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 2019

OFFICE OF THE AUDITOR GENERAL
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6 July 2020

AUD 7/24

Honourable Minister of Finance
Ministry of Finance
Government Headquarters
Brades
Montserrat

Sir

In accordance with Sections 100 and 103 (2) of the Montserrat Constitution Order 2010 and Section 42(2) of the Public finance (Management and Accountability) Act 2008, I forward, for laying before the Legislative Assembly, my Report on the examination of the public accounts of Montserrat, and of other financial statements and accounts required to be audited by me in respect of the financial years ending 31 March 2019.

Yours respectfully

Florence A lee, CPA, BSc, MSc
Auditor General

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ABBREVIATIONS USED

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

PREAMBLE

Vision Statement

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

Mission Statement

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

The Goal

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

REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE YEAR ENDING 31 MARCH 2019

QUALIFIED OPINION ON FINANCIAL STATEMENTS

1. The Public Accounts of Montserrat for the financial year ended 31 March 2019 as defined by Schedule to the Public Finance (Management and Accountability) Act (herein after referred to as the PFMAA) have been audited. These Accounts comprise of:

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

2. In my opinion, except for the matters described in the Basis of Qualified Opinion paragraph, the accompanying financial statements referred to at paragraph one above present fairly, in all material respects, the financial assets and liabilities of the Government of Montserrat as at 31 March, 2019 and the revenue and expenditure of Government Ministries and Departments for the financial year ended 31 March, 2019 in accordance with the cash basis of accounting.

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

3. The 2018/19 Public Accounts were qualified for the following reasons:

a) Long outstanding over-expenditures on project accounts with no movement on the account within the reporting period and with no prospect of recovery on the Statement of Assets and Liabilities on the Development Fund representing 276% of the total assets of that Statement.

b) The arrears listing contains significant amounts that are considered uncollectible (including amounts owed by dead persons or entities no longer in operation) and omissions of amounts which represent 1.45% of total arrears.

4. The audit was conducted in accordance with accepted auditing standards, except for full independence of our Offices as required by ISSAI 10[1]. 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.

QUALIFIED OPINION ON REGULARITY

5. In my opinion, except for:

- the write-off of advances without proper authority,

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

- expenditures incurred without the authorization of a warrant provided by the Minister as mandated by Section 24 of the PFMAA;
- Statement of Investments, Statement of Networth of Statutory Agencies, and Statement of losses of public moneys and stores written off and claims abandoned were not presented for audit.

the accounts conform to the authorities that govern them.

BASIS FOR QUALIFIED OPINION ON REGULARITY

6. The accounts were adjusted through the writing off of several advance accounts however this action was not authorized through a Resolution of the Legislative Assembly as mandated by Sec 54(1) of the PFMAA. Additionally, expenses were incurred without the issuance of a warrant by the Minister as required by the PFMAA. Non-presentation of mandated statement results in non-compliance with the legislation.

EMPHASIS OF MATTER
DEFICIT FINANCING

7. Without modifying the opinion, your attention is drawn to the following matter:

A significant principle of government accounting is that a government should implement a balanced budget. This not only means that revenues should equal expenditure at budget time but that during the year revenues collected should either be more than or equal to expenditures incurred. For this fiscal year, recurrent expenditure exceeded recurrent revenue by $1.22M. This can be found on the Consolidated Statement of Assets and Liabilities in the section relating to the Consolidated Fund.

RESPONSIBILITIES OF THE ACCOUNTANT GENERAL AND ACCOUNTING OFFICERS

8. 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.

9. 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

10. 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.

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

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

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

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

SUBMISSION OF REPORT

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

FLORENCE A LEE, CPA, BSc, MSc
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL
MONTSERRAT, WEST INDIES
6 July 2020

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 2-7. Chapter 8 will provide information on the operation of the Audit Office.

Constitutional and Legal Basis for 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 Order[2] and Section 42(1) of the Public Finance (Management and Accountability) Act 2008.

Scope and scale of 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 2018/19 fiscal year. These statements are for government Ministries and Departments only. Information of the audit status of statutory agencies and Government companies is provided where necessary.

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) were the main criterion used to conduct this audit. INTOSAI Auditing Standards were the main guidelines used to conduct the audits.

Audit Approach and Coverage

1.6 In order to express a professional opinion on the public accounts of the Government of Montserrat, audits are carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Each audit is designed to provide assurance as to the

[2] See Appendix 2 for extract from Montserrat Constitution Order 2010

propriety of the Government's financial transactions. Examination of subsidiary books and records are conducted to determine the accuracy of the accounting records. The audit of all Ministries and Departments includes a general review of the accounting procedures and systems of internal control, together with such tests of the records and supporting documents as are considered necessary. Compliance with statutes, regulations, directives and administrative requirements was also tested.

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

1.8 We audited eighteen statements that were prepared and presented in accordance with the PFMAA with an additional two statements being prepared in line with IPSAS. At the audit planning stage, all 42 central government Ministries and Departments[3] were included in our sample. However, by adopting a risk-based approach, we focused the audit on those entities that had a performance materiality level[4] of 0.75% expenditure for the year[5]. As a result, 98.9% of total expenditures was subjected to substantive testing.

Summary of Significant Accounting Policies

1.9 The Public Accounts are prepared in the modified cash basis of accounting. The cash method recognizes income when it is received and expenses when it is received and expenses when they are paid for. 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 and with Accounting Officers within Ministries/Departments. Audit findings have been discussed at Exit meetings and communicated via either an audit report or memoranda addressed to the relevant Permanent Secretary or Department Head.

Conclusions from the Audit of the 2018/19 Accounts

1.11 **Qualification based on materiality**. As seen in my Audit Report above we have issued a qualified audit opinion on the financial statements for the fiscal year 2018/19 due to material misstatement of two major financial statements.

1.12 **Qualification based on regulatory breaches**. In my last report I raised the matter of the dead accounts that had been sitting in the Financial Statements for several years. Some adjustments were made however the relevant authorization for the write-off was not

[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 $980,867 was subjected to substantive testing.

obtained from the Legislative Assembly hence the accounts were qualified because of breach of regulations.

1.13 We have noted the continuance of incurring expenditure without the relevant warrant being issued. This is a breach of Sec 17(1) of the PFMAA.

1.14 Again, we see subsidiary statements not presented. In the case of the Statement of Stores and Other Assets we note that work is ongoing to collect the relevant information as a first step. However, there has been no movement on the issue of preparing the Statement of Networth of Statutory Bodies. Effort should be made to either comply with the requirement of the PFMAA or have it removed. The Statement of Investments and Statement of losses of public moneys and stores written-off and claims abandoned were also not presented.

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

Other Matters

1.16 **Financial Performance**. Authorised Recurrent Revenue amounted to $131,151,300 of which $129,566,555 was collected. Budged Recurrent Expenditure was $131,151,300. Two Supplementary Estimates increased this amount by $1,582,700 to give a Revised Estimate of $132,728,600. Actual recurrent expenditure for the year amounted to $130,782,328 leaving an underspend of $1,946,272.

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

Description	Balances (EC$) 31 March 2019	Balances (EC$) 31 March 2018
Consolidated Fund	6,620,186	10,094,988
Development Capital Fund	26,038,877	18,519,444
Miscellaneous Funds	9,251,394	9,092,620
TOTAL	**41,910,457**	**37,707,051**

1.18 **Expenditure Control**. In addition to the Appropriation Act, two Supplementary Estimates and 4 Virement Warrants were issued to facilitate recurrent expenditure management.

1.19 **Excess Expenditure**. We also note that some expenses were incurred without coverage of a warrant as required by the PFMAA.

1.20 **Capital (Project) Expenditure**. With respect to capital expenditure, the Appropriation Act authorized $33,638,600 to be spent on project works undertaken during the fiscal year. One Supplementary Estimates totaling $62,500 increased the amount to $33,691,100. Actual expenditure was $11,982,446 being 35.6% of authorized allocation.

1.21 **Concerns over some Project Expenditure**. Several projects were undertaken during the year. Most progressed smoothly and according to plan. For some projects we raise a few concerns which includes improper project oversight which led to project completed but project output cannot be used, cost and time overrun on a project, variations to budgeted amounts not receiving proper approval or project incomplete with pre-fabricated building materials lying idle after several months.

1.22 **Arrears of Revenue**. At close of the fiscal year, Arrears of Revenue stood at $23,550,865. This has increased by $4M when compared to the prior year balance. Further, an omissions of Arrears totaling $342,108 was reported for two revenue lines. Further, several of these arrears are deemed uncollectible and effort should be made to have them written off. Overall, these issues results in the statement being materially misstated.

1.23 **Public Debt**. This refers to payments for external and domestic debts with associated interest payments. For this fiscal year, a total of $1,115,338 was paid as total debt. Balances for external and domestic debt are reported as $9.9M and $2.3M respectively.

1.24 **Increasing Outstanding Liabilities**. This Statement was previously called Statement of Commitment Outstanding. It details monies owed by government for goods and services procured and for contributions to regional and international organisations. It also now includes outstanding payment to depositors of the now defunct Government Savings Bank who did not collect their monies at time of closure. Outstanding liabilities have increased to $4,828,396 at the close of the fiscal year. This an area of concern especially when GOM was already engaging in deficit financing of expenditure.

1.25 **Increasing Contingent Liabilities**. This relates to possible outcome of litigation charges brought against the government and amounts to $22.63M at the end of the reporting period.

Other Financial Audits

1.26 There are three government companies and eight statutory bodies. Their relevant legal environment requires them to have the accounts for the previous financial year prepared and audited within six months of close of the financial year. Although there has been some improvement in the finalization of the audit for some, in that the backlog of audits has been reducing, only one entity has met the requirement while another had audited accounts for financial year 2018. All others were in various stages of completion with backlogs ranging from 9 years to one year.

1.27 In some cases, Board Members do not appear to understand their roles and responsibilities. It may thus be opportune for GOM to provide some formal training in Good Governance and Board Effectiveness.

Performance and Special Audits

1.28 **Office of Public Prosecution: Efficiency and Effectiveness**. This audit focused on determining the Efficiency and Effectiveness of the Office of Public Prosecution. It was found that the Office is producing good quality and quantity of output in that, despite a small staff it was able to have a success rate of 80% **of** cases adjudicated in the High Court. However, the backlog of cases is big, costly and growing. The department is understaffed and under-resourced, there is under use of ICT and there are major security risks in terms of personnel and security of assets.

1.29 **Geothermal Energy Development Project: Governance and Project Management**. The audit sought to examine the level of governance of large capital projects and the quality of project management in the public sector of Montserrat**.** Here we found that the first two geothermal wells (MON #1 and MON #2) were successful and were completed within their budgeted time and below budgeted cost. However, for MON #3 (whose development was largely overseen by DFID) extensive delays and cost overruns were encountered with the third well still needing short-term and long-term testing. Total project cost is well over $60M yet further work is needed on this project before residents of Montserrat will realise the benefit of having reduced electricity bills.

1.30 In relation to governance, it was found there was an adequate framework for oversight of this project in that there was a Steering Committee to oversee the project. Despite this, the project continued to lag and still have not been completed over 6 years.

1.31 **Roads and Bridges: Governance and Project Management**. The final audit sought to examine the level of governance of large capital projects and the quality of project management in the public sector of Montserrat. It found that the elements of this project (1) purchase of an asphalt-paver, (2) repairs to a bridge and part of the road at Barzey's and (3) repairs to the bridge at Bunkum Bay, were mostly completed within their budgeted time and cost. A few delays and inefficiencies in other aspects of project management have incurred additional time and costs such as delays in import shipments, and shortages of cement.

1.32 With respect to governance it found that despite some deficiencies within various bodies or committees, there was adequate oversight of this infrastructural project.

1.33 A synopsis of the findings and recommendations can be found in Chapter 5 of this Report**.**

IT Audits

1.34 **ASYCUDAworld.** One IT audit was completed. This audit focused on a review of ASYCUDAworld to determine whether the implementation and maintenance of ASYCUDA met the Montserrat Customs Division's (MCD) business goals and safeguards the Montserrat Customs Division's information assets and maintains data integrity. We found that the post-implementation benefits of the ASYCUDA software were achieved and found it to be a very secure and robust software. See Chapter 6 for further details on this audit.

Environmental Audit

1.35 **Coastal Degradation at Gunn Hill**. An environmental audit which focused on coastal degradation at Gunn Hill was undertaken. This audit found that lack of funding affected planned works at Gunn Hill. The decision to move port development away from the area had some unintended consequences which included the appearance of sink holes in the area resulting in the danger of using the area. Additionally, existing caves on the north western and southern sides of Gunn Hill have eroded further inland and there is the risk that the base will collapse with the various activities occurring on it. Chapter 7 will provide further details on the issue.

General Comments

1.36 **Lateness of Auditee Responses affecting Audit Work/Output**. We rely on the auditees to provide information on topics or to clarify our understanding of issues raised so that we can submit audit reports that gives an accurate picture of our findings. This information is generally sought via memoranda or email addressed to the Accounting Officer or relevant Head that can provide information on the matter being addressed. A deadline is also given by which the information is to be supplied.

1.37 With regards to the responsibility and accountability of Accounting Officers, Sec 13 (2)(h) of the PFMAR require an Accounting Officer to "reply substantively to any queries addressed to him [or her] by the Auditor General and the Accountant General and within any time period prescribed…..". We note that some officers take an inordinately long time to supply their responses. This thus cause significant delays in finalizing reports and affects our overall output. It is in the best interest of all stakeholders that we received the responses in a timely manner.

CHAPTER 2 TREASURY ACCOUNTS FOR FY 2018/2019

2.1. Sec 41(1) of the PFMAA 2008 requires the Accountant General within the Treasury Department to prepare and submit several statements making up the Public Accounts to the Auditor General for audit examination. A list of the Statements to be submitted can be found at Appendix 3.

2.2. 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 31 July 2019. A synopsis of the Statements received, and findings of our audit exercise will be highlighted throughout this Chapter.

Basis of Accounts Preparation

2.3. The financial statements preparation is largely governed by the PFMAA. They are also compliant with the International Public Sector Accounting Standards –Cash Basis Part 1.

2.4. The cash basis of accounting recognizes transactions of a revenue or expenditure nature on when received or paid.

Primary Statements Received

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

Statement of Assets and Liabilities of the Consolidated Fund

2.6. Table 1 below highlights movements in cash assets and liabilities over the period 1 April 2018 – 31 March 2019.

Table 1
Consolidated Fund
Statement of Assets and Liabilities

	2019	2018	Increase/ (Decrease)
Assets			
Cash	41,910,457	37,707,051	4,203,405
Investments	15,527,467	16,888,918	(1,361,451)
Advances	583,906	5,041,827	(4,457,921)
Total	**58,021,830**	**59,637,796**	**(1,615,966)**
Taxpayer's Equity			
Deposits	22,978,598	16,747,025	6,231,573
Consolidated Fund	35,043,232	42,890,771	(7,847,539)
Total	**58,021,830**	**59,637,796**	**(1,615,966)**

2.7. **Investments**. This was reduced by $1,361,451 primarily as a result of movement in the Bank of Montserrat investment.

2.8. **Consolidated Fund**. The Consolidated Fund can be likened to the equity section of a Statement of Financial Position within a private sector institution. It is being presented here as there is no individual statement to reflect this. Table 2 below provides an overview of the Consolidated Fund.

Table 2
Consolidated Fund

	2019		2018	
Balance brought forward		42,890,771		36,836,750
Fund Adjustments		(5,913,490)		6,260,553
Recurrent Revenue	129,566,555		124,258,576	
Recurrent Expenditure	(130,782,328)		(123,971,974)	
Surplus/(Deficit)		(1,215,772)		286,601
Transfer of Local Costs		(718,276)		(493,133)
Balance carried forward		**58,021,830**		**59,637,796**

2.9. **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 the balances of travel and departmental advances receivable that are uncollectable;
(ii) Adjustments to recognize exchange losses on the Crown Agents account held in pound sterling; and
(iii) Write-off of advance of $4.5M from the Development Fund Bank Account to the now defunct Government Savings Bank.

2.10. **Surplus/(Deficit)**. The difference between recurrent revenues received and recurrent expenditure incurred is shown in either a surplus (more revenues collected than spent) or a deficit (more expenditures made than revenues collected) for the fiscal year. For this fiscal year, more recurrent expenditures were made than the recurrent revenues collected resulting in a deficit of $1,215,772 as is shown below.

	(EC$)
Receipts	129,566,555
Less Expenditures	130,782,327
Surplus/(Deficit)	**1,215,772**

2.11. It is standard government accounting practice for the accounts to operate on a balanced budget principle whereby revenues should always match expenditures when the budget is being prepared. During the year revenues should either match expenditure or the amount collected be more than the expenses incurred.

2.12. Where expenditure is made more than the revenue collected it is usually because the government would have financed the expenditure by way of incurring additional loans. However, on this occasion, we were advised that surpluses from prior years were partly used to finance this deficit.

2.13. **Transfer of Local Costs**. This refers to a situation where the government undertakes local projects but has no external source of funding to finance their implementation and therefore the projects must be funded from the Consolidated Fund. For this fiscal year, the transfer of local funds amounted to $718,276 leading to a 31% increase in unfunded local project expenditure when compared to local project expenditure incurred last fiscal year.

Statement of Cash Flows

2.14. Total cash available at fiscal yearend amounted to $41, 910,457. Table 3 below provides an overview of the cash flows from the various activities undertaken by Government. As seen, there was a net movement for this fiscal year was $4,203,405.

Table 3
Statement of Cash Flows

Particulars	2019 ECS	2018 ECS
Net Cashflows from Operating Activities	(2,437,478)	(206,532)
Net Cashflows from Investing Activities	572,744	630,696
Net Cashflows from Financing Activities	6,068,140	(2,795,232)
Net Cashflows	**4,203,406**	**(2,371,068)**
Balance brought forward at 1 April 2019	**37,707,051**	**40,078,118**
Balance carried forward at 31 March 2019	**41,910,457**	**37,707,051**

2.15. The cash balance is held with various institutions. 98.6% of this balance was reconciled with statements provided by those institutions. At the time of drafting this Report, the Consolidated Fund Account held at the Royal Bank of Canada, which represents the final 1.4% of total cash, was still being audited.

2.16. **Delays in reconciling Bank Balances**. We noted delays in reconciliation of Bank of Montserrat accounts. Further, reconciling items were not promptly investigated and remained unchanged for over six months, in the case of the TCF account. For example, there were 129 staledated cheques (TCF account), debits and credits in the bank and cash book that remained unadjusted for substantial periods.

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

2.18. **Control Weakness**. We noted that no signature was included on the bank reconciliation statement to indicate that a senior manager had certified its preparation,

accuracy and/or reviewed all outstanding adjustments. This is one possible reason why the adjustments are not investigated and adjusted in a timely manner. **We again urge management to put measures in place to rectify this weakness**.

2.19. **Closure of Bank Account(s)**. According to Note 7, the Volcano Relief Fund account was opened to finance specific causes in an emergency triggered by volcanic events. This account has seen no movement for several years and indicates that it has outlived its useful life. **We are recommending that the law be repealed, and the accounts be closed with proceeds being deposited to general revenue**.

Statement of Cash Receipts and Payments

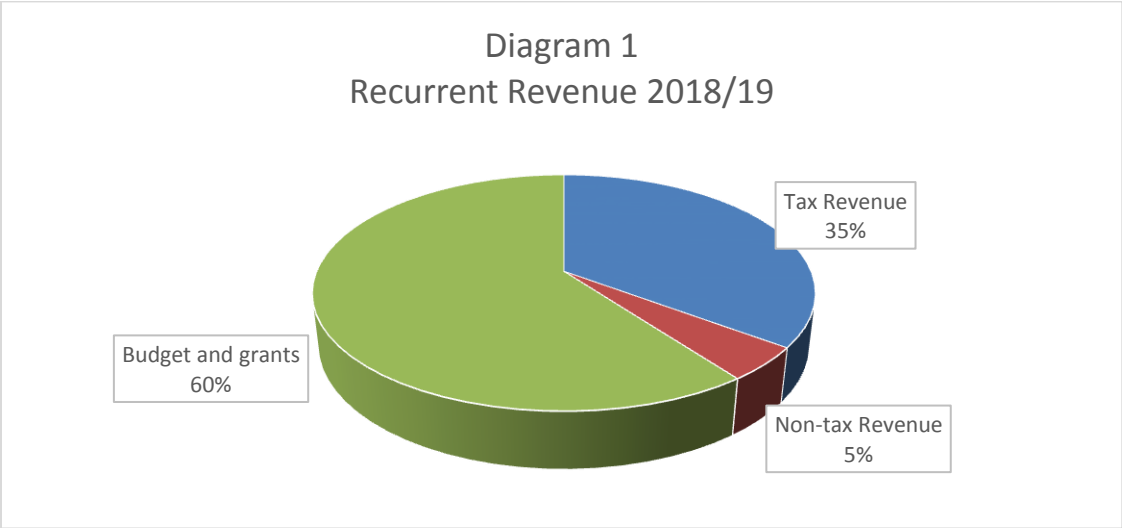
2.20. The cash can be further broken down its sources and uses and compared with the last fiscal year as shown in Table 4 below.

Table 4
Statement of Cash Receipts and Payments

Receipts (Source)	**2019**	**2018**
	ECS	**ECS**
Tax Revenue	45,599,468	42,009,856
Non-tax Revenue	6,036,575	7,138,756
External Assistance – Budgetary Aid	77,999,826	76,483,406
External Assistance – Development Grants	17,567,676	10,825,001
Total Receipts	**147,203,545**	**136**,457,019
Payments (Use)		
Personal Emoluments	45,028,775	43,874,400
Pensions, Gratuities and Other Benefits	11,881,434	11,453,344
Goods & Services	40,195,992	37,641,465
Transfers and Subsidies	22,730,593	21,149,823
Social Services	5,130,123	4,192,892
Other Expenditure	4,700,073	4,4623,268
Debt	1,115,338	1,036,783
Capital Expenditure – Development Fund	6,600,037	8,000,086
Revenue Expenditure – Development Fund	5,382,409	6,990,244
Advances and Deposits (Net)	147,408	0
Total Payments	**142,912,182**	**138,962,304**
Cash flow Increase/(Decrease)	4,291,363	(2,505,285)
Exchange rate impact on Crown Agents A/c	(87,957)	134,218
Net Cash flow Increase/(Decrease)	**4,203,406**	**(2,371,067)**
Cash at beginning of the year	**37,707,021**	**40,078,118**
Cash at end of the year	**41,910,457**	**37,707,051**

Statement of Recurrent Revenue

2.21. **Appropriated Revenue**. The Appropriation Accounts authorized $131,151,300 for Recurrent Revenue for fiscal year 2018/19. Actual revenue collected amounted to $129,566,555 being 98.8% of estimated collections. Diagram 1 below provides an insight into major revenue flows.



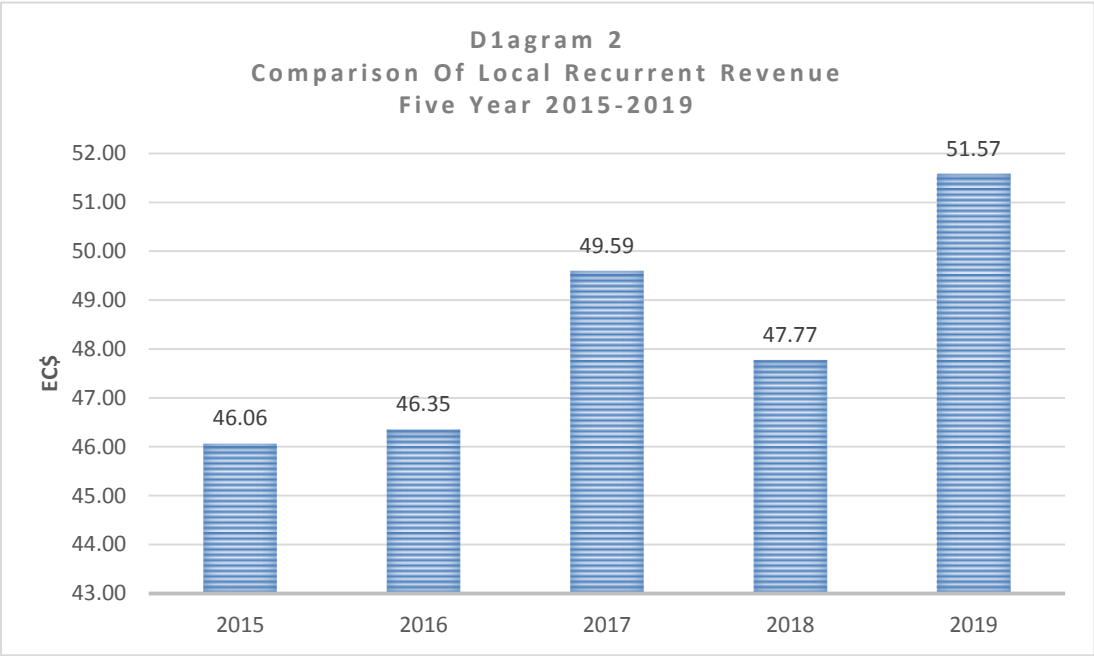
2.22. **Revenue Surpluses and Shortfalls**. Revenue collections showed a shortfall of $1,584,745 when actual collection is compared against budget**.** Table 5 below records surpluses or shortfall in the various categories of revenue.

Table 5
Revenue Surpluses and Shortfalls

SOURCE OF REVENUE	BUDGETED	ACTUAL	SURPLUS	SHORTFALL
Taxes on Income, Profit & Capital Gains	19,230,100	18,966,392	0	263,708
Taxes on Property	725,000	657,496	0	67,504
Taxes on Domestic Goods & Services	2,681,900	2,240,867	0	441,033
Licences	2,871,100	3,278,258	407,158	0
Taxes on International Trade & Transaction	20,123,300	19,773,431	0	349,869
Arrears of Taxes	1,500,000	683,025	0	816,975
Fees, Fines and Permits	1,983,800	2,047,073	63,273	0
Rents, Interest and Dividends	1,046,500	1,428,829	382,329	0
ECCB Profits	0	0	0	0
Reimbursements	115,000	344,361	229,361	0
Other Revenue	2,412,600	2,146,997	0	265,603
Budgets and Grants	78,462,000	77,999,826	0	462,174
TOTAL	**131,151,300**	**129,566,555**	**1,082,121**	**2,666,866**
Net Shortfall				**1,584,745**

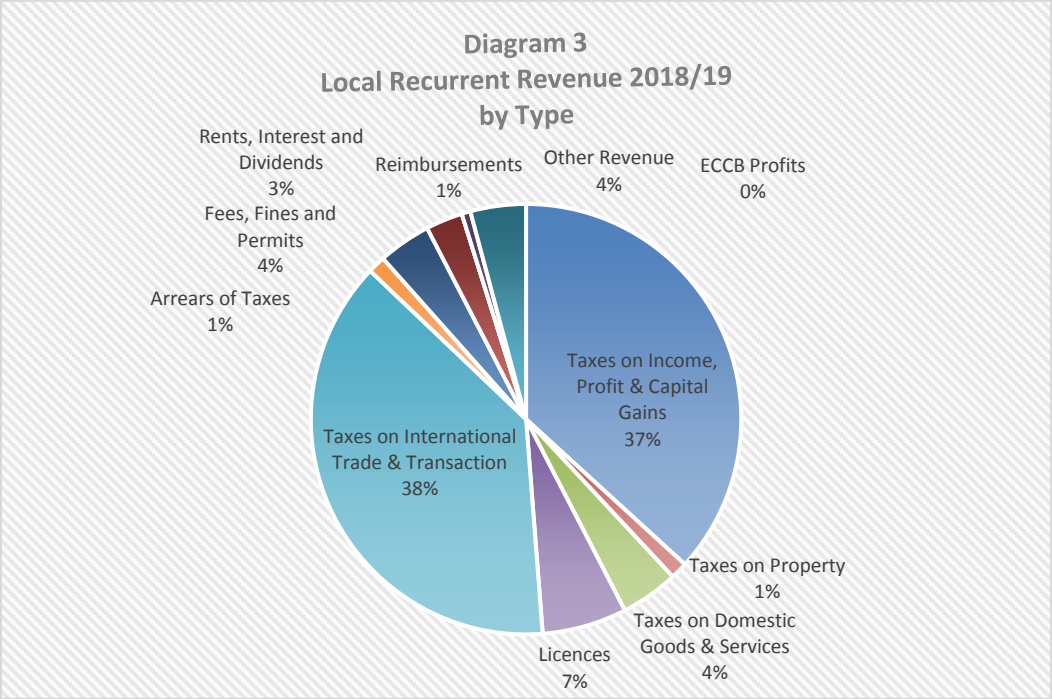
2.23. **Total Recurrent Local Revenue.** Recurrent Local Revenue was projected at $52,689,300. Actual revenue collected was $51,566,729, resulting in a shortfall of $1,122,571 when compared Authorised Allocations for the year. Further analysis revealed increased collection of $3.8M, a 7.95% increased on collections from the prior fiscal year.

2.24. Diagram 2 below shows the movement in Local Recurrent Revenue over the past five years.



2.25. Actual Tax Revenue collected can be split into Tax and Non-Tax elements. For this fiscal year, Tax Revenues collected was $45.6M whilst Non-Tax Revenue amounted to $6.0M.

2.26. Diagram 3 below shows local revenue collected by type of revenue stream, with percentages, for the 2018/19 fiscal year.



2.27. **Special Budgetary Assistance.** Approved special budgetary assistance of $78,462,000. Actual collection was $77,999,826 leaving a shortfall of $462,174.

2.28. Table 6 below provides a breakdown of the monies received.

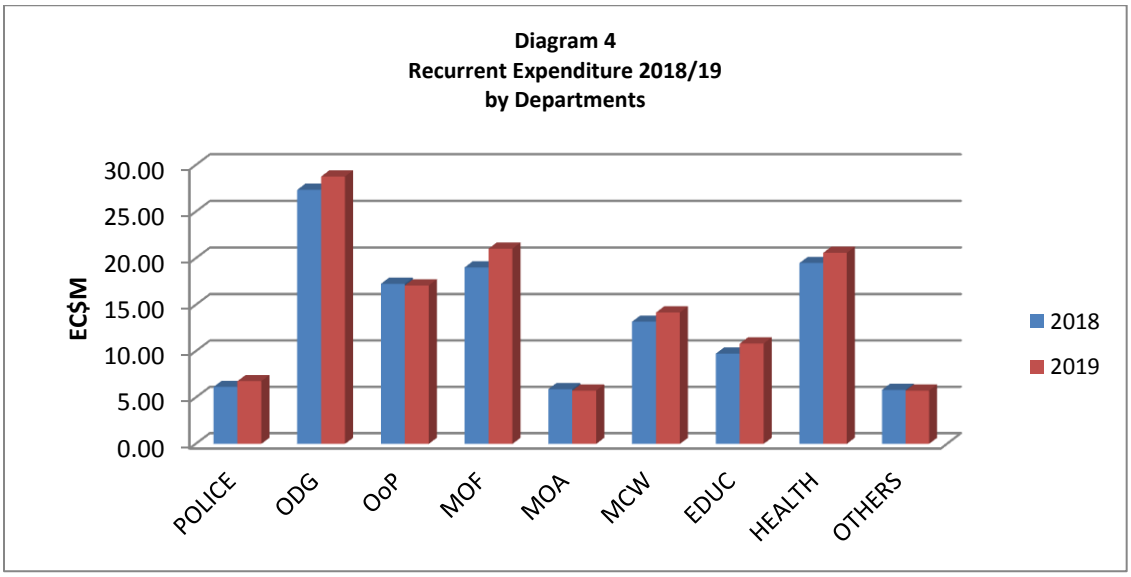
Table 6
Budgetary Aid 2018/19

Date	Particulars	Receipt #	£	EC$
18/05/2018	Budgetary Aid – Tranche 1	028419	11,454,194.61	41,054,124.32
26/09/2018	Budgetary Aid - Qtr 2	030825	4,708,292.87	16,406,517.33
17/12/2018	Budgetary Aid - 3rd tranche	034338	6,149,180.34	20,539,184.77
	Total Budgetary Aid		**22,311,667.82**	**77,999,826.42**

Statement of Recurrent Expenditure

2.29. **Expenditure Control.** The Appropriations Act, Ordinance #3 of 2018, was passed by the Legislative Assembly on the 1st day of May 2018 and authorized recurrent expenditure of $131,151,300. Two Supplementary Estimates valuing $1,587,300 were also passed bringing the Revised Estimates to $132,738,600. Four Virement Warrants were also authorised to allow Accounting Officers to move monies between Subheads under their control.

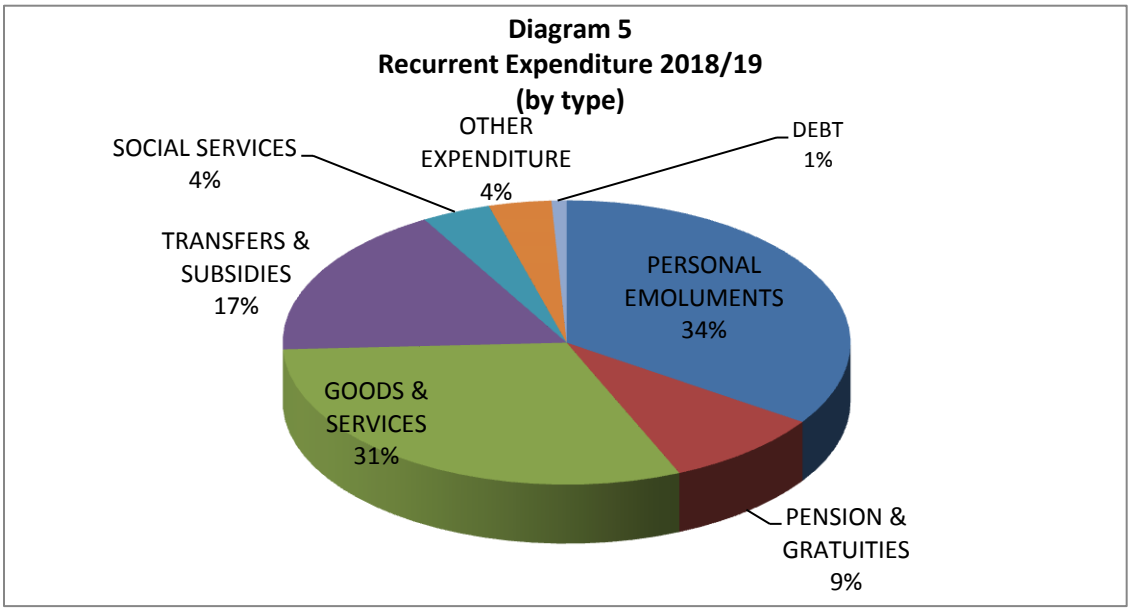
2.30. **Monies Spent.** Actual expenditure was $130,782,328 leaving an unspent balance of $1,946,272. Diagram 4 below provides a pictorial view of actual Recurrent Expenditure by Ministries and Departments. Those Ministries/Departments that do not form a part of any Ministry, except for Police, are grouped under Others[6]. They are primarily non-ministerial departments.



[6] These departments include the Legal Department, Magistrate Court, Supreme Court, Legislature, Public Prosecution and Cabinet Secretariat

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

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



Statement of Expenditures in Excess

2.33. Accounting Officers are expected to incur expenditure within the limits authorized by the Legislative Assembly as set out in the Appropriation and Supplementary Acts. Further, Section 10 of the Finance Regulations states that "an Accounting Office shall maintain control over expenditure of his department to ensure that the amounts provided in the Estimates are not exceeded".

2.34. Our audit revealed instances where five subheads across four Ministries showed overspent line-items for a total value of $63,826. The instances of over-expenditure are outlined in the Table below:

Table 7
Over Expenditures for 2018/19

Vote	Head	Sub-head	Particulars	Total Authorized	Actual Expenditure	Excess
12	121	232	Maintenance Services	450,000	484,878	(34,878)
15	150	210	Personal Emoluments	827,400	839,178	(11,778)
40	402	224	Utilities	63,100	65,335	(2,235)
45	450	234	Rental of Assets	80,000	89,996	(9,996)
45	450	236	Visiting Advisor/Volunteers	45,000	49,939	(4,939)

2.35. This a material, by nature, breach of the regulations as Sec 17(1) of the PFMAA requires all withdrawals from the Consolidated Fund to be supported by a warrant signed

by the Minister and forwarded to the Accountant General. The PFMAA Sec 21(2) also state that the amount of excess expended, or not appropriated, is to be included in a Statement of Excess Expenditure which is to be taken to the Legislative Assembly for its approval of the expenditure or otherwise. We are not aware that this has been done.

Statement 0f Assets and Liabilities of the Development Fund

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

Table 8
Assets and Liabilities of the Development Fund

ASSETS		2018		2019
British Development Aid Claims Outstdg (1)		2,936,926		7,624,660
Donor Agencies Expenditure Outstdg (2)		2,444,635		2,449,255
Consolidated Fund Receivable		13,653,128		19,956,633
TOTAL ASSETS		**19,034,690**		**30,030,548**
LIABILITIES				
Deposits Within The Development Fund (3)		14,242,184		26,184,480
Local Funds (4)		1,656,455		710,018
British Dev't Claim Deposits				
Consolidated Capital Fund	6,808,246		(3,167,453)	
Add Revenue Over Expenditure	(3,672,197)	3,136,049	6,303,502	3,136,049
TOTAL LIABILITIES		**19,034,690**		**30,030,548**

2.37. **Adverse Opinion on Development Fund Statement of Assets and Liabilities.** In my opinion, because of the matters discussed in the Basis of Adverse Opinion paragraph the Development Fund Assets and Liabilities Statement do not fairly present, the position of Fund as at 31 March 2019.

2.38. **Basis of Adverse Opinion on Development Fund Statement of Assets and Liabilities.** Inactive accounts with debit balances indicating over-expenditure on accounts and no movement for the financial year totaled $52.57M or 175% of the total assets. Most have been long outstanding and there is no likely prospect of recovery leading to a distorted view of the accounts. Despite several prior request for write-off of the dead/inactive accounts within this statement, no action has been taken. As a result, the statement no longer provides useful information to decision makers, and is thereby being given an adverse opinion.

Statement of Development Fund Expenditure

2.39. **Appropriation Accounts**. The Legislative Assembly, via the Appropriations Act, authorized $33,628,600 to allow expenditures on capital projects. Supplementary Appropriations valuing $62,500 were added during the year bringing the Revised Appropriations to $33,691,100. Actual spending for the year amounted to $11,982,446 being 35.6% of authorized expenditure for the year.

2.40. **Development Expenditure by Department.** Table 9 presents a pictorial view of development funds spent by departments over the reporting period.

Table 9
Development Expenditure 2018/19 (by Departments)

Ministry/Department	Authorized	Actual	% Used
Office of the Deputy Governor	180,800	0	0
Office of the Premier	3,741,900	2,072,507	55.4
Ministry of Finance	12,532,700	888,069	7.1
Ministry of Agriculture	2,456,700	1,200,124	48.9
Ministry of Communications & Works	13,063,100	6,780,792	51.9
Ministry of Education	1,546,700	946,509	61.2
Ministry of Health	169,200	94,445	55.8
TOTAL	**33,691,100**	**11,982,446**	**35.6**

2.41. **Development Expenditure by Funding Agent**. Table 10 below provides a view of authorized expenditure and recorded results for the Development Fund, by funding agency.

Table 10
Comparison of Development Fund Estimates and Results 2018/19

Development Fund Expenditure	Authorized	Actual	Variance
DFID	7,198,300	4,692,734	2,505,566
EU	24,581,400	5,530,790	19,050,610
LOCAL	1,737,900	1,664,714	73,186
DARWIN	80,000	36,709	43,291
GWG	7,100	6,943	157
OTEP	60,000	24,662	35,338
RSPB	3,600	3,599	1
CDB	8,000	7,735	265
PAHO	14,800	14,560	240
TOTAL	**33,691,100**	**11,982,446**	**21,708,654**

Statement of Advances

2.42. Advances are monies owed to the Government of Montserrat for various reasons. These include advances to civil servants to enable purchase/maintenance/insurance of vehicles for traveling officers, medical advances, salary advances, and other general reasons. It also includes advances to officers travelling overseas on government business (Outstanding Imprests), advances of payments made on behalf of Other Governments and Administrations and an advance on behalf of the Government Savings Bank. These categories are itemized below.

Details	2019	2018	Increase/(decrease)
Personal Advances	412,550	330,629	81,921
Outstanding imprests	30,506	74,801	(44,295)
Other Gov't & Administrations	140,660	136,397	4,263
Other Advances	0	4,500,00	(4,500,000)
Total	583,906	5,041,827	(4,457,921)

2.43. This shows a significant decrease of $4,457,921 which is largely due to the write off of S4.5M due from GOM Savings Bank investments to the Development Fund Bank Account. As per Note 13 to the Financial Statements other changes are due to write off to dead accounts with no prospects of recovery.

2.44. **Unauthorised write-off of Advances**. Sec 54(1) of the PFMAA requires all write offs to be authorized by the Legislative Assembly. The section states that "The Minister may if so authorized by resolution of the Legislative Assembly, and to the extent specified in the resolution, abandon and remit any claims by and on behalf of government, or any service to government, and write off losses of and deficiencies in public moneys or public resources".

2.45. We have not found any evidence that these write offs were authorized by the Legislative Assembly within the reporting period. We therefore qualify these accounts with respect to breaches to regularity.

Statement of Deposits

2.46. **Deposits**. Included under this heading is the Development Fund Receivable account which has shown a marked increase of $6,303,506. Miscellaneous Deposits, Postmaster Clearing Account and Special Funds have realized a net decrease of $71,933 reducing the increase to $6,231,573.

Statement of Public Debt

2.47. **External Debt**. This statement focuses on guaranteed external obligations to the Caribbean Development Bank. At close of the fiscal year Total External Public Debt amounted to $9,923,177.

2.48. Principal repayment on external debt was recorded as $501,872 being 0.97% of actual local recurrent revenue. This is well within the ECCB's debt sustainability threshold of 60% of government revenues.

2.49. Interest payments for the year on external debt amounted to $201,463 being 0.39% of actual local recurrent revenue for the year.

2.50. No new external debt was undertaken during this reporting period**.**

2.51. **Domestic Debt –** These are balances that are owed to local institutions and at the end of the fiscal year outstanding amounts totaled $2,27. These debt payments are serviced by the Ministry of Finance and are summarized in Table 11 below**.**

TABLE 11
Summary of Domestic Debt as at 31 March 2019

Institution	Particulars	Balance Outstanding as at 1 April 2018	Principal Paid during year	Interest Paid during year	Balance Outstanding as at 31 March 2019
MSSF	Davy Hill Housing Project	1,262,169	157,771	42,105	1,104,398
MUL	MONLEC Generating Set	1,332,457	166,557	44,450	1,165,900
	TOTAL	**2,594,626**	**284,885**	**75,511**	**2,270,298**

Statement of Contingent Liabilities

2.52. This refers to possible litigation of activities brought against a few Ministries/Departments. Contingent Liabilities at the end of the fiscal year amounted to $22.6M.

Statement of Commitments Outstanding/Outstanding Liabilities

2.53. This statement has been renamed Statement of Outstanding Liabilities. Outstanding commitments for goods and services valuing $771,213 were reported by fifteen entities. This was a 563% increase on outstanding commitments reported at the end of the prior fiscal year. In addition, outstanding contributions to fourteen regional entities amounted to $3,222,026. A further amount of $835.157, owing to depositors of the now defunct Government Savings Bank, has been transferred from Contingent Liabilities to Outstanding Liability. This brings the total outstanding liability to $4,828,396.

Statement of Arrears of Revenue

2.54. We are happy to report that we have received the relevant Arrears of Revenue Statements such that we were able to audit 99% of the total value presented. Our audit included any balance that represented over 1% of total balance receivable.

2.55. Arrears of Revenue, as presented by the Treasury, stood at $23,550,865 at end of the fiscal year and are itemized as follows:

TABLE 12
ARREARS OF REVENUE

Executing Agency	Arrears at 31 March 2019	Arrears at 31 March 2018
Ministry of Communications and Works:		
Navigational Charges	11,026	388,766
Aircraft Landing Fees	8,168	660
Concessional Rental – Airport	19,130	810
Cable TV Licences	0	0
Telecom Licence	331,575	359,850
Scenic Flights	331,119	354,081
Other Licence		0
Inland Revenue		
Income Tax	9,460,125	7,571,561
Company Tax	4,207,471	3,600,897

Property Tax	6,407,605	5,908,851
Broadcasting Services (Radio M/rat)		
Advertising and broadcasting Fees	7,666	5,565
Customs		
Import Duty	276,335	34,245
Consumption Tax	312,164	356,091
Customs Processing Fees	58,700	38,065
Customs Officer Fees	6,175	8,860
Treasury:		
Trade Licences	15,500	12,725
Emergency Fuel Supplies	533,359	533,359
General Post Office		
Money Order Reimbursements	30,656	30,656
Ministry of Education		
Rent	78,001	0
Ministry of Health and Community Service		
Hospital Receipts	397,914	344,363
Reimbursements	1,058,176	0
TOTAL	**23,550,865**	**19,549,406**

2.56. **Increasing Arrears**. The Arrears of Revenue balance has increased by $4M out of which $1.14M is due to recognition of two new arrears lines.

2.57. **Omission of Arrears**. Arrears of $127,500 relating to rental of the government property formerly occupied by Montobacco was excluded from the list provided. Additionally, Reimbursements is understated by $214,608. These amounts represent 1.45% of arrears making the statement presented materially misstated.

2.58. **Seeming Uncollectible Arrears**. Additional concern relates to the fact that a number of these statements contain sums that are no longer considered to be collectable for various reasons including that some of the entities or individuals are no longer in existence or alive. **We are again recommending that all options be explored to have these accounts removed from the statements.**

Statements Mandated but not Received

Statement of Stores and Other Assets

2.59. This statement has not been received. We are however happy to note that, subsequent to the year end, efforts were being made to provide this statement. During the current year, the Treasury Department encouraged Accounting Officers to submit the relevant information for inclusion in a database. Additionally, an Asset Register Software was procured, and the Treasury Department is in the process of having Departments test it. They are expected to use this software to produce the Fixed Assets and Stores Statements for inclusion in the 2020 Accounts.

Statement of Net Worth of Statutory Bodies

2.60. This statement was again not presented for audit. Note 1 of the financial statements states that IPSAS no longer require its production. However, this is a requirement of the PFMAA and its non-production leads to a breach of the legislation. **Efforts should therefore be made to either amend the law to remove this requirement or have the statement produced**.

Statement of losses of public moneys and stores written-off and claims abandoned

2.61. The Accountant General is mandated to provide the captioned statement outlining actions taken during the year and the authority for write-off. According to Note 20, some items were written off during the year but this statement and the authority for write-off were not provided for audit.

Statement of Investments

2.62. The PFMAA requires the presentation of a statement detailing government investments at the end of the fiscal year. This statement has not been presented for audit.

CHAPTER 3 RETURNS BY ACCOUNTING OFFICERS FOR FY 2018/19

3.1. This Chapter will provide information on the accounts provided by Accounting Officers together with control weaknesses and compliance issues identified during the course of the audit.

3.2. In accordance with Sec 9 of the PFMAA the Financial Secretary shall, with the prior approval of the Minister, appoint Accounting Officers by name and in writing. The Accounting Officer is responsible for, among other things, the use of public sector monies.

3.3. Sec 41 (b) of the PFMAA require each Accounting Officers to submit the accounts set out in paragraph 2 of the Schedule to the Act[7]. 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".

3.4. Paragraph 2 of the Schedule requires 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 statement the Accountant General may from time to time require.

3.5. In accordance with Sec 8(2) of the PFMAA, the Accountant General has the responsibility for the compilation and management of the accounts of Government. In keeping with that responsibility, the Accountant General gives general directives and instructions to Accounting Officers on what statements are to be submitted and on how the accounts/statements are to be prepared. 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

3.6. He has opted to call the full suite of statements the Annual Returns and the Statements submitted shall be so referred to going forward.

[7] See Appendix 4 for submissions required from Accounting Officers.

Submission of Annual Returns

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

- Legal Department
- Supreme Court
- Legislature Department
- Ministry of Finance (Headquarters and Internal Audit)

Returns Received

Statement of Appropriation Accounts

3.8. 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.

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

Table 13
Recurrent Expenditure for FY 2018/19
(by Department)

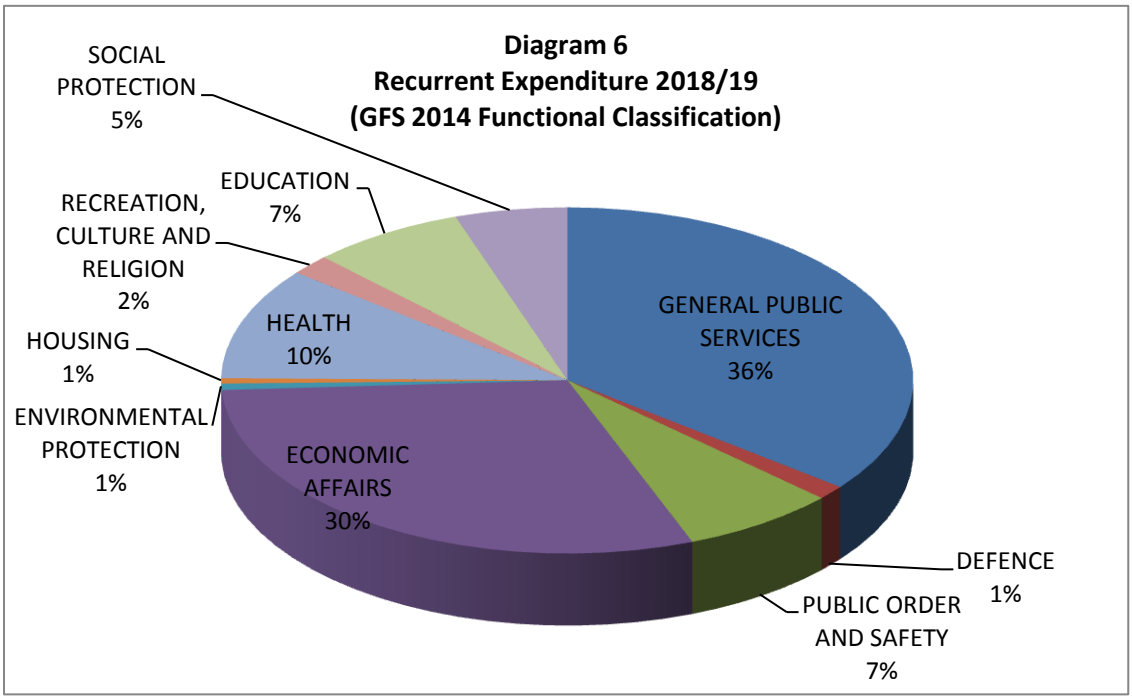
Vote	Details	Revised Estimate EC$	Actual Expenditure EC$	Variance EC$	Actual Expenditure %
05	Police	6,868,300	6,772,805	95,495	5.2
07	Legal	1,848,500	1,783,886	64,614	1.4
08	Magistrate's Court	170,300	153,000	17,300	0.1
09	Supreme Court	652,600	652,291	309	0.5
10	Legislature	1,438,000	1,408,332	29,668	1.1
11	Office of the Auditor General	1,167,300	1,082,751	84,549	0.8
12	Office of the Deputy Governor	29,287,000	28,782,907	504,093	22.0
13	Public Prosecution	686,100	671,788	14,312	0.5
15	Office of the Premier	17,208,000	17,084,089	123,911	13.1
20	Ministry of Finance	21,413,500	21,039,156	374,344	16.1
30	Ministry of Agric., Housing, Lands & Env.	6,022,800	5,749,391	273,409	4.4
35	Ministry of Communication & Works	14,402,200	14,180,205	221,995	10.8
40	Ministry of Educ., Youth Affairs & Sports	10,915,400	10,833,569	81,831	8.3
45	Ministry of Health & Social Services	20,658,600	20,588,165	70,435	15.7
	Total	**132,738,600**	**130,782,335**	**1,956,265**	**100**

3.10. Recurrent Expenditure Variances, in summarized form, together with prior year comparatives are detailed below:

	2019 EC$	2018 EC$	Increase/(Decrease) EC$
Authorised Expenditure	132,728,600	129,018,300	3,710,300
Actual Expenditure	130,732,328	123,971,975	6,760,353
Unspent Balance	1,996,272	5,046,325	(3,050,053)

3.11. **Improvement in Budget Preparation**. There is some indication of improvements in budget preparation expertise as Accounting Officers were able to utilize approximately 98.5% of budget allocations for this fiscal year as against a 96% utilization rate from the previous year.

3.12. The Diagram below will provide you with a further analysis of expenditure incurred by GFS functional classification. They fall largely in line with expenditure projections at beginning of the year as outlined on 30 of the Budget Speech 2018/19.



3.13. **Misclassification of Expenditure**. However, classification of expenditure is still an issue. Misclassification was found at six of the entities audited. While this did not impact the overall financial statements, it impacts decision making. Accounting Officers were again reminded to pay attention to this control weakness.

3.14. **Weak Internal Controls in some areas**. We also found instances where internal controls were weak. For example, the separation of duties seemed inadequate as some persons were allowed to certify and approved an invoice. This occurred at MAHLE, Ministry of Finance and Office of the Deputy Governor. Additionally, we found instances of

non-compliance with regulations as folio numbers were not seen for some items that were required to be in stores.

Statement of Commitments Outstanding for goods and services supplied

3.15. Commitments outstanding for goods and services totaled $771,213.

3.16. Sec 68(2) of the PFMAAR 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".

3.17. Using a sample of entities that had outstanding bills amounting to more than one percent of total outstanding liabilities, an investigation into reasons for non-payment in correct accounting year revealed the following:

Ministry/Department	Work completed or bills received late for processing	Insufficient funds	Awaiting response from HRM	Returned by Treasury for lack of supporting evidence	Other	Total
Police	7,525	193,169	0	0	0	200,694
ODG	27,899	178,110	0	0	0	206,009
OoP	13,212	75,540	0	0	0	88,752
MOF (HQ)	0	14,514	0	0	0	14,514
MCRS	8,996	0	0	0	0	8,996
MAHLE	25,916	572	9,345	95,294	14,419	145,546
MCW	4,413	48,656	1,391	0	0	54,460
MOE	605	0	0	0	9,420	10,025
MHSS	0	0	24,147	0	0	24,147
TOTAL	88,566	510,561	34,883	95,294	23,839	753,143

3.18. **Bills Outstanding for more than six months**. Most of the outstanding sums were for activities undertaken within the last quarter of the financial year. However, at the Ministry of Health and Ministry of Agriculture, we noted that some bills for goods and services were outstanding for more than six months.

3.19. **Bills Outstanding due to insufficient funds**. As per the table above, more than 67.8% percent of the reported outstanding sums was attributable to insufficient funds. This therefore suggests that had the bills been paid in the correct accounting year, they would have led to over-expenditures, and is thus a seeming non-compliance with Sec 68(2) quoted in paragraph 3.16 above.

3.20. **Expenditure Outstanding due to lack of supporting evidence**. These outstanding liabilities were avoidable had the correct supporting documents been provided. Further, the Treasury normally gives a departments time to make adjustments and submit correct

supporting documents to facilitate payment within the correct accounting year. This occurrence therefore seems to be a lack of effective control and monitoring system.

3.21. **Outstanding contributions**. There was also outstanding contributions of $3,222,026 to regional and international institutions as presented by the Treasury Department. On further examination of the reasons for the outstanding contributions we note that 8**%** percent related to late submission of invoices for payment while 4% were for miscellaneous reasons. More concerning however is the fact that 88% of these bills remained outstanding due to late reconciliation of outstanding invoices with the various entities.

Statement of Revenue Received

3.22. **Local Recurrent Revenue**. Emphasis is placed here on the collection of local revenues that is within the control of Accounting Officers. Thus, revenues collected locally by Ministries Departments is presented in Table 13 below

Table 14
Local Revenue Collected by Ministry/Department FY 2018/19

Vote	Details	Budgeted Amount	Actual Collection	Variance
05	Police	282,600	384,799	102,199
08	Magistrate Court Service	40,000	48,871	8,871
09	Supreme Court	15,500	12,780	(2,720)
10	Legislature	800	9,277	8,477
11	Audit Office	25,000	9,000	(16.000)
12	Office of the Deputy Governor	271,100	420,480	149,380
15	Office of the Premier	210,000	208,445	(1,555)
20	Min. of Finance & Econ. Mgt.	46,037,900	45,218,788	(819,112)
30	Min. of Agriculture	1,089,000	859,381	(229,619)
35	Min. of Communication & Works	3,916,100	3,554,427	361,673
40	Min. of Education, Youth Affairs & Sports	295,500	292,545	(2,955)
45	Min. of Health and Social Services	505,800	547,937	42,137
	Total	**52,689,300**	**51,566,729**	**(1,122,571)**

3.23. When compared to collections of the prior year, were note an increase of $3,842,011, representing 8% positive movement in collections.

3.24. **Errors and Omissions Risk in timely revenue recognition**. Some departments use standalone revenue collection IT systems that are not integrated with GOM'S accounting package, SMARSTREAM. Other departments maintain manual cashbooks of monies collected. In most cases, the revenues are collected and later deposited to a bank or at the Treasury Department where the General Ledger is updated with the monies received. This poses a risk that any error or omission may not be detected in a timely manner.

3.25. **Insufficient information prevented verification of some revenue**. At Radio Montserrat, we could not audit the revenue collected as not sufficient information was included on the invoices to allow verification of work done against log sheets and hence whether the appropriate sums were collected. Radio Monserrat was advised to add

broadcast times to the invoices as this would enable auditors to verify the transactions more completely.

3.26. **Schedule of Fees not approved**. Ministry of Communication and Works provided a Schedule of Fees for Plant Hire. However, we saw no evidence that this was approved by Cabinet.

3.27. **Non-compliance with legal mandate for deposit of revenue collected**. Reviews of revenue collection at the Monserrat Police Service showed that collections for firearms and ammunition licences were done by cheque. They were later deposited some three months after receipt. This is contrary to Sec 52(4) of the PFMAR which mandates that deposits should be done on a daily basis or at the earliest convenience. Moreover, the delay in depositing cheques collected gives rise to situations where there may no longer be money available to allow honouring of the cheques.

3.28. We further noted that monies were being collected for hazard allowance and paid directly to Police Officers in breach of Sec 52(4) of the PFMAR which states that "all regular collectors of revenue who receives any duties, taxes, fees, rents or other public money, whether of a revenue nature or otherwise, shall pay the whole amount of such monies daily or at earliest opportunity, into a bank account authorized by the Accountant General ……, and obtain a receipt for the monies so paid in".

Statement of Arrears of Revenue

3.29. **Submission of Arrears of Revenue**. Sec 62 of the PFMAR mandates that the Arrears of Revenue Returns be submitted to the Auditor General within 60 days of the close of the financial year. Returns from the following Revenue Collectors were not received within the timeframe stipulated by the Act.

- Commissioner of Police
- Registrar
- Clerk of Councils
- MCRS
- MEYAS
- MH&SS
- ODG

3.30. **Increasing Arrears**. On eventual submission, we note a significant increase of $4M which was primarily due to the introduction of two additional lines. Accounting Officers are encouraged to take all steps to collect the revenue thus keeping Arrears of Revenue to a minimum.

3.31. **Management of arrears**. Sec (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".

3.32. We sought to find out management's strategy for managing the arrears and the provision of evidence to show actions taken to collect government revenues during the year. We noted that, at time of drafting this Report, one department was awaiting partial write-off by the Legislative Assembly while another was in the process of preparing a Cabinet Paper to begin the process for seeking write-off of uncollectible arrears. Another entity had forward the matter to the Attorney General Chambers to facilitate action.

3.33. Most departments would contact persons via telephone or mail. Some departments would put a general notice on the radio to remind residents that they should pay outstanding sums. However, except for the Inland Revenue Department within the MCRS, we saw little written evidence that persons are reminded of the outstanding amounts and of their obligations to pay. Reminders were sent infrequently or not at all.

3.34. **Removal of seeming uncollectible arrears**. Our further review revealed that a number of these arrear lines contain accounts for persons or entities from whom there seems no possibility of collection and persons may be dead or the entity is no longer in business. Again, we are encouraging Accounting Officers to review these accounts and take the necessary steps to have the issue addressed.

Statement of Development Expenditure

3.35. **Capital Expenditure Utilised**. The appropriation Warrants authorized $33,691,100. Actual expenditure was $11,982,446 being 35.6% of the amount allocated. The Ministry of Finance and the Deputy Governor's Office were only able to utilize 7.1% and 0% respectively.

3.36. **Threat of funding withdrawal due to failure of completing project elements within agreed timelines**. Earmarked activities within some projects were not completed and there is a risk that the associated funding will be withdrawn. Such projects include:

- Geothermal Project
  - MON #3 completion
- Montserrat Priority Infrastructure Project
  - Resource Development Expenditure Limit (soft components like training)
  - Solid Waste Management

3.37. **Social Housing Project**. This is a MATHLE project and initially the Montserrat Land Development Authority was to assign project staff to perform the roles of Construction Supervisor and Construction Assistant to advise and monitor the progress of the buildings and for the procurement of materials as required**.** At the onset, the project's objective was to provide decent permanent housing for seven households who were living in conditions deemed unfit for human habitation. This was to enhance the households' quality of life and their living conditions**.** The anticipated cost of the project was EC$4M and its duration 8-12 months.

3.38. Examination of the project documentation showed that the project staff was subsequently changed with the construction management services being provided by the MCWL and the MLDA providing project management services on behalf of MATLHE. The project's scale was also reduced, and a budget was eventually agreed for the erection of four 2-bedroom houses with a cost of $2.5M and a duration of 3 months.

3.39. **Time Overrun on Social Housing Project**. Perusal of the contract documents showed that the project was targeted for completion by July 2018, but the houses were eventually completed in March 2019, running over targeted completion time by 9 months. This was inclusive of project downtime of six months during which the payment for additional costs were being negotiated.

3.40. **Cost Overrun on Social Housing Project contract**. As per the contract documents the price for erecting the four houses was $1,577,451.50. Various additional costs were incurred by the project some of which should have been taken into consideration when the contract price was negotiated. These were added by way of variations costing $399,653.35.

3.41. The additional sums were not paid for by the project but were covered by the Ministry of Finance to address the funding shortfall thereby enabling the project to move forward.

3.42. **Non-approval of Variations**. When the contract for the works was issued its general terms were that no variation, alteration or addition to the work indicated in the specification and/or drawings should be made unless the written instruction prepared and issued by the Project Architect/Contract Administrator had been obtained. At a Project Steering Committee meeting it was further decided that all variations must be agreed by all parties and ratified by the Project Steering Committee.

3.43. There was non-compliance with policy directives as no evidence was seen of approval for variations by the Project Steering Committee.

3.44. **Partially signed Contracts**. Written contracts are legal binding documents used to outline the expectations of the parties, provides proof of what is agreed to between the parties and helps to prevent misunderstandings or disputes. On reviewing the contract documents for the Social Housing Project, we note several instances where key signatures were missing. As missing signatures could have legal implications, care should be taken to ensure that all required signatures are obtained preferably before contract work begins.

3.45. **Control weaknesses in the Housing Improvements to the Vulnerable Project.** This project was designed to assist vulnerable persons to make repairs to their premises. Vulnerable persons would apply to the Housing Unit for a housing intervention. The Housing Allocation Committee, using a needs basis assessment tool, would review the applications and then make its recommendations as to who should be assisted and in what amounts.

3.46. **Change of recipient not approved**. A review of the process revealed that one person was approved for assistance toilet replacement and general repairs to residence. Local Purchase Orders were issued however that person died before the materials could be collected and the approved works finished. A site visit to that premises did not show any evidence that any of the authorized material was used on that property. Discussions with a merchant highlighted that another person was allowed to collect and use the materials without any change of name being made to the Local Purchase Order. There was no evidence to show that this new person was approved by the Housing Allocation Committee.

3.47. **Cross referencing of Local Purchase Orders to approved clients not possible**. Further review of project documents reveal that local purchase orders were prepared by the Housing Division and sent to local merchants without the name of the person that the materials were to be issued to. The merchants were then called and asked to issue the materials to various persons. We could not find any evidence of a system in place to facilitate independent verification that the materials were issued to the person(s) approved by the Housing Allocation Committee.

3.48. **Airport Improvement Project**. This was an MCW's priority capital project, jointly funded by DFID and the EU. The objective of the project was to construct a new control tower and improve the facilities to allow the airport to keep its certification status thus allowing it to remain open. Budgeted cost was EC$3.5M and its completion date was set at 30 March 2018[8]. Due to a re-scoping of the project the budgeted cost was reduced to EC$2.3M.

3.49. **Time overrun and yet project remains incomplete**. According to project quarterly reports, this project commenced in June 2017. The Project Strategy document, prepared in June 2017, gave the deadline for the completion of all elements of the project - conducting engineering studies, plumbing studies, and erecting the air traffic control building - as 30 March 2018. As at December 2019, almost two years later, the air traffic control building is still not yet erected. PWD cites lack of funding, lack of human resources, natural disaster interventions and procurement activities as major issues affecting the completion of the project.

3.50. **DFID funded component complete**. The DFID component of this project – procuring the prefabricated cab (steel frame) - was completed within budget and the steel frame has been on the ground since December 2018. However, the other major element which requires base erection and setting the cab in place remains incomplete as at December 2019.

3.51. **Scheduling of project elements questionable**. We note that major project works such as the completion of mechanical engineering services, electrical engineering services and plumbing engineering services which could not have been undertaken by in-house PWD staff, and which would have impacted on construction of the air traffic control building, were scheduled for completion in March 2018 at the same time when the building was

[8] Information sourced from Project Strategy: Airport Improvement Project, Jul 2017

scheduled to be completed. This scheduling appears questionable as some of the engineering works were pre-project works intended to determine the type of building to be erected.

3.52. The contracts for structural engineering and mechanical engineering services were only signed on 8 and 4 March 2018, respectively and suggests that works could not have been completed by project end date. The work was completed in the second quarter of the 2018/19 fiscal year, that is, long after the building was on the ground.

3.53. **Project oversight lacking**. Project Steering Committees are usually established to provide oversight and monitoring of project activities. Our review revealed that, although the project began in June 2017, no Steering Committee was established to guide this project until September 2019. As such, there was no effective monitoring of project activities that were running behind schedule.

3.54. **Insufficient funding of project elements.** It is important to note here that quarterly reports on the project, as early as June 2018, identified lack of funding as a major issue. This remains a significant concern at the time of drafting this report.

3.55. **Value of project to workers and citizens not yet realised**. A site visit to the airport reveals the frame under tarp cover showing signs of rust. As such the project is not as yet realizing its intended purposes. If the structure is to be utilized, in good form, workers obtain more suitable accommodations, and the citizens of Montserrat are to derive the full benefits from an air control tower designed to international specifications and meets the requirements of regulators, then the funds must be set aside to fully complete this project.

3.56. **Control weaknesses at Golden Years Home for the Elderly Project**. The Ministry of Health undertook a project for refurbishment of the Golden Years Home at an expected cost of $97,800.

3.57. Sec 70 of the PFMAR states that, "except in the case of a payment in advance duly authorized under the provisions of Sec 26 of the Act, no money shall be paid to any person other than the amount due for the value of work certified to have been done or services certified to have been performed by such person". Payment was made to a contractor before the completion of the agreed works. The payment was therefore made in breach of the PFMAR mandate.

3.58. Reports stating completion of project were prepared before actual work was completed. This provided a misleading view of work done, may have affected decision making and posed reputational damage to the Ministry.

3.59. **Solid Waste Management**. As part of a project to improve solid waste management the Ministry of Health commenced an activity to erect 5 dumping bays at the garbage disposal site in New Windward. The erection of the bays was to make it easier for the trucks to dispose of their solid waste. The work was done within time and budget. However, due to inadequate monitoring of work during the construction process, by both the Ministry of

Health officials and the DFID Infrastructure Advisor, the slabs were incorrectly placed and cannot be used for the intended purpose.

3.60. **Difficulty in checking expenditure in accordance with agreed project lines**. When projects are approved expenditure is agreed according to expenditure lines, for example, project management fees, building costs, etc. The Treasury has put in place a system for measuring project expenditure which can be used for general project accounting. However, because of the way the expenditure is accounted for, it is difficult to determine whether individual project expenditure was paid for in accordance with agreed project lines.

Statement Received but provide limited useful information

Statement of Fixed Assets

3.61. These statements were received however they, in most instances, lacked critical information regarding the valuation element. A number of these assets were purchased many years ago hence their cost could not be established. It is however vital to have these assets valued if a true and fair view of the accounts, on an accrual basis, is to be shown.

3.62. International accounting standards allow for the assets to be recognized on a cost or revaluation basis. Where the costs cannot be identified, permission should be sought from GOM to have the assets revalued since any unplanned revaluation exercise may incur significant unbudgeted cost.

Statement of Inventory

3.63. Procurement and Stores Regulations 2009 of the Public Finance (Management and Accountability) Act, Section 31 states "(1) An accounting officer responsible for maintaining un-allocated stores shall ensure that accurate accounts are maintained for all receipts and issues of such stores. (2) Un-allocated stores shall be accounted for by both quantities and values and the accounts shall indicate the unit cost of each item of stores." Section 34 (3) states, "the balance and value of each item of stores shall be recorded whenever a receipt or issue is made."

3.64. **Inventory could not be verified**. At Radio Montserrat we were unable to verify the stores as the stores ledger was not up to date. It was reported that the computer was replaced in July 2018 and the ledger which is kept electronically was not updated since then. This poses a risk of misappropriation of inventory. We recommended that the stores ledger should be updated as transactions are completed. This would prevent omissions due to time lapses.

Statement of Undrawn External Assistance

3.65. Accounting Officers are requested to provide information pertaining to the balance of any undrawn external assistance due such as grants available at the end of the previous financial year to fund future operations. Although the accounts provide many instances where grant funding is provided, example for project execution by many departments, we

have only seen one instance (MEYAS) where this was prepared and submitted by a Ministry/Department.

Overall View of Compliance

3.66. The findings detailed throughout this Chapter show areas where the laws, regulations and policy directives are breached. We therefore conclude that there is a need for Accounting Officers to pay careful attention to this area thereby improving compliance.

CHAPTER 4 OTHER FINANCIAL AUDITS

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

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

Public Accounts of Montserrat

4.3 The Report on the Public Accounts for the fiscal year 2017/18 was completed in February 2019. It was tabled in the Legislative Assembly on 15 May 2019**.** The audit was qualified for material misstatements.

Montserrat Land Development Authority (MLDA)

4.4 The 2016 MLDA (Corporate) accounts were audited and were forwarded to the Minister for onward submission to the Legislative Assembly. The audit was qualified for material misstatement.

4.5 The 2013 -2016 Financial Statements (Housing Management) were forwarded to the Minister tabling in the Legislative Council. Audit not qualified on this occasion. We are however giving management the opportunity to revalue some buildings.

Montserrat Social Security Fund (MSSF)

4.6 The Financial Statements for the year ended 31st March 2017 were laid before the Legislative Assembly as its sitting of 16th December 2019. The Deputy Director of MSSF has advised that the 2018 Financial Statements are currently being audited.

The Montserrat Port Authority (MPA)

4.7 The 2019 Financial Statements were tabled in the Legislative Assembly on 17 December 2019.

Montserrat Financial Services Commission (MFSC)

4.8 The entity engaged new auditors as required by international auditing practices and the Commissioner has advised that the accounts for 2017 and are currently being audited by their new auditors.

Montserrat Utilities Limited (MUL)

4.9 The 2016 and 2017 Financial Statements were tabled in the Legislative Assembly on 26 April 2019. The 2018 accounts were signed off by the Chairman of the Board and, at time of drafting this report, the entity was awaiting final copies for submission for tabling.

Montserrat Info-Communication Authority (MICA)

4.10 MICA's Financial Statements for the periods 31 March 2015 was tabled in the Legislative Assembly on 26 February 2019 and the 31 March 2016 accounts tabled on the 26 April 2019. The accounts for 2017 were audited and were forwarded to the Minister for submission to the Legislative Assembly.

Montserrat Volcano Observatory (MVO)

4.11 The Operations Manager has advised that the MVO is currently preparing the 2015 Financial Statements.

Bank of Montserrat Limited (BOML)

4.12 The Accountant has advised that the Financial Statements for year ending 30 September 2018 were audited and the BOML was in the process of having the 2019 accounts audited.

Montserrat Arts Council (MAC)

4.13 The 2014 Financial Statements have been audited and are awaiting sign-off by audit management. The 2015 and 2016 Financial Statements are being audited.

Montserrat Community College (MCC)

4.14 The accounts for the period 2007-2012 were audited and tabled in the Legislative Assembly on 26 February 2019. We are currently awaiting responses to queries from the Principal to enable finalization of the 2013 - 2015 accounts.

Montserrat National Trust (MNT)

4.15 I have been advised by Office Manager that the accounts for year ending 31 December 2017 were audited and submitted to the Ministry of Finance.

Montserrat Philatelic Bureau (MPB)

4.16 The 2011-2015 accounts were returned to the entity for adjustment of material misstatements. We were recently informed that the entity is encountering difficulties in

making the adjustments. Discussions to be held with management to agree a proposed way forward for finalizing this audit.

Basic Needs Trust Fund (BNTF)

4.17 The 2017 and 2018 Financial Statements were returned to the client for adjustments. We have not received the adjusted accounts despite several reminders.

Montserrat Civil Service Association (MCSA)

4.18 The Financial Statements for the financial year ending 30 September 2013 were tabled in the Legislative Council on 26 February 2019. The 2014 - 2015 financial statements of MCSA are currently being audited.

Golden Years Foundation for Care of Elderly (GYFCE)

4.19 The Financial Statements for the ended 31st December 2018 were approved by Board and submitted to Ministry of Finance for onward submission for tabling.

Girl Guides Association (GGA)

4.20 The financial statements for the 2017 and 2018 are currently being audited.

St. Augustine Primary School (SAPS)

4.21 The 2011 -2013 accounts were audited and returned to the institution for adjustments to bring their presentation in line with international auditing standards and applicable financial accounting framework. The adjustments have not been forthcoming despite several reminders.

Cross Cutting Issues

4.22 **Monitoring of transfers to Statutory Bodies**. All Statutory Bodies are aligned with a Ministry which has the responsibility of monitoring their operations, the use of resources assigned, and the preparation of the financial statements.

4.23 In our 2015-16 Report on the Public Accounts (Chapter 1 Section 18), we had drawn attention to the fact that GOM issued grants and contributions to entities to facilitate smooth operations and completion of small projects. A grant was given to the Montserrat Government UK Office to facilitate payment for work to be undertaken at the Montserrat Cultural Center. We are not aware of completion of said works. Additionally, funds were provided to the Montserrat Financial Services Commission for work to assist the development of the Company's registry. As the audit for this entity had not been completed at the time of this report, we are uncertain as to whether these works had been completed. Note that several years have passed during which the works remain outstanding.

4.24 Sec 45(8)(a) of the Info-Communications Act requires that sums remaining with the Authority, after deduction of some categories of expenditure outlined in the Act, be deducted from the Appropriations for the ensuing year. We note that no adjustment is being made to annual subventions and that the savings are continually used to finance unfunded operations.

4.25 From the instances cited above, we conclude that sufficient monitoring of the use of the subventions and grants provided to Statutory Agencies is not done.

4.26 **Lateness in compilation and provision of accounts for audit**. Statutory Agencies and Government companies are required to compile their financial statements and submit them for audit within 3 months of the close of the fiscal year. Perusal of the information above will show that many of them are not adhering to this statutory requirement. This intimates that fiduciary responsibilities for the operations of the entity are not clearly understood.

4.27 **Training for members of Statutory Boards**. Finalisation of some Reports has encountered some significant delays as members of some Boards do not seem to fully understand their role and responsibilities. Ultimately, the lack of understanding could result in them taking decisions that poses potential contingent liabilities for government.

4.28 It is therefore prudent for members, including Chairmen, to undergo training in the role and functions of Board Members. Given the sheer numbers of persons requiring training, and associated costs, it may be appropriate for consideration to be given to on island training in Corporate Governance and Board Effectiveness.

CHAPTER 5 PERFORMANCE/SPECIAL AUDITS

5.1 The performance audits for this reporting period focused on (1) efficiency and effectiveness and (2) governance and project management practices. These audit topics were influenced by stakeholder concerns raised in the media or directly with us. The audits sought to provide the Legislative Assembly and the citizens of Montserrat with assurance that programmes and projects were being adequately managed to allow the citizenry to derive significant benefit from their operation or completion.

Standards used

5.2 Applicable government auditing standards as developed by the International Organisation of Supreme Audit Institutions (INTOSAI) for performance audits were used to guide this exercise.

Office of Public Prosecutions – Efficiency and Effectiveness
Background

5.3 In an increasingly complex, fast paced and globalised economy, it is evident that high levels of workplace attendance and performance and efficient public services are very important to national development. This performance audit focused on (1) the ODPP's internal organisation and processes (e.g. recording and reporting of criminal cases), (2) the GOM's policy framework, and (3) the supporting judicial system.

Main Findings

5.4 **Good quantity & quality of outputs.** An important finding is that, despite its very small staff complement, the ODPP is handling a large number of criminal cases each year. This applies both in the Magistrate's Court and in the Supreme Court. The value for money from the ODPP is evident in its average success rate of 80% of cases adjudicated in the High Court. In many cases, however, matters are suspended, deferred, adjourned, or dismissed. The backlog is big, costly, and growing. This impairs efficiency and value for money for the entire judicial system.

5.5 **Under-staffed & under-resourced.** During the past 3 years (2015 to 2017), attendance records show that the DPP faced an overwhelming workload, with a staff of only 2 or 3 persons, on average. Effective staffing was further reduced by various categories of absence. Training, development, funding, compensation, and equipment are, in most cases, well below what is required for the ODPP and, for instance, the Magistrate's Department to be efficient and effective in delivering their expected outputs and outcomes. ODPP's funding was cut in 2015/16**.**

5.6 **Under-use of ICT.** In the ODPP, in line with the findings of our previous audits throughout the MPS, too many processes remain in manual mode and with excessive use of paper. The huge accumulated volume of data, reports, case files and documents of various kinds is time consuming and inefficient to manage and increasingly costly to store. This

also creates (a) major fire hazards and (b) increasing health risks to the staff within their workplace.

5.7 **Major security risks.** Both personal safety and the security of assets are seriously inadequate. For example, at least 4 fires have affected the judicial system in the past decade: [a] 2 court rooms; [b] the former Chief Magistrate's home; and [c] the current DPP's home. Evidence pointed to arson in all of these cases, amounting to attempts to threaten or to intimidate senior persons within the judicial system. The lack of fireproof and waterproof cabinets and safes continually exposes valuable case files and intelligence to damage, loss, theft, and deterioration.

5.8 **Inadequate infrastructure and maintenance.** Repairs and maintenance are often too late or delayed. Surveyed employees and stakeholders in the judicial system complained of many issues affecting workstations and workplaces. Frequently, requested purchases or asset replacements are denied budgetary support and/or excessively delayed. In turn, the status quo poses significant risks to health and safety. These factors limit the revenue generating capacity of ODPP and the judicial system, as well as effectiveness and value for money**.**

Key Recommendations

5.9 **Install up-to-date security systems for files and for staff.** Given the repeated acts of arson committed against key judicial officers in Montserrat in recent years, personal safety and data security must be given urgent attention both at the workplace and at home. Measures could include (a) 24/7 electronic monitoring, (b) closed circuit television, (c) security cameras, (d) security guards, (e) security fencing around judicial workplaces and premises, (f) fire alarms, (g) smoke detectors, (h) fire hydrants, (i) indoor sprinkler systems, (j) physical and electronic locks on all doors, and (k) reinforced and storm proof windows and doors.

5.10 **Improve record keeping and file management.** Urgent attention needs to be given to (i) standardisation of file naming, (ii) file saving, (iii) record management, and (iv) the primary use of the GOM H-drive rather than personal C-drives. Clerical and administrative staffers require coaching and annual refresher courses to make sure that they are utilising the full range of functionalities within the standard suite of software so as to produce complete, accurate, and timely records and reports to support effective decision making.

5.11 **Provide adequate staff and funding.** The ODPP requires an overall budget of approximately EC$1.20 million per year to provide adequately for such items as (i) training and development of the staff, (ii) installation of security systems for files, assets, and staff, (iii) repairs and maintenance to provide a safe and ergonomic workplace, and (iv) ICT upgrades to save time and money, while enhancing data security, business continuity, and quality of public prosecutions. Additional staffing and funding will be required to address the backlog of legal cases, while upskilling for the newer areas of law.

5.12 **Provide up-to-date accommodation, equipment and facilities.** Both the ODPP itself and related judicial Departments urgently need modern and ergonomic workplaces, software, forensic tools, specialised training, vehicles, and equipment. Too many items are [i] inadequate, [ii] repeatedly not provided/budgeted for Departments, [iii] not functioning, and/or [iv] obsolete. Repairs and asset replacements are often delayed for months or even for years. From workplaces to court rooms, the current accommodation is inadequate and cramped, and several facilities and amenities are lacking for all judicial officers, clients, lawyers, and members of the public.

Audit Conclusions

5.13 Amidst its constraints, the ODPP has provided value for money. It is commendable for achieving (i) low and falling overall absence rates and well below the public sector's averages during the past 3 years (2015 to 2017), (ii) extremely low turnover of staff over the past 8 years, and (ii) an average success rate of 80% in its prosecutions at the High Court. For several years, however, insufficient funding, resources, and staffing have been allocated to the ODPP and the judicial system, reducing the efficiency, the timeliness, and the effectiveness of criminal prosecutions.

5.14 Key facts include (1) there is only one full time resident judge for the Magistrate's Court; (2) the High Court operates only a few months of the year; and (3) the Courts' hearings of legal matters are frequently adjourned or deferred, adding to the backlog of legal cases. Moreover, judicial departments' information systems, communication patterns, client service channels, record keeping, and reporting methods are mostly outdated, expensive to maintain, and neither efficient nor highly effective. In all sectors and industries, current and prospective investors and businesses alike are deterred (a) by the uncertainties of judicial processes and (b) by frequently observed/reported delays and costs in completing legal cases efficiently to produce an outcome that is satisfactory to stakeholders.

5.15 In short, the efficiency, effectiveness, and value for money of the ODPP and the judicial system can be greatly enhanced with (i) improved funding and resource management, (ii) comprehensive health and wellness programmes, (iii) safe, secure, and well maintained workplaces, (iv) ergonomic work stations, and (v) strategic HR approaches to recruitment, induction, training, promotions, development, and succession. Once they are adequately funded, staffed, and equipped, the ODPP and the judicial system stand to recoup their costs, and could boost the GOM's revenues through higher case completion rates, and the increased value of resulting fines, penalties, and asset forfeitures. These are some of the tangible elements of value for money.

Geothermal Energy Development Project – Governance and Project Management
Background

5.16 The Geothermal Energy Development Project began in the year 2012 with projected completion of a power station by the year 2016 and is fully funded by the UK Government's Department for International Development (DFID). In partnership with the DFID, under the

GOM's direct oversight, through MCWEL, the first two geothermal wells (MON #1 and MON #2) were successful and were completed within their budgeted time and below budgeted cost. Since then, following the DFID's intervention and direct oversight of procurement during MON #3, there have been extensive delays in the negotiating of the terms of the extended contract with the drilling contractor, Icelandic Drilling Company.

5.17 Under the DFID's hands-on approach to oversight from MON #3 onward, delays and inefficiencies in other aspects of project management have incurred additional costs such as the need to clean the long idle third geothermal well (MON #3), which still needs both short-term and long-term testing. Hence, the current tentative projection is that the power station will be completed by December 2021, approximately 5 years later than the original estimate. Meanwhile, the total cumulative cost since the year 2012 is approximately GBP 18 million (well over EC$60 million). Beyond MON #3, it is proposed [1] that the DFID's funding will cease, and [2] that the GOM will work with private sector partners to fund and to complete the final stage of the project: the harnessing of the now proven geothermal resources and the completion and operation of the power station.

Main Findings

5.18 **Good governance overall.** An important finding of our research is that there is an adequate framework for oversight of the Geothermal Project. The Steering Committee (GPSC), for instance, has 14 members, representing diverse stakeholders: e.g., MCWEL, PWD, MOFEM, DFID, MVO, and the Department of Environment. However, we have identified some areas to be improved within various bodies/committees: e.g., quality of records, attendance and participation.

5.19 **Since DFID's intervention/direct oversight, the project has stalled since MON #3.** Under the MCWEL's direct oversight, MON #1 and MON #2 were completed within budgeted time and cost. Throughout the project, the DFID had general oversight. However, from year 2015 onward, the DFID intervened with a hands-on approach and took over the direct oversight of the procurement for the project for MON #3. This well was dug but was not promptly cleaned or tested. Since it has been idle for over 3 years, this will incur extra costs for the re-drilling and the cleaning of MON #3 to resume the project.

5.20 **DFID's negotiations with the contractor have lagged over 2 years.** These negotiations for the extension of the drilling contract have been in progress since the year 2016. Up to the time of this report, we had received no evidence of a new contract. On the contrary, during early 2019, the contractor has subsequently removed its assets from Montserrat. Hence, the re-drilling and the testing of MON #3 remain pending, and the future of the entire project continues to be left in doubt.

5.21 **Recruitments/Appointments are too slow.** Over the past several years, these processes have been repeatedly delayed, inefficient, and ineffective. For example, despite giving adequate notice, the Project Manager and the GOM's Strategic Environmental Specialist left without suitable replacements. As another example, even though the

Committee is expected to meet weekly, the vacancy of Deputy Chairman for the GPSC was officially unfilled for months.

5.22 **DFID's personnel absences/changes affect project management.** Given the DFID's decision to take over from the MCWEL in having direct oversight of this project after MON #2, the efficiency and effectiveness of project management and governance have suffered from (1) the recurring unavailability of the DFID's personnel on the island (e.g., for meetings of the GPSC and other on-island functions), (2) changes of the DFID's assigned personnel, and (3) vacancies in these positions. Attempting to manage major projects remotely/overseas is not appropriate in these circumstances.

Key Recommendations

5.23 **Urgent need to improve contract management.** The experience of the past three years revealed an urgent need for the DFID and other stakeholders to revisit their approach (1) to negotiations with contractors, and (2) to ongoing relationship management. The completion of MON #3 requires the soonest agreement with the drilling contractor. Several key persons left the project/island without clear succession plans or timely and suitable replacements.

5.24 **Need for more flexible budgeting.** This is especially important with long-term projects. Over time, projected costs tend to rise and new costs and issues emerge, making original estimates of limited relevance. Risks and contingencies need better planning. In the past several years, an overly rigid approach to budgeting and to negotiations with contractors has caused long delays in projects. Overall effectiveness, relevance, and value for money are more important than simply getting the lowest price or input cost on contracts or on items to be procured.

5.25 **Review and assess committees and their members.** In view of the extent both (1) of absenteeism (not being present when scheduled/required) and (2) of presenteeism (dutifully attending, but not functioning or significantly contributing) documented in meeting notes, key stakeholders, including the Permanent Secretary of MCWEL, the Financial Secretary, MOFEM, and the Cabinet, must exercise diligent oversight of all public committees and bodies. This includes objective ways (e.g., attendance rates; participation rates; outputs; outcomes) to assess both the committees and their individual members and any sub-committees.

5.26 **Improve recruitment, retention, & succession planning.** Within 1 to 2 months, the MCWEL and the GPSC must liaise with the HRMU to place urgent focus on improving workforce planning, recruitment, and succession-planning [1] to improve the efficiency and the effectiveness of the project management ecosystem, [2] to improve retention of talent, while minimising the costs and risks of staff-turnover, and [3] by extension, to achieve much improved people management across the MCWEL, including (a) compensation, (b) morale, (c) team building, (d) internal and external communication, (e) recognition and rewards, and (f) performance related incentives. Key roles deserve to be filled promptly and to have the relevant capacity and funding.

Audit Conclusions

5.27 With 100% reliance on imported fossil fuels and diesel generators to produce electricity, Montserrat has experienced many interruptions of power since October, 2016. This approach also creates very high (and rising) per-kilowatt prices for GOM, for businesses, and for households. Hence, the Geothermal Energy Development Project is extremely important as a long-term investment in achieving the Montserrat Energy Policy 2016 to 2030. Through solar power and geothermal energy, this policy seeks to achieve 100% renewable energy and sustainable national electricity-independence by year 2020. While the solar project is making progress, the geothermal project is years behind schedule, and will very likely not be finished by the target of year 2020.

5.28 In its early years, under the MCWEL's direct oversight, this project produced two successful geothermal wells (MON #1 and MON #2) within budgeted time and cost. In year 2015, the DFID, which had had general oversight of the project from its inception, intervened, taking a hands-on approach to all matters of procurement, and effectively took over from the MCWEL the direct oversight of the project for MON #3 onward. Since then, the project has had major overruns, both in time and in cost, to complete and to test well MON #3. With three viable wells, there would be two wells for production and one well for reinjection and/or additional production to ensure 100% of Montserrat's electricity needs.

5.29 The revised schedule for this project tentatively projected economic viability and power distribution by December 2021. These outcomes are necessary to propel private sector led growth of the four central economic pillars in line with the national vision in the Sustainable Development Plan. However, the DFID's negotiations with the drilling contractor have been pending since year 2016, leaving the remainder of the geothermal project increasingly in doubt.

Roads and Bridges: Governance and Project Management
Overview

5.30 The Roads & Bridges Project began in 2015 with projected completion by 2018. The overall budget was EC$4.20 million, including (1) purchase of an asphalt-paver, (2) repairs to a bridge and part of the road at Barzey's and (3) repairs to the bridge at Bunkum Bay. It is fully funded by the UK Government's Department for International Development (DFID). Under the GOM's oversight, through the MCWEL and the PWD, the projects to date were satisfactory and were mostly completed within their budgeted time and cost. A few delays and inefficiencies in other aspects of project management have incurred additional time and costs such as delays in import shipments, and shortages of cement. Inadequate funding continues to challenge the MCWEL in delivering the full scope of proposed projects, and also limits the number and extent of routine asset replacements, repairs, and maintenance of infrastructure each year.

Main Findings

5.31 **Good governance overall.** An important finding of our research is that, despite some deficiencies within various bodies or committees, there was adequate oversight of this infrastructural project.

5.32 **Rising number of accidents on roads.** The Police Traffic Department's records show that, between December 31st, 2014, and December 31st, 2016, the number of vehicular accidents increased nearly 40%. This trend highlights the risks of underfunding resulting in delays in maintenance of infrastructure and, eventually, deterioration of the assets beyond repair.

5.33 **Projects delivered despite limited funding**. The asphalt paver was bought and repairs have been done at the Bunkum Bay Bridge, and on the Barzey's road and bridge. As an example of inadequate financing, funding was cut from the original proposal of $2.5 million to $1.4 million, which was sufficient only for a much smaller section of the road at Barzey's.

5.34 **High risks from reliance on imports**. Too few of the commonly used items (e.g., for construction of infrastructure and for its ensuing maintenance) are produced locally. Projects are often affected by shortages, by fluctuating prices, and by issues with foreign suppliers.

5.35 **Inadequate port & facilities.** Imports are often delayed because the Little Bay port is too small and has no breakwater. Many supply ships cannot come to Montserrat directly, resulting in longer transit and higher shipping & handling costs of inputs. Rough seas often prevent boats from docking, resulting in delays in getting inputs and, hence, delays in projects.

Key Recommendations

5.36 **Increase the funding for infrastructure.** Given the value of the assets at risk, and the range of other risk factors, MCWEL must get better support (e.g., from MOFEM, DFID, and CDB) for eliminating the backlog of repairs and maintenance across the public sector. This also requires adequate funding for investments in essential new projects e.g., ports, roads, bridges, and energy.

5.37 **Produce more items locally.** For example, the hot mix factory, which has had long downtime, could be reactivated to produce construction materials at lower cost than imports. More consideration should also be given for the rehabilitation of the Trant's quarry to further reduce the importation of road construction material such as road base and aggregates.

Audit Conclusion

5.38 With heavy reliance on imported materials, fuels, and equipment, projects in Montserrat have experienced delayed shipments, shortages of materials, fluctuating prices,

and supply chain risks. Altogether, these factors cause inefficiencies, increase unit costs, reduce outputs, and delay outcomes throughout the MPS. They are also hindering the development of the private sector, thereby delaying achievement of the Sustainable Development Plan 2008 to 2020. Repairs and maintenance of infrastructure have been under-funded and delayed over the past several years. Funding for investments in new infrastructure has also been inadequate.

5.39 Over the past three years, despite such challenges, the PWD has satisfactorily implemented the Roads & Bridges project to address some of these overdue repairs and upgrades to necessary infrastructure. The newly acquired paver will reduce the cost of operating and maintaining equipment, while contributing to road maintenance across the island in the future. Likewise, (a) the upgrades to the bridge at Bunkum Bay and (b) the rebuilding of a bridge and a section of the road at Barzey's will help to make the road network safer and more comfortable for all motorists and the travelling public.

Subsequent Events

5.40 Subsequent to our fieldwork, the GOM hosted a ceremony in May, 2019, to launch the Little Bay Port Development Project. This is expected to span the next 2 to 3 years with funding from the UK Caribbean Infrastructure Fund (implemented by the CDB), the E.U., and the GOM.

5.41 We were also apprised of the GOM's Memorandum of Understanding signing with the DFID on April 29th, 2019, to revive the hot mix factory which will be among the items to be funded under the Capital Investment Programme for Resilient Economic Growth (CIPREG).

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

CHAPTER 6 IT AUDITS

6.1. An information technology audit, or information systems audit, is an examination of the management controls within an Information technology infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives[9]. Stated another way we can say that the objective of the IT Audit Unit is to ensure that the government receives value from Information Technology (IT) investments and that the associated security risks are properly managed.

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

IT Audit on Automated System for Customs Data (ASYCUDA)
Background

6.3. The ASYCUDA software was implemented at the Montserrat Customs and Excise Division to automate customs functions such as manifests, customs declarations, and accounting procedures. However, the administering of the customs function was still a combined system of manual and computerised processes.

6.4. The Montserrat Customs Division has since migrated to a web-based version called ASYCUDAWORLD, which eliminates the dual entry process and enables commercial businesses and private citizens alike, to input data into an online manifest for quicker processing.

6.5. This Information Technology (IT) audit focused on determining whether the implementation and maintenance of ASYCUDA met the Montserrat Customs Division's (MCD) business goals and safeguards the Montserrat Customs Division's information assets and maintains data integrity.

Main Findings and Recommendations

6.6. **Overall Achievement.** The Montserrat Customs Division has achieved its objective of having an automated customs management system that is efficient, user-friendly, and secured. To date, there has not been any internal or external security breach or issues, associated with ASYCUDAWorld. There are very stringent physical access controls, policies, and procedures in place to restrict unauthorised access to the Montserrat Customs and Revenue Services building, and other Montserrat Customs Division's office sites.

6.7. **Business Continuity.** Customs Division has a disaster plan, which only covers inclement weather; not fire; and although there are designated Fire Marshalls at the MCRS building, there has never been any fire drills or documented fire emergency procedures. We

[9] https://en.wikipedia.org/wiki/Information_technology_audit

recommend the inclusion of fire response and suppression measures in the disaster plan or create a separate fire contingency response plan.

6.8. **Application Controls.** Although the Montserrat Customs Division has passwords policies in place, they are weak in certain areas. The division should consider the adoption, promotion, and enforcement of stronger passwords policies and practices, to assure enhanced security within all levels of ASYCUDAWorld user accounts. For example, enforced frequent change of passwords; use of alphanumeric characters; and minimum or maximum character limit.

6.9. **IT Operations.** Issues that arise with ASYCUDAWorld are resolved in a relatively short time frame with minimal downtime. However, we found that the consignment process is lengthy and requires custom officers to manually check items that arrive in containers, either at the Port Authority or Airport warehouses, or at a commercial business' premises. This method of verification of the shipments is very tedious and time-consuming, especially during peak periods.

6.10. Finally, we are recommending that consideration be given to invest in two (2) Microsoft touch screen tablets that are outfitted with ASYCUDAWorld software and are internet enabled. These tablets would permit the customs officers to have access to ASYCUDAWorld on-the-go resulting in quick tallying and processing of consignments; especially when working off-site.

Audit Conclusion

6.11. The Office of the Auditor General determined that the post-implementation benefits of the ASYCUDA software were achieved. ASYCUDAWorld was found to be very secure and robust software. Most of the Application Controls, IT Operations, IT Security, and Business Continuity policies and procedures in place were satisfactory and effective.

6.12. However, we found a few notable environmental control issues, concerning excessive heat, water leakage, and a lack of fire suppression equipment, that already has, and still have the potential to, unfavorably affect the daily and or long-term operations at the various office locations.

6.13. There is also room for improving the current MCRS disaster plan to include fire control measures; or the possibility of creating a separate strategy regarding fire suppression, prevention, and testing, of the formulated emergency procedures.

Subsequent Event

6.14. Subsequent to our audit, we note that the Montserrat Port Authority is undergoing significant building renovations to its existing infrastructure. This is expected to result in improved working conditions for the Customs Division.

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

CHAPTER 7 ENVIRONMENTAL AUDIT

7.1. Environmental audit means a check, assessment, test or verification of some aspect of environmental management. Environmental audits may examine: compliance, monitoring programmes, impact predictions, equipment performance, physical hazards, financial risks, products and markets, baselines and benchmarks, management programmes and structures, planning procedures and legislation[10].

Standards Used

7.2. Applicable government auditing standards as developed by the International Organisation of Supreme Audit Institutions (INTOSAI) for environtal audits were used to guide this exercise.

Coastal Degradation of Gunn Hill – Lessons Learnt Report
Background

7.3. The Government of Montserrat engaged Halcrow Group Ltd in 2013 to design a proposed port and produce an Environmental Impact Assessment (EIA) for the development of a Port Facility at Carr's Bay. A key decision stemming from the proposed development was the need to remove Gunn Hill to make way for the new port. The removal of Gunn Hill was procured, and the area was reduced from an altitude of between 31.5 – 45.7m at its highest point to 4.0m.

7.4. The objectives of this review were to determine whether the removal of Gunn Hill has had any significant impact on coastal areas or infrastructure and whether work was conducted in accordance with the Conservation and Environmental Management Act 2014.

Main Findings

7.5. The appearance of sinkholes in and around the site highlighted the danger of using the area for fishing or increase dumping of soil, derelict items and vehicles and boulders.

7.6. Existing caves on the north western and southern sides of Gunn Hill have eroded further inland and there is the risk that the base will collapse with the various activities occurring on it.

7.7. The Environmental Impact Assessments (EIA) undertaken for the propose port development at Carr's Bay did not address the impact on the environment should the project cease at any point in the process or at the end of each critical phase.

7.8. The removal of Gunn Hill and the discontinuance of planned development in the area have resulted in the need for GOM to ensure coastal protection which is an unforeseen expense.

[10] https://www.researchgate.net/publication/276060478_Guidelines_for_Environmental_Audit

Key Recommendations

7.9. In view of the monies invested in the reconstruction of the Carr's Bay Bridge, some thought should be given by MATLHE with support from MCWEL to conducting restoration work at the Gunn Hill site to reduce the potential negative impact of erosion on this infrastructure.

7.10. A capital project request or programme of works submission should be made by MATLHE for the installation of hard and or soft structures for coastal protection – stabits, seawalls or rock revetments at the base of Gunn Hill**.**

7.11. GOM should request that every project/proposed development requiring an environmental impact assessment must include a section on the impact on the environment at the end of each critical phase of the project if it were discontinued.

7.12. As part of its decision-making process, GOM should ensure that the true cost or the environmental impact of abandoning a project mid-stream is examined before a decision is taken.

7.13. GOM should ensure that it has agreed alternate sources of financing to cover the full cost of a project before commencing projects of such nature or magnitude.

7.14. For full details of this audit, please visit our website at http://oag.gov.ms under Publications.

CHAPTER 8 AUDITOR GENERAL'S OVERVIEW OF AUDIT OFFICE

Strategic Assessment

8.1. This Chapter will highlight the work our Offices 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

8.2. Our work plans are shared with the Public Accounts Committee (PAC) and its input is sought for other areas that could be included for audit assessment. For audit work, I report to the Legislative Assembly, through the Ministry of Finance and the Clerk of the Legislative Assembly's Office. I also report to the Governor/Deputy Governor for administrative matters. Internally, the Senior Management team which comprises of the Deputy Auditor General and the Audit Managers assist me with the management of the department and public outreach.

Legal Environment

8.3. 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 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.

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

Strategic Plan Progress

8.5. Our Key Strategies for the 2018-19 financial year were:

a) Establishing the Montserrat National Audit Office (MNAO) to ensure an independent audit office that facilitate accountability and transparency. To facilitate this, we expected that a revised Audit Act with provisions to facilitate the establishment of the MNAO would have been tabled in the Legislative Assembly during the financial year. Unfortunately, this did not materialize despite relevant amendments being made.

b) Delivering value to citizens through improved recommendations to Accounting Officers; improvement in staff capability and skills; and development of policies,

procedures and guidelines that facilitate quality work and meet international audit standards/guidelines. This strategy is continuous as we seek to acquire new knowledge and skills to deal with an ever changing audit environment.

c) To fully implement the OAG Stakeholder Engagement Strategy to improve communications with stakeholders thus assisting transparency and accountability in public financial management. During the reporting period we focused on three key stakeholders namely staff, media and PAC. We had regular monthly meetings with staff, continued with staff association activities. Establish a presence with the media via radio interviews, issuing press releases and tabled reports and ensure their availability online. We continue to provide support to the PAC in playing an advisory role and participate at their public inquiries. It is our intention to focus on more on the citizens and civil society organisations in the next operating period

d) Establish a stakeholder survey to determine satisfaction with the OAG's performance and areas for improvement. This strategy was postponed and is expected to commence in 2020.

e) Peer Review of our offices. This was intended to obtain an independent review of our offices. This would have been conducted by a team of regional and international assessors in accordance with a Supreme Audit Institution Performance Management Framework (SAI PMF) to determine any gaps with meeting international audit standards. We were however unable to conduct this activity during this fiscal year. Work is however ongoing to have it progressed during the next fiscal year.

Financial Management

8.6. Our budgetary allocation for the fiscal year was $1,227,300. During the year $60,000 was withdrawn from the department leaving a revised Authorised Total of $1,167,300. The actual amount spent was $1,082,751.

8.7. As in prior years, material expenditures continue to be compensation of employees and acquisition of goods and services utilizing 77% and 17%, respectively.

Challenges during the year

8.8. We encountered many challenges during the year to include the following:

- Absenteeism of staff
- Intermittent network failures
- Accommodation issues and
- Untimely feedback from auditees

Work Force Performance

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

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

Follow-Up on the Implementation of Prior Year Audit Recommendations

8.10. As part of our audit, we provide recommendations that would aid Accounting Officers in improving their operations. It is our practice to see whether these recommendations are implemented. In our review, we found that, as at 31 December 2019, 9% were fully implemented, 58% were in progress, 27% were not implemented while we got no response for implementation for 6%. See Appendix 5 for recommendations.

8.11. While we saw some movement on 67%, there has been no action on 33%. We consider this inaction to be too high given that the Accounting Officers had agreed the recommendations. Again, we are urging Accounting Officers to take this aspect of their responsibilities seriously.

Acknowledgement and Appreciation

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

8.13. 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 us improving our skills and allowed us to deliver higher quality audit products. These stakeholders include the GOM, its Learning and Development Unit, DFID, IDI, CAROSAI and its member organizations, Wales Audit Office, UK National Audit Office, and the Government and peoples of India.

8.14. The past year was fraught with many challenges to include key absences at various points during the year. Despite these challenges my staff performed well and ensured that audit work was completed to a high standard. I therefore take this opportunity to say thank you for your hard work and dedication despite the many challenges encountered during this fiscal year.

Florence A Lee, MSc, BSc, CPA
Auditor-General
Brades, Montserrat
6 July 2020

APPENDICES

APPENDIX 1

GOVERNMENT OF MONTSERRAT

Consolidated Fund - Statement of Assets and Liabilities as at 31 March 2019

(with comparative figures for March 31, 2018)

FINANCIAL ASSETS		**2019**	**2018**
Consolidated Fund Accounts	2	6,620,186	10,094,988
Operating Account ECCB	3	463,430	292,201
Development Capital Fund Account	4	26,038,877	18,519,444
Crown Agents # 2 Account	5	2,358,247	2,456,455
Fiscal Reserve - A/C # 1 Tranche ECCB	6	4,589,967	4,510,600
Volcano Relief Bank Accounts	7	253,022	253,022
CDB Loan Payment Account	8	1,466,868	1,464,868
EU Savings Account RBC	9	119,860	115,473
Equity –Bank of Montserrat	10	14,730,362	16,022,499
RAC Grenada Bond	11	797,105	866,419
Personal Advances	12	412,550	330,629
Outstanding Imprest	13	30,696	74,801
Advances to Other Governments & Administration	14	140,660	136,397
Other Advances	15	0	4,500,000
TOTAL ASSETS		**58,021,830**	**59,637,796**

GOVERNMENT OF MONTSERRAT

CONSOLIDATED REVENUE FUND

Statements of Assets and Liabilities as at March 31, 2019

(with comparative figures for March 31, 2018)

			2019		2018
LIABILITIES					
Miscellaneous Deposits	16		2,910,913		2,986,685
Postmaster Clearance	17		96,092		95,905
Development Fund Payable	18		19,956,634		13,653,128
Special Funds	19		14,959		11,306
TOTAL LIABILITIES			22,978,598		16,747,025
THE CONSOLIDATED FUND					
Balance at the start of the Year			42,890,771		36,836,750
Fund Adjustment	20		(5,913,490)		6,260,553
Revenue (recurrent) for the Year		129,566,555		124,258,576	
Expenditure (recurrent) for the Year		(130,782,328)		(123,971,974)	
Surplus/(Deficit)			(1,215,772)		286,601
Transfer to Local Costs	21		(718,276)		(493,133)
TOTAL CONSOLIDATED FUND			35,043,232		42,890,771
TOTAL			**61,910,053**		**59,637,796**

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

Accountant General, Montserrat

CASH FLOW STATEMENT as at March 31, 2019
(with comparative figures for March 31, 2018)

Cash Flows from Operating Activities		**2019**	**2018**
Tax Revenues	23	45,599,468	42,009,856
Non Tax Revenues	24	5,463,831	5,765,313
Budget and Grants	25	77,999,826	76,483,406
Recurrent Expenditure	26	(130,782,328)	(123,971,974
Contribution to Local Projects	21	(718,276)	(493,133)
Previous Years' Charge	22	0	0
Net Cash flows from Operating Activities		**(2,437,478)**	(206,532)
Cash Flows from Investing Activities			
Net cash flows from Investing activities	27	**572,744 -**	630,696
Cash Flows from Financing Activities	28		
(Increase)/Decrease in Advances		4,457,921	23,782
Increase/(Decrease) in deposits		6,231,572)	(3,420,765)
Adjustments for:			
Advances and deposits		(4,533,396)	0
Effect of exchange rate changes on cash and cash equivalents	20	(87,957)	134,218
Other Receipts and Transfers	20	0	467,533
Net Cash flows from financing activities		**6,068,140**	**(2,795,232)**
Net cash flows		4.203,405	(2,371,068)
Cash and cash equivalents at the beginning of the period		37,707,051	40,078,118
Actual Cash and cash equivalents at 31 March 2019		**41,910,457**	**37,707,051**

Accountant General, Montserrat

Statement of Cash Receipts and Payments for the Government of Montserrat

As at March 31st, 2019

	Notes		Third Party Payments		Third Party Payments
Receipts					
Tax Revenue		2019		2018	
Taxes on Income, Profits and Capital Gains		19,649,417		18,076,966	
Taxes on Property		657,496		699,664	
Taxes on Domestic Goods & Services		2,240,867		2,922,634	
Licences		3,278,258		2,774,056	
Taxes on Int. Trade & Transactions		19,773,433		17,536,535	
Total Tax Revenue	23	**45,599,468**		**42,009,856**	
Non Tax Revenue					
Rents and Interest	24	925,839		764,659	
External Assistance - Budgetary Aid	25	77,999,826		76,483,406	
External Assistance – Development Grants	30	17,567,676		10,825,001	
Fees, Fines and Permits	24	2,047,073		2,079,764	
Reimbursements	24	344,361		568,999	
Other Receipts Recurrent	29	2,026,509		1,857,520	
Capital Receipts	27	120,487		140,942	
Receipt from Investment	27	572,744		984,126	
Other Receipts and Transfers	31	0		467,533	
Net Receipt Advances and Deposits		0		275,214	
Total Receipts		**147,203,545**		**136,457,019**	
Payments					
Personal Emoluments	26	45,028,775		43,874,400	
Pension, Gratuities and Other Benefits	26	11,881,434		11,453,344	
Goods & Services	26	40,195,992		37,641,465	
Transfers and Subsidies	26	22,730,593		21,149,823	
Social Services	26	5,130,123		4,192,892	
Other Expenditure	26	4,700,073		4,623,268	
Debt	21	1,115,338		1,036,783	
Previous Year's Charge		-		0	
Capital Expenditure (Development Fund)	30	6,600,037		8,000,086	
Revenue Expenditure (Development Fund)	30	5,382,409		6,990,244	
Advance and Deposits (net))	31	147,408		0	
Total Payments		**142,912,182**		**138,962,304**	
Cash flow Increase/(Decrease)		4,291,363		(2,505,285)	
Adjustments for: Crown Agents Sterling A/c	20	(87,957)		134,218	
Other		0		0	
Total Adjustments		4,203,406		(2,371,067)	
Cash at the Beginning of the Year		**37,707,051**		**40,078,118**	
Cash at the end of the year		**41,910,457**		**37,707,051**	

CONSOLIDATED FUND - April 2018 to March 2019

Consolidated Statement of Comparison of Budget and Actual Amounts

(Budget Approved on a Cash Basis)

(Economic Classification of Payments)

	Notes	Original Budget	Final Budget	Actual 2019	Budget Variance	Actual 2018
Cash Inflows						
Taxation	23	47,131,400	47,131,400	45,599,468	1,531,932	42,029,856
Non Tax	24	3,145,300	3,145,300	3,820,264	(674,964)	3,766,851
Other receipts	24	2,412,600	2,412,600	2,146,997	265,603	1,998,462
Grants						
Budgetary Aid /	25	78,462,000	78,462,000	77,999,826	462,174	76,483,406
Development Grants	30	12,462,100	12,462,100	17,567,676	5,105,576	14,990,330
Total Receipts		**143,613,400**	**143,613,400**	**147,134,231**	**6,690,321**	**139,248,906**
Cash Outflows						
Personal Emoluments	26	48,045,400	45,824,400	45,028,775	795,625	43,874,400
Pensions, Gratuities & Other Benefits	26	11,811,100	11,930,800	11,881,434	49,366	11,453,344
Goods & Services	26	38,813,700	40,988,000	40,195,992	792,008	37,641,465
Transfers and Subsidies	26	22,539,200	22,769,800	22,730,593	39,207	21,149,823
Social Services	26	4,145,300	5,185,000	5,130,123	55,077	4,192,892
Other Expenditure	26	4,585,200	4,920,800	4,700,073	220,727	3,860,230
Debt	26	1,211,400	1,119,600	1,115,338	4,262	828,771
Capital Expenditures	30	33,628,600	33,691,100	11,982,446	21,708,654	12,110,301
Total Outflows		**164,779,900**	**166,429,700**	**139,319,913**	**23,944,272**	**135,874,264**

CONSOLIDATED FUND - April 2018 to March 2019

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	19,230,100	19,230,100	18,966,392	(263,708)
115: Taxes on Property	725,000	725,000	657,496	(67,504)
120: Taxes on Domestic Goods & Services	2,681,900	2,681,900	2,240,867	(441,033)
122: Licences	2,871,100	2,871,100	3,278,258	407,158
125: Taxes on Int'l Trade & Transactions	20,123,300	20,123,300	19,773,431	(349,869)
129: Arrears of Taxes	1,500,000	1,500,000	683,025	(816,975)
Total Tax Revenue	**47,131,400**	**47,131,400**	**45,599,468**	**(1,531,932)**
1B: Non Tax Revenue				
130: Fees, Fines and Permits	1,983,900	1,983,800	2,047,073	63,273
135: Rents, Interest and Dividends	1,046,500	1,046,500	1,428,829	382,329
140: ECCB Profits	-	-	-	-
145: Reimbursements	115.000	115,000	344,361	229,361
150: Budget and Grants	78,462,000	78,462,000	77,999,826	(462,174)
160: Other Revenue	2,412,600	2,412,600	2,146,997	(265,603)
Total Non Tax Revenue	**84,019,900**	**84,019,900**	**83,967,087**	**(52,813)**
TOTAL RECURRENT REVENUE	**131,151,300**	**131,151,300**	**129,566,555**	**(1,584,745)**
Development Revenue				
04. European Development Fund			17,550,000	17,550,000
10. Local			718,676	718,676
21. PAHO			17,676	17,676
Total Development Revenue			**18,285,952**	**18,285,952**

Accountant General, Montserrat

CONSOLIDATED FUND - April 2018 to March 2019

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	SAVINGS (EXCESS)
CONSOLIDATED FUND EXPENDITURE:-				
05 Police & Fire	7,268,300	6,868,300	6,772,805	95,495
07 Legal	1,700,200	1,848,500	1,783,886	64,614
08 Magistrates Court	255,300	170,300	152,998	17,302
09 Supreme Court	652,600	652,600	652,291	309
10 Legislature	1,438,000	1,438,000	1,408,332	29,668
11 Office of the Auditor General	1,227,300	1,167,300	1,082,751	84,549
12 Office of the Deputy Governor	29,032,100	29,287,000	28,782,907	504,093
13 Office of the DPP	881,100	686,100	671,788	14,312
15 Office of the Premier	17,208,000	17,208,000	17,084,088	123,912
20 Ministry of Finance	21,142,800	21,413,500	21,039,156	374,344
30 Min. of Agriculture, Lands, Housing etc.	6,082,800	6,022,800	5,749,391	273,409
35 Min. of Communications & Works	13,588,800	14,402,200	14,180,200	222,000
40 Ministry of Education	10,915,400	10,915,400	10,833,569	81,831
45 Min. of Health & Community Services	19,758,600	20,658,600	20,588,165	70,435
TOTAL CONS. FUND EXPENDITURE	**131,151,300**	**132,738,600**	**130,782,328**	**1,946,272**
DEVELOPMENTEXPENDITURE				
VOTE 12/120 - OFFICE OF THE DEPUTY GOVERNOR	180,800	180,800	0	180,800
VOTE 15/150 – OFFICE OF THE PREMIER	3,741,900	3,741,900	2,072,507	1,669,393
VOTE 20/200 – MIN. OF FIN &8ECON DEV	12,832,700	12,532,700	888,069	11,644,631
VOTE 30/300 – MIN. OF AGRIC LANDS HOUSING	2,453,700	2,456,700	1,200,124	1,256,576
VOTE 35/350 – MIN. OF COMMS & WORKS	12,714,600	13,063,100	6,780,792	6,282,308
VOTE 40/400 - MIN. OF EDUCATION	158,200	169,200	94,445	74,755
VOTE 45/450 - MIN OF HEALTH, COM SERVICES	1,546,700	1,546,700	946,509	600,191
TOTAL DEVELOPMENT EXPENDITURE	**33,628,600**	**33,691,100**	**11,982,446**	**21,708,654**

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2019
(with figures as at March 31, 2018

ASSETS	**NOTES**		**2019**		**2018**
BRITISH DEVELOPMENT CLAIMS OUTSTANDING	1		7,624,660		2,936,926
DONOR AGENCIES EXPENDITURE OUTSTANDING	2		2,449,255		2,444,635
CONSOLIDATED FUND RECEIVABLE			19,956,633		13,653,128
TOTAL ASSETS			**30,030,548**		**19,034,690**
LIABILITIES					
DEPOSITS WITHIN THE DEV'T FUND	3		26,184,480		14,242,184
LOCAL FUNDS	4		710,018		1,656,455
BRITISH DEV'T CLAIMS DEPOSITS					
CONSOLIDATED CAPITAL FUND		(3,167,453)		6,808,246	
ADD: REVENUE OVER EXPENDITURE		6,303,502	3,136,049	(3,672,197)	3,136,049
TOTAL LIABILITIES			**30,030,548**		**19,034,690**

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

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

Note 1. Accounting Policies

Basis of preparation

The basis of preparation of the Financial Statements is largely governed by the provisions of the PFMAA. These statements are also compliant with the Cash Basis of the International Public Sector Accounting Standards (IPSAS) Part1. The consolidation of the Financial Statements of other entities controlled by the GoM, in particular Statutory Bodies is no longer a requirement under IPSAS.

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

BUDGET

The approved budget was prepared on the same accounting basis (cash basis), same classification basis, and for the same fiscal period (from April 2018 to March 2019) as the Financial Statements.

The 2018/19 appropriation was passed on 1 May, 2018 with an approved Budget of $164.8m. (Recurrent $131.2m; Capital $33.63m). This is a 3.32% increase on the previous fiscal year.

The Legislative Assembly passed three Supplementary Appropriations in FY 2018/19. The first of which increased the Development Fund by $62,500 and the reallocation of $300,000 to meet new and existing priority project commitments. The second Supplementary increases the overall Budget Estimates by $813,400 along with the reprioritisation $1,004,900 to address critical issues such as the purchase of 1500KW standby Power Module Generator to supply a more stable supply of electricity as well as pension benefits and medical expenses relating overseas referrals.

The third Supplementary increased the overall Budget Estimates by a further $773,900 and reprioritized $375,000 to address pressing expenditure commitments such as medical assistance and outstanding tax refunds. However due to the late processing of this supplementary the funds allocated for tax refunds were only marginally utilized.

From the revenue perspective, a total of EC$52.7 million was approved as the estimate from

local sources - an increase of 4.6% on the previous financial year.

LIABILITIES

Outstanding Liabilities

Outstanding liabilities as at March 31st accrued to $4.8m of which $3.2m represents outstanding contributions to Regional Institutions.

Contingent Liabilities

Contingent Liabilities are expenses that may be incurred by a Ministry/Department depending on the outcome of an uncertain future event such as a court case. These contingent liabilities recognise that future expenditure may arise if certain conditions are met or certain events occur. That is, the risk of a call on the Consolidated Fund in the future will depend on the outcome of a future event that cannot be predetermined by GoM. Total estimate for GoM's quantifiable contingent liabilities at the end of the financial year was $22.6m. There remains a number of cases for which an estimate has not yet been assigned.

Reporting entity

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

The Annual Statements of the Public Accounts shows the financial performance of the Government of Montserrat for the financial year ended 31st March 2019 on the basis of moneys held in, received by, or paid out of all public funds of the Government of Montserrat during the year under review. The Government, through the Treasury Department, operates a centralised treasury function that collects moneys and administers expenditure payments for all Ministries and Departments of Government.

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

Government Ministries and Departments

05 Police & Fire
07 Legal
08 Magistrates Court
09 Supreme Court
10 Legislature
11 Office of the Auditor General

12. Office of the Deputy Governor
13 Department of Public Prosecution
15 Office of The Premier
20 Ministry of Finance and Economic Management
30 Ministry of Agriculture, Lands, Housing etc.
35 Ministry of Communication & Works
40 Ministry of Education Youth Affairs and Sports
45 Min. of Health & Community Services

GoM Statutory Bodies and State Owned Entities (SOEs)

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

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

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

Reporting currency

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

Foreign Currency Transactions

Transactions in foreign currency are recorded at the rates of exchange prevailing at the time of transactions. At 31st March 2019, monetary assets and liabilities that are denominated in other currencies are translated at the rates prevailing at that date. Foreign exchange gains resulting from the settlement of foreign currency transactions are treated as operating

income in the year realized. Losses on exchange are treated as operating loss in the year realized. These are offset against the surplus.

Refunds of Previous Year Expenditures

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

Payments by Third Parties

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

External Assistance

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

MULTILATERAL AGENCIES	
BRITISH DEVELOPMENT AID/DFID	77,999,826
CDB	-
UNICEF*	101,654
EU	17,550,000
PAHO	17,676
TOTAL	95,655,900

**Direct sponsorship. (MoHSS and MoE) Not included in Development Fund receipts*

Note 2. The Consolidated Fund

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

The balance in the shown excludes the bank account held for the operations of the Montserrat Ferry and to subsidize the two main airlines operating in and out of Montserrat. A subvention is paid quarterly to the Access Division from the Consolidated Fund to finance these operations. The balance on account at the end of the financial year was $923,786.00.

Note 3. Operating Account - ECCB

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

Note 4. Development Capital Fund

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

Note 5. Crown Agents #2 Account

The Government of Montserrat holds several accounts at Crown Agents in the UK in Pound Sterling and US dollar. The amount in the accounts represents the value in the local currency after the deduction of losses on the rate of foreign exchange. GOM recorded a loss of EC$*87,957.13 attributed to the fall of the pound at the end of 2019 fiscal year.*

Note 6. Fiscal Reserve - A/C 1 Tranche

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

Note 7. Volcano Relief Account

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

Note 8. CDB Loan Payment Account

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

Note 9. EU Savings Account

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

Note 10. Equity BOM

The value represents Government owned shares held at the Bank of Montserrat Ltd. The Government of Montserrat maintains a significant holding in the Bank with 2,349,340 shares beneficially held following the launch of an Additional Public Officer for the re-capitalization of the Bank in 2017. The book value per share during the reporting period fell from $6.82 to $6.27 per share resulting in a parallel reduction of share equity value in the Statement of Assets and Liabilities to $14,730,362.

The amount presented in the Statement of Asset and Liabilities does not reflect the shares held in the name of the Government Savings Bank. A total of 735,000 shares are registered in the name of the Government Savings Bank – a share equity value of $4,608,450.00.

NOTE 11. RAC Grenada Bonds

The amount in the financial statements is in reference to the principal balance remaining on an investment namely; Fixed Rate Non-Callable Bonds held with the Government of Grenada. The investment funds were derived from the now defunct Radio Antilles Corporation (RAC) as a donation to the Government of Montserrat. During the year GOM received $69,314. The balance on this investment now stands at $797,105.

Note 12. Personal Advances

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

Note 13. Impersonal Advances and Outstanding Imprests

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

Note 14. Advances to Other Government Administrations

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

Note 15. Other Advances

The amount represents a loan that was granted to the Government Savings Bank to fund the repayment of depositors for the closure of the bank. During the reporting period the decision was taken to regard the outstanding sum as sunk liability to the Government of Montserrat therefore the amount was discounted from the records.

Note 16. Miscellaneous Deposits

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

Note 17. Postmaster Clearance Account

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

Note 18. Development Fund Receivable/Payable

This line item in the Statement of Assets and Liabilities represents the Consolidated Fund's holding as it relates to the Development Fund which is accounted for separately in the Public Accounts in accordance with the PFMAA. The net position at the end of the fiscal year shows that deposits in the Development Fund exceeds project expenditure; hence the reported amount is notionally due to the Development Fund.

Note 19. Special Funds

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

Note 20. Fund Adjustments

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

- *(i) Write down of the balance on travel and Department advance receivables that are non-collectable*
- *(ii) Adjustment to recognize exchange losses on Crown Agents accounts held in pound sterling.*
- *(iii) Other Advances $4.5m (See note 15)*

Note 21. Contribution to Local Projects

This represents the amount expended on locally funded projects without external assistance; such projects are usually funded against the current or the previous year's surplus.

Note 22. Previous Years' Charge

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

Note 23. Tax Revenues

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

Schedule of Tax Revenue

Tax Revenue	
Taxes on Income, Profits and Capital Gains	18,966,392
Taxes on Property	657,496
Taxes on Goods & Services	2,240,867
Licences	3,278,258
Taxes on International Trade & Transactions	19,773,431
Arrears of Taxes	683,025
Total Tax Revenue	45,599,468
Arrears of Taxes	
Company Tax Arrears	103,509
Income Tax Arrears	293,449
Property Tax Arrears	286,067
Arrears of Taxes Total	683,025

Taxes on Income Profits and Capital Gains

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

Taxes on property

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

Taxes on Domestic Goods and Services

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

Licences

This is essentially an extension of the above category of taxes. One of the regulatory functions of GoM is to forbid ownership or the use of certain goods or the pursuit of certain

activities unless specific permission is granted by the issuing of a licence at which point a payment is made for the granting or application of such a licence. This revenue stream includes licences such as: Firearms Licences, Liquor and Still Licence, Trade Licence etc. (See Statement of Detailed Recurrent Revenue)

Taxes on International Trade

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

Note 24. Non Tax Revenue

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

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

Rents, Interests and Dividends

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

Other Receipts

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

Note 25. Budgetary Aid and Development Grants

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

Note 26. Recurrent Expenditure

Recurrent expenditure refers to payments made by the Government of Montserrat for all purposes except capital costs. Recurrent expenditures are typically made more than once a year, and may even be made on a scheduled basis *and include the following:*

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

Pensions, Gratuities and Other Benefits

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

Goods and Services

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

Transfers and Subsidies

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

Transfers and Subsidies	
Contributions to Regional and Int'l Institutions	4,033,592
Grants to Local Institutions	2,248,454
Subvention to Statutory Bodies	9,274,716
Subvention to Montserrat Ferry Services	5,400,000
Subvention to Overseas Mission UK	450,581
Subvention to Golden Years	150,000
Other Subventions	1,173,250
Total	22,730,593

Debt

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

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

(See Statement of Public Debt).

Total Recurrent Expenditure

Recurrent Expenditure	
Personal Emoluments	45,028,775
Pension, Gratuities and Other Benefits	11,881,434
Goods & Services	40,195,992
Transfers and Subsidies	22, 730, 593
Social Services	5,130,123
Other Expenditure	4,700,073
Debt	1,115,338
TOTAL	$130,782,328

Social Services

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

Social Services Expenditure	
Old Age Benefit	1,888,112
Family and Children Benefit	-
Unemployment Benefit	69,929
Housing Benefit	299,360
Social Protection Other	2,579,579
Sexual Health	440
Nutrition & Health Education	203,587
Sickness and Disability	15,638
Health Promotion	73,488
Total	**5,130,123**

Other Expenditure

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

Note 27. Investing Activities

This refers to funds received from investments held by GoM. This includes principal receipts from the RAC Grenada Bonds (See note 12) and dividends from the Bank of Montserrat. The total dividends received during the reporting period was $0.5m. No further settlements were made by British American Insurance Company Deposits (BAICO) during the financial year.

Note 28. Financing Activities

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

Note 29. Capital Receipts

Capital receipts are classified as non-tax revenue under the recurrent income schedule. This line item in the Statement of Cash Receipts and Payment fleshes out that sum to show the amount GoM received in relation to the sale of lands, the disposal of GOM vehicles or other fixed assets.

Note 30. 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 31. 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).

Note 32 Receipts and Transfers

This amount reflected in the accounts represents proceeds from GOM external bank accounts that were transferred to the Treasury Consolidated Fund.

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 case to have effect if the special tribunal recommends to the Governor that the Auditor General should not be removed.

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

Position and remuneration of Auditor General

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

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

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

Functions of Auditor General

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

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

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

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

National Audit Office

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

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

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

Judith Simpson
Clerk of the Privy Council

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

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

(a) a balance sheet showing the consolidated assets and liabilities of all public funds and other entities wholly funded through the Consolidated Fund;

(b) a consolidated statement of the cash flow for all public funds and other entities wholly funded through the Consolidated Fund showing the revenues, expenditures and financing for the year;

(c) a balance sheet showing the assets and liabilities of the Consolidated Fund;

(d) a balance sheet showing the assets and liabilities of the Development Fund;

(e) a statement of the cash flow for the Consolidated Fund showing the revenues, expenditures and financing of the fund for the year;

(f) a statement of cash flow for the Development Fund showing the revenues, expenditures and financing of the fund for the year;

(g) a summary statement of revenue and expenditure, being a summary of all the statements signed by accounting officers under paragraphs 2(a) and (c) of this Schedule;

(h) a statement of the amounts outstanding at the end of the year in respect of the Public Debt;

(i) a statement of the amounts guaranteed by the Government at the end of the financial year in respect of bank overdrafts, loans, public loan issues and other contingent liabilities;

(j) a summary statement of revenue and expenditure of the Consolidated Fund and Development Fund, being a summary of all the statements signed by accounting officers under paragraphs 2(a) and (c) of this Schedule;

(k) a statement of the amount outstanding at the end of the year in respect of loans issued by the Government;

(l) a statement of investments held by the Government at the end of the year showing the original cost and current value;

(m) a statement of the net worth of all statutory bodies as at the end of the financial year;

(n) a statement of losses of public moneys and stores written-off and claims abandoned during the financial year and the authority for such write off or abandonment;

(o) a statement of losses of public moneys and stores reported during the year whether written-off or not;

(p) a summary statement of arrears of revenue for each revenue head, being a summary of the statements of arrears of revenue signed by accounting officers under paragraph 2(d) of this Schedule;

(q) a summary statement of commitments outstanding for the supply of goods and services for each vote at the end of the financial year being a summary of the amount included for such commitments in the statement signed by accounting officers under paragraph 2(b) of this Schedule;

(r) a summary statement of stores and other assets for each vote, being a summary of the statement of assets signed by accounting officers under paragraph 2(e) of this Schedule; and

(s) any other statement and in the form the Legislative Assembly may from time to time require.

Appendix 4

Accounts to be submitted by accounting officers

(Extract from Public Finance Management and Accountability Act)

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

(a) an appropriation account signed by the accounting officer showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by the Legislative Assembly;

(b) a statement signed by the accounting officer and in the form the Accountant General may direct containing the amount of commitments outstanding for the supply, goods and services at the end of the financial year and any other information the Minister may require;

(c) a statement of revenues received signed by the accounting officer and in the form the Accountant General may direct showing the amount contained in the estimates of revenue for each source of revenue, the amount actually collected and containing an explanation for any variation between the revenues actually collected and the amount estimated;

(d) a statement of arrears of revenue signed by the accounting officer showing the amount outstanding at the end of the financial year for each source of revenue and containing information in the form the Accountant General may direct; a nil return should be submitted if appropriate;

(e) a statement of assets signed by the accounting officer containing details and values of all unallocated stores under his control at the end of the financial year, together with the details and values of any other classes of assets under the control of the accounting officer as the Accountant General may from time to time determine;

(f) a statement of performance providing each class of outputs provided during the year signed by the accounting officer that— (i) compares that performance with the forecast of the performance contained in the estimates laid before the Legislative Assembly under section 19(1)(b)(iii); and (ii) gives particulars of the extent to which the performance criteria specified in that estimate in relation to the provision of those outputs was satisfied;

(g) a list of all outstanding commitments or bills remaining unpaid at the end of a financial year; and

(h) any other statements and in the form the Accountant General may from time to time require.

APPENDIX 5
Status of Audit Recommendations as of September 30, 2019

Reviews	Finding	Recommendation	Current Status	Actions Undertaken	Target Date & Response
Report of the Auditor General on the Audit of the Public Accounts 2018 May 2019	***5. Non-Recoverable and/or deficit Items.*** The Statements continue to show account balances that are deemed unrecoverable or un-reconcilable. Some balances relate to completed projects or projects that have ceased under the Development Fund Accounts. When we assessed the dead accounts with no movement over the fiscal year, they represent 276% of the Total Assets on the Statement of Assets and Liabilities. This therefore leads to a significant misstatement of the accounts and an adverse opinion has been reached. **6.** Additionally, there are assets that relate to advances or loans that were granted to Public Officers who have retired, resigned or are no longer working with the GOM and are deemed unrecoverable. The continued inclusion of these does not give an accurate picture of the GOM's financial position.	We are reiterating that greater effort must be made to ensure the required write off of un-reconcilable and non-recoverable amounts.	**In Progress at reporting date**	Resolution passed 25th of February 2020 in Legislative Assembly. Action Complete	**Financial Secretary end of March 31st 2020.**
	7. Arrears of revenue. At close of the fiscal year, Arrears of Revenue stood at $19,549,406. We again highlight the fact that a number of these arrears are deemed uncollectible, that is, they seem to have no real prospect of collection. Their inclusion tends to distort	Action should be taken to remove them from the arrears listing.	**In Progress**	Debt has been review-ed. $442,929.52 was written off by Resolution passed 25th of February 2020 in	**Accountant General**

	collectible amounts. **8**. Further, as not all departments submitted their Arrears of Revenue Returns or submitted incomplete returns, the completeness and accuracy of this Statement could not be determined.			Legislative Assembly. Further, chasing of debt has resulted in payment or agreement of debt. Departments have been chased to submit returns. Good progress has been made.	
	9. *Over-expenditure.* Our review highlighted eight instances, across five Ministries/Departments, where monies were expended in excess of that authorized for the line item. The amounts over expended ranged from a low of $40 to a high of $100,000. This represents a breach of the financial regulations which requires that all expenditures be authorized by warrant under the hand of the Minister, Section 24 of PFMAA.	We reiterate that it is incumbent on Accounting Officers to regularly monitor their expenditure and recommend that timely reconciliations be undertaken to prevent these recurring over-expenditures.	**In Progress** Noted and agreed.	To comply with Legislation	**All Accounting Officers**
	10. ***Absence of organized risk management framework.*** Good risk management practices require the establishment of Audit and Risk Committees to provide assurance on risk management, governance and internal control to Accounting Officers. Such a Committee could provide invaluable advice and insights into the development of an organization's risk management, governance and control	We therefore urge that consideration be given for the establishment of a fully Functional Committee.	**In Progress** Noted and fully supported.	Legislation being produced by Legal. Cabinet have approved in principle and requested Legal to draft Legislation. It is hoped that the Legislation will come back to Cabinet before	**Financial Secretary** **Cabinet to approve Legislation for Legislative Assembly.**

	practices. At present, there is no Committee to assist the management of risk. This is a significant deficiency in GOM's control practices.			March 31st and then onto Legislative Assembly.	
	11. *Risk Register not presented.* There is no formal process for identifying and recording of business risks as a central process. Some elements of risks are identified within Ministries/Departments Strategic Plans and as part of the Capital Development work. The absence of a Risk Register denotes weakness in control structure and lends to the possibility of material misstatement in the accounts.	We recommend the implementation of a Risk Register for the next financial year.	**In Progress** Noted and fully supported.	Legislation being produced by Legal. Cabinet have approved in principle and requested Legal to draft Legislation. It is hoped that the Legislation will come back to Cabinet before March 31st and then onto Legislative Assembly.	**Cabinet to approve Legislation for Legislative Assembly.**
	12. Improved accountability. To improve accountability and stewardship there is the need for the Ministry of Finance to provide explanation on how public resources were used (financial results) and highlight significant achievements against budget. Without annual reports the usefulness of the figures is compromised.	Consideration should be given for the production of an annual report which includes sections such as the performance of GOM, Management and Accountability and the Financial Statements over the reporting period.	**Implemented** Noted and fully supported	This is documented in two ways. Budget Speech And through the Citizens Guide to the budget. Both documents online. Action Complete	**Financial Secretary** Action Complete
	13.Non-compliance with procurement regulations. Recent audits have highlighted procurement weaknesses	We are recommending that Accounting Officers/Heads of Departments take steps to adhere to the Regulations and that MOFEM provide relevant training.	**Implemented** Noted	Action taken – new regulations in place, training provided to accounting officers,	**Head of Procurement and Accounting Officers**

	such as (a) inadequate documentation of meetings and (b) the absence of post procurement reviews. There also has been indication of inadequate monitoring of some projects at various stages of the process.			increase in procurement team to four full time members to support improvements. Action Complete	**Action Complete**
	51. Statement of Stores and Other Assets. The PFMAA 2008 – Schedule of Provisions for Submissions of Accounts (1r) mandates submission of a summary statement of stores and other assets to the Auditor General. The statement has not being presented to date and this was mentioned in last year's report. The recent Audit Recommendation Follow Up review from the Accountant General on this matter highlighted that the necessary data solicited from Government Ministries and Departments by way of annual returns rendered low level responses, thereby making it difficult to generate a reliable statement. The onus is now being placed on the Accounting Officers/Heads of Departments to submit the relevant information annually at the stipulated date to enable the Accountant General to adhere to the requirements of the PFMAA.		**In Progress**	Information received in the Annual returns is not consistent or reliable enough to be included in the Public Accounts. Work continues, with the acquisition of an application, to record assets (only) in a centralized database, training to use the database is complete.	**Accountant General and Accounting Officers**
	52. Statement of Net Worth of		**In Progress**	Some Statutory Bodies	**Accountant**

	Statutory Bodies. Similarly, the PFMAA also mandates that this statement be prepared and presented to the Auditor General for review. Again, this was not presented and, when asked we received the following response. **<u>Management Response</u> – "Efforts will be made to prepare this statement in the future but this will be subject to the availability of updated annual statements from Statutory Bodies."**			have responded to the request for financial statement, most of which are not current i.e not yet at FY year end 2018	**General**
Environmental Audit Coastal Degradation – Gunn Hill **Lessons-Learned Report** June 2019	Gunn Hill's removal had immediate adverse effects such as loss of scenic quality, loss of resilience to storm attack and reduction of sediment supply to the coast. To date, no man made coastal landscape was created as a result of the discontinuation of the port development project…. The removal of Gunn Hill and the **discontinuation of planned development in the area have resulted in the need for GOM to ensure coastal protection, which is an unforeseen expense**. The plans for a port development did not materialise; therefore funds must now be ring-fenced to ensure coastal protection. This should be a priority to provide funding for preventative measures (a) against further erosion and (b) reduce the impact of devastation from potential storms.	A capital project request or programme of works submission should be made by MATLHE for the installation of hard and or soft structures for coastal protection – stabits, seawalls or rock revetments at the base of Gunn Hill.	**Not Implemented**	None. MALHE's responsibility is monitoring and advising on Environmental matters. This is not MALHE's remit for submission of a project of this nature. This is expected to fall under the portfolio of MCWL. We recommend that experts such as geologists, engineers and hydrologists be engaged to properly assess what is required to enable the appropriate corrective response.	**Responses by Permanent Secretary, MAHLE**

	The coastal area is more open and accessible resulting in increased fishing activity where a drowning occurred in recent years.	MATLHE should erect adequate signage in the area and undertake some degree of education and awareness to warn persons of the various dangers to prevent GOM being held liable should an incident occur.	**Not Implemented**	None. The signage and education is the remit of the DMCA and RMPS as this is a safety issue.	
	The appearance of sinkholes in and around the site highlighted the danger of using the area for fishing or increased dumping of soil, derelict items and vehicles and boulders. The constant dumping of soil and boulders is adding some protection to the area in the event of high waves according to officials we interviewed; however, loose materials can be easily moved during strong wind and heavy rains, thereby creating potential problems for nearby infrastructure.	MATLHE to ensure the cessation of adhoc dumping of material on the base of Gunn Hill and replace this activity with strong and secured formation of boulders and compacting dumped material to improve the scenic view whilst strengthening the base.	**Not Implemented**	None. The regulation of this dumping is the remit of Environmental Health Dept. We note that MCWL utilizes the area for storage of material for projects. Environmental Health Dept. should work with MCWL to regularize the use of that area.	
	Ongoing mining of significant amount of sand using excavators also threatens the possibility of further erosion to the base and the infrastructure that was previously being protected by the natural landscape before its removal. Many times this activity has occurred without the knowledge of key government officials including the Permanent Secretary, MATLHE. Beach Protection Act Section 3(1) highlighted that it's a criminal offence for anyone to use a motor vehicle to remove sand from any beach without a written permit issued by the Permanent Secretary to	MATLHE to ensure the cessation or the minimization of significant sand mining in the Carr's Bay area.	**Not Implemented**	All Sand removal to date was with the knowledge and permission of MAHLE. There is a system in place where a permit is provided from PPU (based on recommendation from the Director of Agriculture) and then payment is made at MAHLE HQ. Therefore anyone on the beach	

	the Minister responsible for beach protection matters. Anyone in contravention of this condition is liable to a fine of $2,000 or 3 months imprisonment. There are a number of watercourses or channels that require dredging throughout the year to ensure water flows easily and prevent excessive blockage which may cause flooding to nearby infrastructure(s). The Physical Planning Act requires written planning permission from the Planning and Development Authority before any watercourse or channel is dredged. However, it was reported that this opportunity is used to also excavate sand throughout the year. There has been considerable public interest in the removal of sand especially from the Carr's Bay area which is considered to be a direct violation to the Laws of Montserrat and damaging of the said beach and other beaches.			can be queried while removing sand and would have the permit to show. Therefore, no significant or unnecessary sand mining is occurring on the beaches. If there is the anecdotal evidence that this is happening then the only solution is to have constant monitoring of the beaches, which MAHLE does not have the resources at present to do. It is not correct to state that dredging is required throughout the year, but rather as necessary especially nearing hurricane season.	
	As in past infrastructure developments on Montserrat, we have seen a recurrence of some major projects not reaching their final stages of implementation. **The EIAs conducted in the past and the one undertaken for the proposed port development at Carr's Bay did not address the impact on the environment should**	GOM should request that every project/proposed development requiring an environmental impact assessment must include a section on the impact on the environment at the end of each critical phase of the project if it were discontinued.	**Not Implemented**	None. i. It would be extremely costly to hire consultants or experts to do separate EIAs. ii. There is the expectation that all projects should be completed.	

	the project cease at any point in the process or at the end of each critical phase.			iii. Going forward, it should be required that all funds are identified, approved and available for the completion of the full project before embarking on part of the project, as in this case. iv.GoM/DFID needs to re-establish a Contingency element in each project. as a fixed requirement to deal with eventualities such as these.	
Performance Audit of Public Prosecutions – Efficiency & Effectiveness January 2019	**Under-staffed & Under-resourced**. During the past 3 years (2015 to 2017), attendance records show that the DPP faced an overwhelming workload, with a staff of only 2 or 3 persons, on average. Effective staffing was further reduced by various categories of absence. Training, development, funding, compensation, and equipment are, in most cases, well below what is required for the ODPP and, for instance, the Magistrate's Department to be efficient and effective in delivering their expected outputs and outcomes. ODPP's funding was cut in 2015/16.	**Provide adequate staff and funding.** The ODPP requires an overall budget of approximately EC$1.20 million per year to provide adequately for such items as (i) training and development of the staff, (ii) installation of security systems for files, assets, and staff, (iii) repairs and maintenance to provide a safe and ergonomic workplace, and (iv) ICT upgrades to save time and money, while enhancing data security, business continuity, and quality of public prosecutions. Additional staffing and funding will be required to address the backlog of legal cases, while upskilling for the newer areas of law.	**In Progress**	Efforts have been made with some degree of success towards the development of staff. In terms of staffing numbers, we have come a long way in filling vacancies and ensuring the ODPP is adequately staff. Since this report and recommendations, two additional legal staff members were hired. ODPP is still in need of properly trained clerical staff to carry out its mandate. One of the areas from which	**Responses by Director Public Prosecutions**

				benefits can be derived is a member of staff trained in finance (budgeting etc.). The present budget is far from adequate to implement the recommendations suggested. Again, applications for New Spends to address these needs has been submitted.	
	Major security risks. Both personal safety and the security of assets are seriously inadequate. For example, at least 4 fires have affected the judicial system in the past decade: [a] 2 court rooms; [b] the former Chief Magistrate's home; and [c] the current DPP's home. Evidence pointed to arson in all of these cases, amounting to attempts to threaten or to intimidate senior persons within the judicial system. The lack of fireproof and waterproof cabinets and safes continually exposes valuable case-files and intelligence to damage, loss, theft, and deterioration.	**Install up-to-date security systems for files & for staff.** Given the repeated acts of arson committed against key judicial officers in Montserrat in recent years, personal safety and data security must be given urgent attention both at the workplace and at home**.** Measures could include (a) 24/7 electronic monitoring, (b) closed circuit television, (c) security cameras, (d) security guards, (e) security fencing around judicial workplaces and premises, (f) fire alarms, (g) smoke detectors, (h) fire hydrants, (i) indoor sprinkler systems, (j) physical and electronic locks on all doors, and (k) reinforced and storm proof windows and doors.	**Not implemented**	Despite the continuous efforts on the part of the DPP, no security system has been installed. The Office of the DPP in its current location remains vulnerable to vandalism, Burglary and damage to property, in including items of evidential value which are stored on the compound. Several applications were made as part of New Spends as well as the general budget, but no consideration as so far being given to the request. Property and staff remains at High risk.	

	Under-use of ICT. In the ODPP, in line with the findings of our previous audits throughout the MPS, too many processes remain in manual mode and with excessive use of paper. The huge accumulated volume of data, reports, case files and documents of various kinds is time consuming and inefficient to manage and increasingly costly to store. This also creates (a) major fire hazards and (b) increasing health risks to the staff within their workplace.	**Improve record keeping and file management.** Urgent attention needs to be given to (i) standardisation of file naming, (ii) file saving, (iii) record management, and (iv) the primary use of the GOM H-drive rather than personal C-drives. Clerical and administrative staffers require coaching and annual refresher courses to make sure that they are utilising the full range of functionalities within the standard suite of software so as to produce complete, accurate, and timely records and reports to support effective decision making.	**In Progress**	Some efforts have been made to achieve this, but we have still not achieve complete satisfaction in relation to record keeping and file management. Complete satisfaction would be having an electronic record of every file and every action taken in relation to all files kept at ODPP. Training in this area would help to achieve full compliance.	
	Inadequate infrastructure and maintenance. Repairs and maintenance are often too late or delayed. Surveyed employees and stakeholders in the judicial system complained of many issues affecting work stations and workplaces. Frequently, requested purchases or asset-replacements are denied budgetary support and/or excessively delayed. In turn, the status quo poses significant risks to health and safety. These factors limit the revenue generating capacity of ODPP and the judicial system, as well as effectiveness and value for money.	**Provide up-to-date accommodation, equipment and facilities**. Both the ODPP itself and related judicial Departments urgently need modern and ergonomic workplaces, software, forensic tools, specialised training, vehicles, and equipment. Too many items are [i] inadequate, [ii] repeatedly not provided/budgeted for Departments, [iii] not functioning, and/or [iv] obsolete. Repairs and asset replacements are often delayed for months or even for years. From workplaces to court rooms, the current accommodation is inadequate and cramped, and several facilities and amenities are lacking for all judicial officers, clients, lawyers, and members of the public.	**Not Implemented**	These needs have not been adequately addressed. There has been no change of equipment, neither has there been the provision of any of the items required/requested.	

Post-Implementation Benefits Audit on Pension Calculator 2014-2017 January 2019	Poor recordkeeping by HRMU and/or the department(s) where the pensionable officers served is an issue. Any information that is inaccurate or has been omitted from the files can result in pension benefits being calculated incorrectly.	We are recommending that the key stakeholders make an effort to improve their record keeping of personnel files to ensure accurate information is transferred.	**No Response**		**No Response from the Deputy Governor**
	The users of the Pension Calculator cannot make any changes to it and although this may appear on the surface to be a good control mechanism, there are risks associated with the Actuary maintaining control over the software as follows: • Delays in processing pension benefits when difficulties with the functionality of the software are encountered. • Risk of continued availability of support or supplier failure that would lead to loss of software use and negatively impact the calculation Pension benefits.	Regarding the risk of supplier failure, the ODG should consider (again) the feasibility of purchasing the Pension Calculator application and maintaining it in-house. If this option is not accepted by the Actuary, then ODG should request that the calculator application be lodged in an escrow agreement where it is stored and maintained by the Department of Information Technology & e-Services (DITES).	**No Response**		
Absenteeism in the Montserrat Public Sector – Prevalence, Causes and Costs December 2018	**HRMU has not used its HR Information System**. Despite reference to an HRIS during a performance-audit done in the year 2015, we found that HRMU has not been using its HRIS during the past four years. Essentially, throughout HRMU and the MPS, too many processes remain in manual mode with excessive use of paper. The huge accumulated volume of unprocessed data and the	**Use the HR Information System (HRIS)**. Within 3 months, place urgent focus on using the HRIS to improve the efficiency and the effectiveness of the HRMU and, by extension, people management across the MPS. Integrated databases will facilitate a wide range of queries, reports, and analyses and speed internal HRMU processes as well as replies and service-delivery to all other MPS departments. With e-Government, this will (1) improve decision making, (2)	**In Progress**	Development of custom-built HRIS commenced and is ongoing. Validation module completed and was rated 4/5 for user-friendliness/ ease of use by Officers. Development of Organizational Design, Personnel Management	**Cheverlyn Williams-Kirnon, Chief Human Resources Officer**

	very limited quality of reports is time-consuming to handle and greatly slowed our ability to summarise and to analyse data across the public sector. Generally, much effort goes into preparing reports, but very little effective or strategic use is being made of many of these reports.	accelerate the Empowering Excellence Programme (EEP), (3) improve interdepartmental communication, and (4) lead to better outcomes in a wide range of monitored performance-metrics. **Initial Management Response - CHRO Cheverlyn Williams Kirnon.** In December 2017, after successfully making a business case, HRMU began recruiting a Director, HRIS. The position is now filled by a Technical Cooperation Officer who has the mandate of developing and implementing a full-fledged HRIS that is customized and designed to the specific needs of Government of Montserrat… Government of Montserrat's new HR Information System will be streamlined and integrated and offer a plethora of automated and self-service functionalities.		and Attendance & Leave modules in-progress and expected to be completed by the end of 19/20 FY.	
	Inadequate infrastructure and maintenance. Although significant progress has been made in recent years to provide modern accommodation for many departments, several departments remain in unsatisfactory working conditions. Moreover, repairs and maintenance are too often late or delayed and even the newer buildings have proven to have some issues needing remedy.	**Create an ergonomic workplace.** Place urgent focus on inspecting and retrofitting all workplaces and workspaces to ensure that they are safe, comfortable, productivity enhancing and health promoting for employees. Wisely investing in health and safety (e.g., through prevention, through regular education, and through timely repairs and maintenance of workplaces) will save the GOM millions of dollars in long term costs of preventable sickness, of high rates of absenteeism, and of major repairs/replacements of assets that could otherwise have been well maintained for a fraction of that cost.	**In Progress** GoM Priority Recommen- dations tabled and to DFiD in the Log-frame for 2020-2023. On-going) Continued Routine Maintenance done through the Office of the Deputy Governor with the limited funding available in the recurrent Budget. (on-going)	Within the minimal Recurrent Budget. (all below items completed) 1. 4 Old Buildings at GoM HQ were demolished 2. Magistrate's Building was fully refurbished 3. Retrofit workstations to accommodate staff and ensure a more pleasant working environment (e.g.	

			Minor Routine maintenance also continually advanced by some Ministries and Departments through the Maintenance lines in their individual Recurrent Budget. (on-going) All maintenance works done in compliance with GoM Procurement Act and Regulations. (on-going)	retrofitting of E Karney Osborne Building, Howe's Enterprises, Office of the Premier, ODG, Finance, MCRS) 4. Wheelchair access and other infrastructural developed at Her Majesty's Prison as a result of Human Rights legislation. 5. AC units were replaced and are maintained. 6. Treatment of Termites within the Office of the Premier Building. 7. Maintenance Works at the Brades Primary and Nursery School to ensure safe environment. 8. Presently engaging Procurement to agree on way forward for maintenance of AC units 9. Alpha Consultancy completed and tabled the Building	

				Accommodation & Maintenance Strategy and Action Plan.	
	Absence days are increasing. Every year, a very large number of work-days are lost to uncertified sickness leave and to other forms of non-vacation leave (e.g., absent without leave, unpaid leave, special leave, study leave, maternity leave, and category #13 "Other", which requires specification but, in most absence-reports, was not described or explained at all). Overall, the evidence that we have gathered shows that (a) the trend across the MPS has worsened since the year 2015, reaching more than 18,000 lost days in year 2017 and (b) there is a very high ratio of non-vacation leave (average of 19 days per person) to vacation leave (average of 21 days per person).	**Implement health & wellness programmes**. It is recognized that the leading causes of morbidity and mortality locally and regionally are predominantly chronic non-communicable diseases, which Chief Medical Officers' Annual Reports (both in Montserrat and in the U.K.) have repeatedly declared are all preventable with appropriate diet and lifestyle. A proactive and strategic approach will greatly reduce healthcare expenses and absenteeism costs. Correspondingly, it will improve productivity and life quality, (1) by educating and empowering all employees to make wiser choices and to adopt better daily habits, and (2) by establishing and nurturing a supportive ecosystem. Ultimately, maintaining high levels of wellness is an effective investment in human capital with immediate returns as well as increasing long-term benefits.	**In Progress** All Officers within the Government of Montserrat Public Service are governed by the General Order of 1986. There has never been a Health and Safety Policy, Strategy and Action Plan for Government of Montserrat Public Service. Several attempt discussion regarding the drafting of the Health and Safety Policy and Strategy have been advanced over the years but to no avail. Through the Empowering Excellence Programme both the Public Sector Task Force and the Private Sector Advisory Committee supported by Public Officers across the service,	HR is aware that several Health & Wellness programmes have been implemented across the Public Service in recent times. Several attempts at educating the Public Officers are made through various medium on Health and wellness. (on-going) A Health and Safety Policy, Strategy and Risk Management Plan is in its final stages of drafting. (on-going)	**All Ministries/Dept Staff** **Cabinet and Core Management Team**

			highlighted the need for this documents. Several Ministries/ Departments over the years have ensured that Health and wellness programmes are embedded into the operations. We have seeing several activities implemented that promotes employee engagement, health and wellness.		
Post-Implementation Benefits Study of Ministry of Education School Laptop Programme (2012-2016) October 2018	The MSS Laptop programme was discontinued by the current elected government that came into power in 2014. The contract with LIME has not been terminated although the Laptop Programme has been shelved by the current government.	MoE needs to properly conclude the Agreement for Supply of Equipment and Services with LIME, if the School Laptop Programme is no longer operational. Any monies that LIME collected and have accumulated in their finances are to be accounted for and recouped by MoE. **Initial Management Response** We will seek to conclude the Agreement for Supply of Equipment and Services with LIME by the end of the first quarter of 2018/2019. We recommend that MoE recovers any surplus laptops from Phases I, II, & III that are defunct and/or inoperative, and still are in LIME's possession. These subsidised laptops belong to the GoM, and are considered assets. After securing these	**In Progress** Termination Letter Sent- Complete Asset Audit of Returned Items - 10 laptop in MEYAS possession. Will be added to the asset registry by February 21st 2020 Inform Finance for Board of Condemnation – Damaged items were used as part for repair for in-use computers and LEAP laptops	Records of collected laptops requested . • Accounts of LIME payment requested. • Contract for EMIS requested for review and retraining to be planned.	**Lyston Skerritt Permanent Secretary, MOE**

		assets, MoE should duly inform the Ministry of Finance of the assets in its possession and make the request that they should be disposed of, as per GoM's Stores Rules and Regulations. **Initial Management Response**. We will seek to recover any surplus laptops from Phases I, II, & III that are defunct and/or inoperative, and still are in LIME's possession and dispose of them by the end of Quarter 2 of 2018/2019.	Reconcile balance of payments with FLOW - Records indicate no balance of payment necessary after closure. Network development at Schools for better delivery- Complete for BPS; MSS and LOPS to be completed over the next 2 quarters- Pending Teacher training in ICT- Ongoing EMIS System- Contractor engaged, training and delivery to be implemented for Summer 2020 for start of September 2020/2021 school year.		
Information Technology Study of Automated Drivers Test (2013-2017) August 2018	The Automated Drivers Test program and related computer equipment were publically gifted to Samuel Enterprise by MCWL on 15 November 2015; however, the Ministry did not follow proper protocol for the recording, writing off, and/or gifting of the assets.	MCWL did not follow protocol when gifting Samuel Enterprise with the automated test program and equipment; and therefore MWCL should correct this oversight by following procedure for the recording, writing off, and/or gifting of the assets. .	**In Progress**	Request made to the FS on the 12 November 2018 to gift items to Samuel Enterprises. Confirmation given by the Hon. FS by email. Items were recorded in	**Permanent Secretary, MCWEL Completed November, 2018** **17 December 2018** **17 February 2020**

				MCWL asset register.	
	As per the revised *CAP 7.06 Road Traffic Act*, by law only the Licensing Officer is responsible for the collection of fees for both categories of the drivers licence tests, to be paid into the Treasury. There is no amendment in the law that permits Samuel Enterprise to do the same.	If Part 1, Section 7. (1) of the current *Road Traffic Act* is followed, Samuel Enterprise, by law, is not supposed to be collecting monies for administering the Automated Drivers Test and conducting the road test. This is not practical; as being a private company they must charge for the service they provide to candidates, in order to stay in business. This law needs to be regularized.	**Not implemented**	Cabinet Decision 347/2014 approved amendments to the Road Traffic Act Cap 7.06; including First Schedule of Fees - Driving Examinations, payable to the appointed Vehicle Examining Officer; Cabinet in Decision 449/2014 approved the submission of a Road Traffic (Amendment No 2) Bill 2014 to the Legislative Assembly. It is unclear why this action was not completed. A Memorandum has now been circulated for comments and onward submission to Cabinet to restart the process.	**5 June 2014** **24 July 2014** **6 March 2020**
	The trudging of the candidates back and forth between the Licence Division and Samuel Enterprise to obtain and show proof of payment for the drivers' road and theory tests is very tiresome and impractical.	MCWL should consider streamlining the tedious back and forth with Samuel Enterprise, of the payment scheme process between them by making it paperless; i.e. emailing the receipts and road test forms. A paperless system will reduce the department's administrative overheads, increase its efficiency, and maximize	**Not implemented**	Pending amendment to the law.	

		customer service.			
Performance Review of Montserrat Utilities Limited – Value for Money in the Delivery of Service to the Public March 2018	**Frequent loss of electricity-service.** Reliance on old diesel-fuelled generators, which are best used for emergencies and for short periods, has caused both high operating costs and numerous disruptions of power in the past several months. Every customer has been affected and there is a very high level of dissatisfaction, which is aggravated by widely reported damage to customers' appliances and electronic items. Most clients were never compensated for such losses.	**Implement solar energy**. MUL can thus ensure sustainable national energy-security instead of relying solely on imported fossil-fuels, which have many negative externalities, price-volatility, and supply-risks. It can reduce the various risks and costs of the status quo by taking full control of its energy-supply from renewable sources. In turn, MUL can create new revenue-streams by offering (a) installation, (b) maintenance, and/or (c) financing of solar photovoltaic systems to clients. This will also reduce the total price of power to the customers.	**In Progress** As outlined in 'The Power to Change – Montserrat Energy Policy 2016 – 2030 (MEP 2016-2030)', these solar PV projects are a monumental step towards achieving Montserrat's vision of 100% renewable energy grid penetration.	250 KW Grid Tied Solar PV installation installed and commissioned on March 27, 2019 with trouble free operation to date. An additional 750KW of Grid Tied Solar PV is to be installed by June 2021. Work current on this in progress and on scheduled.	**Kendall Lee - Managing Director MUL** **Jack Ryan - Electricity Manager**
	Upgrades. In recent months, the new facility for power-generation at Brades has been completed, representing a major upgrade for electricity-service. However, this perpetuates the outdated and increasingly expensive paradigm of dependence on imported fossil-fuels, instead of investing in renewables such as solar power that make use of abundant local inputs with immediate opportunities for reduced cost to MUL and reduced prices and risks to customers. Furthermore, MUL's service-vehicles and many items of equipment and fixtures are in urgent need of repairs, of replacement, and/or of upgrading. Subsequent to our fieldwork in July, the outgoing Managing Director confirmed that a loan of	**Adequately fund MUL's capital-budget.** For too long, the company has struggled to get adequate and timely funding for repairs, for upgrades of infrastructure, for replacements of major assets, and for purchase of new assets (including vehicles, equipment, and generators). In several instances, the company has taken a short-term approach, incurring expensive rentals instead of investing in long-term ownership of key assets. Strategic planning and funding are vital to minimise risks, to optimise cost-management and to improve service.	**In Progress**	MUL requires assistance with Capital Budget due to its loss-making position and has been receiving some funding via GOM. (e.g. New Power station and the Solar PV Project). Annual Submissions will continue to be made for financial aid for its Capital Programme.	**Kendall Lee - Managing Director** **Wendy Irish - Financial Controller**

	E.C.$500,000 was obtained by MUL for the replacement of its vehicle-fleet, as repairs and maintenance were increasingly expensive versus buying new vehicles. **Rental versus buying.** With limited access to funding for capital-expenditures, MUL's management has tended to favour rental of equipment such as generators. However, the quoted costs for each option (e.g., U.S.$55,000 monthly for rental versus U.S.$1 million for purchase) show clearly that rental is optimal only for short periods (e.g., during a crisis or to accommodate a major overhaul of owned generators). For instance, a 10-year useful life would yield an annual cost-amortisation of U.S.$100,000 for a purchased generator, whilst a rented generator would cost more than that in just two months. Hence, a strategic approach to MUL's financing of operations and to its capital-budget would yield a much lower long-term average total cost per unit of utility delivered.			The Generator rental situation is not expected to re-occur. It became necessary during the installation of the new Power Station and the relocation and re-commissioning of existing plan meant that there was a temporary shortage of capacity to meet the island electricity demand.	
	Many persons prefer online/card-based payments. Over 40% of interviewees in our recent surveys were in favour of using online payments, electronic banking channels, and debit-cards or credit-cards for both in-person and online payments. However, MUL does not provide these options (except for direct deposit through the local	**Enable card-payments**. Install wired or wireless electronic device-readers for payments in person as soon as possible, and also activate online payments. These measures will facilitate trade, travel, and tourism, while also raising the modern profile of the country in line with the expectations of sophisticated consumers, business-persons, returning Montserratians, and prospective investors. This deserves to be treated as a	**In Progress**	Tender document pre-pared and being finalized for consultancy services for the upgrading of MUL's website which will include facilities for online card-based payments as well as other enhancements.	

	banks). **No online payments or accounts.** MUL has a website but this is purely for informational purposes. Much of the information is static and out of date. Historically, clients could register for online accounts but this functionality has been discontinued. This is a major inconvenience to customers, and especially to businesses (e.g., accounting purposes, real-time reconciliation, and payment-history), to travelling customers, and to off-island property-owners. So far, it offers nothing more than the sending of monthly bills to requesting clients by e-mail.	matter of utmost priority and urgency for reducing current costs, and for improving both the effectiveness of revenue-collections and the satisfaction of stakeholders.			
	Paper remains dominant. Notwithstanding the wide availability and usage of social media, websites, electronic banking, smart phones, mobile devices, and wireless Internet-connections in Montserrat, MUL's client-facing operations remain in manual processes and offline modus operandi. This is costly and inconvenient to Montserratians at home and abroad, and to potential residents, businesses, and investors. It also makes the local economy uncompetitive with neighbouring islands.	**E-commerce.** Provide a central electronic portal to enable online registration of all types of customer so that they can view all of their accounts, payments, obligations, and/or refunds receivable in one consolidated account in a secure electronic environment. This will be especially helpful in achieving the highest possible rate of compliance and client-service with the large percentage of stakeholders in the Montserratian Diaspora worldwide. In particular, late payments and delinquency can be minimised with automated e-mail, personalised text-messages, and customised online communications. E-commerce also provides a powerful vehicle for improving the public image of MUL and Montserrat for investors, businesses, event-planners, tourists, and visitors. All of these categories are	**In Progress**	MUL is currently reviewing several options and proposals for setting up an integrated Billing Customer Management and Accounting Software Package that would allow electronic customer communications and transactions in a cost-effective way. A decisioin is expected to be made on the selection of a suitable solution during the 2020 financial year.	

		stakeholders either by being direct clients of MUL or by being indirect users of utilities through businesses and organisations served by MUL. It is essential to excellent client-service to ensure that all website and other channels of information reflect complete, current, and accurate information, announcements, contact-details, and reports.			
	Utility-deliveries are adequate, but infrastructure is aged. Large and growing risks and inefficiencies plague the current infrastructure. Generally, MUL is meeting its mandate to provide island-wide coverage of all three utility-services, but water-storage is well below standard 3-day levels. Power-supply is under constant risks of failing generators and costly repairs. The majority of water-pipes are many years old, and have been fixed or replaced mostly when they break, rather than strategically replaced and upgraded year by year. **Inadequate water-storage.** MUL's water-tanks are distributed over the island and vary widely in adequacy. Reports indicate adequate storage for Salem and for St. Peters, but very low storage for Lookout especially and for St. Johns generally. Several districts have experienced increasing numbers of residents and/or businesses, but without commensurate investments in extra water-storage (G.O.M., 2012) [ref. 41]. Water-rationing has sometimes	**Expand water-storage**. All water-tanks need periodic maintenance and repairs to maintain safety for employees and health of users. In turn, provision of additional water-tanks is urgently required in several parts of the island to meet growing demand and to comply with applicable local and international standards. Integrate this with disaster-management plans.	**In Progress**	Storage tank projects at MUL have been traditionally funded via GOM from sources such as BNTF, EDF and DFID. MUL has made an application in 2016 for funding ($1.8M) to replace and upgrade the capacity of the Dick Hill Water Storage tank. Approval is still pending, The Dick Hill Storage tank feeds St. Johns, Judy Piece, Lookout, Geralds, Drummonds, Davy Hill, Carrs Bay and Little Bay.	**Kendall Lee - Managing Director** **Wendy Irish - Financial Controller** **Vagan Daway - Water Operations Manager**

	been implemented. This has implications for sanitation, for business-development, for customer-satisfaction, and for public health.				

APPENDIX 6
OFFICE OF THE AUDITOR GENERAL - ORGANISATION CHART