secretary</p>

<p>understated by \$88,067, which represents 0.30% of arrears.</p> <p>2.56. Seeming Uncollectible Arrears. We continue to express concern that a number of these statements contain sums that are no longer considered to be collectible for various reasons, including that some of the entities or individuals are no longer in existence or alive.</p>			<p>Secondly, the Ministry of Finance will designate a Unit to work with Ministries/Departments to actively monitor and seek to collect government revenue, especially in those Ministries that currently lack the capacity to follow up on revenue arrears. This expected to be in place in 2023/24 fiscal year.</p>	
<p>Statement of Stores and Other Assets</p> <p>2.57. Statement of Stores. Schedule 1 of the PFMAA 2008 mandates that a Statement of Stores and Other Assets be prepared and presented for audit. In light of the plan to move toward the accrual basis of accounting, and that stores and other assets will play a critical part in determining the total value of the Government's assets, it is imperative that efforts be made to present this statement.</p>		<p>In progress</p>	<p>The request to provide this information in the Annual Returns is submitted annually. However, most Departments negate this submission while others present information that is not or cannot be quantified for the Accounts. In accrual accounting however, this would be regarded as consumables and not assets.</p>	<p>Accountant General</p>
<p>2.59. Statement of Net Worth of Statutory Bodies. We again express our appreciation to the Treasury</p>	<p>We urge the Ministry of Finance to provide the necessary support and or encourage the management of</p>	<p>In progress</p>	<p>The Ministry of Finance has restarted work, that previously stalled to</p>	<p>Financial Secretary</p>

	<p>Department for the provision of this statement in accordance with the PFMAA 2008. However, of the twelve statutory agencies/State-Owned Enterprises, accounts were submitted for only five (roughly 40%) of them. Additionally, there are no up-to-date audited and published accounts for most of these entities with the exception of the Montserrat Port Authority. The statements included are therefore misleading.</p> <p>The GOM injected grants totaling over \$9M into the operation of some of these entities for the fiscal year 2020/2021. In order to ensure good governance and greater accountability, it is important that these accounts be brought up to date and, thereafter, that they be kept current and compliant with applicable laws, regulations, policies, and standards.</p>	<p>these entities to bring their accounts up-to-date by the stipulated deadline.</p>		<p>improve reporting and adherence to sound policy and financial governance by statutory bodies. A team has been formed within MoFEM that has been tasked with propelling this action forward. This has been reflected in the Ministry's strategic plan and will be a key action in the next fiscal years.</p>	
	<p>Statement of Investments</p> <p>2.61. The PFMAA requires the presentation of a statement detailing the Government's investments at the end of the fiscal year. This statement has not been presented for audit.</p>		<p>In progress</p>	<p>A statement will be provided with the 2023 accounts</p>	<p>Accountant General</p>

	<p>Statement of Fixed Assets</p> <p>3.30. Fixed Asset Registers are Materially Misstated. After a further review of the software, we conclude that the Fixed Asset Register for these Ministries/Departments are materially misstated as not all transactions and assets were included, some listed assets no longer existed at the end of the reporting period, and many were not reported at their correct economic values. The depreciation policy was not consistently applied as the rates for classes of assets were not applied in all instances. In some instances, valuation reports were not provided for audit review and, of those provided, pertinent information was missing.</p>	<p>We recommend that those charged with governance consider employing local valuers to commence assessing the GOM’s fixed assets in a phased approach.</p>	<p>In progress</p>	<p>3.30 The Accounts only report on items in the database classified as “Class A” which are items of significant value and not merely inventory or small value non-current assets. These smaller items are listed on the database for tracking purposes by Ministries or Departments and not to be quantified in the Accounts. Class A items show the values on the database. The OAG needs to be specific with any information regarding omissions under Class A to substantiate the declaration that the report is materially misstated so that this can be promptly addressed. The Treasury Department has however held training sessions across GOM to remedy certain deficiencies relating to the absence purchase costs for older and donated assets.</p>	<p>Accountant General</p>
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**APPENDIX 6
OFFICE OF THE AUDITOR GENERAL - ORGANISATION CHART**

