



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 DECEMBER 2004



VISION STATEMENT

Our vision is "to be a proactive SAI that helps the nation make good use of its resources".

MISSION STATEMENT

Our mission is "to promote 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 Council".

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".

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ABBREVIATIONS USED

BOM	Bank of Montserrat
DFID	Department for International Development
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CFM	Citizen and Friends of Montserrat
ECCB	Eastern Caribbean Central Bank
GAAS	Generally Accepted Auditing Standards
GDP	Gross Domestic Product
GOM	Government of Montserrat
IASC	International Accounting Standards Committee
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
MASL	Montserrat Aviation Services Limited
MONLEC	Montserrat Electricity Services
MFSC	Montserrat Financial Services Commission
MLDA	Montserrat Land Development Authority
MPA	Montserrat Port Authority
MPB	Montserrat Philatelic Bureau
MTB	Montserrat Tourist Board
MWA	Montserrat Water Authority
MVO	Montserrat Volcano Observatory
PAC	Public Accounts Committee
PFM	Public Finance Management
RISC	Regional Institutional Strengthening Committee
SSAP	Statement of Standard Accounting Practice
XCD	Eastern Caribbean Dollars

**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF MONTSERRAT AND ON THE
MINISTRIES, DEPARTMENTS AND STATUTORY AGENCIES
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2004**

EXECUTIVE SUMMARY

Scope of the Audit Report to the Legislative Council

Section 19 of the Finance (Administration) Act 2001 requires this Audit Report to be submitted to the Minister responsible for Finance for presentation to the Legislative Council of Montserrat. However, in practice, the Report is tabled by the Financial Secretary. The Report summarizes the major matters arising from the examination and audit of the Public Accounts, Ministries/Departments and Statutory Agencies for the year ended 31 December 2004.

Financial Administration and Management

2. Section 17(1) of the Finance (Administration) Act 2001 requires the Public Accounts to be submitted for audit at latest 6 months after the year end. This requirement was not met. Additionally, when the statutory statements were eventually submitted there were several errors in the accounts which required several revisions to the statements.

3. I am required to certify the Statement of Assets and Liabilities and the abstract accounts of Revenue and Expenditure. These Statements are included in this Report as Appendix 1. The Audit Certificate is also attached.

4. Twenty-one subheads recorded expenditure in excess of appropriation. In the absence of supplementary appropriation this excess expenditure is recorded in the Public Accounts without statutory authorization.

5. Due to the absence of some source documents we were unable to verify some of the revenue. This therefore presented a limitation in the scope of the audit.

6. For the first time, the Treasury Department has presented a Cash Flow Statement as part of the Public Accounts.

7. Because of the unauthorized expenditure on the Consolidated Fund and the inability to verify some revenue streams, the Audit Certificate has been given a qualified opinion.

Financial Performance

8. For the fiscal year under review, a surplus of \$4.81M of recurrent revenue over recurrent expenditure was recorded. The surplus was reduced by \$3.93M when compared with that recorded for 2003. The reduction in the surplus may be attributable to work conducted to complete ash clearing programme.

9. The collection of local Recurrent Revenue exceeded projected levels by 2.92% or \$910,747 when compared with projections for the year. There was a 2.12% increase in collections when compared with that collected for 2003.

10. Actual Budgetary Aid increased by \$10,577,309. This increase was given to primarily meet subventions for transport subsidy; to make part payment on Social Security Contribution Arrears; and other Emergency Expenditure.

11. Total savings realized on Recurrent Expenditure amounted to \$1,062,243 despite two Votes - Consolidated Fund Services and Ministry of Communications and Works - being overspent.

12. Capital Revenue - proceeds of external grants - fell short of projected levels for the year by 24.78%. When compared with 2003, there was a marginal increase of 0.87% on total capital revenue collection.

13. Capital Expenditure incurred totaled EC\$18,183,580 being 40.3% of authorized expenditure for the year.

Cash Position of Government

14. The total sum of all government bank accounts reflected a positive balance of EC\$29,499,992 at the end of the fiscal year. The following gives a breakdown of bank balances in summarized form.

Description	Amount (EC\$)
Consolidated Fund	17,176,572
Development Fund	12,323,420
TOTAL	29,499,992

Public Debt

15. Public debt refers to the cumulative total of governmental financial obligations. At the end of the fiscal year, total Public Debt amounted to EC\$34,929,259. Debt per capita amounted to \$7,461.92 per person.

16. The external portion of the debt stood at EC\$12,429,259. Principal repayments during the period amounted to EC\$860,248 being 2.68% of actual local recurrent revenue recorded for 2004. When compared against GDP (in current prices for the year) it represents 0.91%.

17. Domestic debt stood at EC\$22.5M. This figure includes outstanding payment to the Social Security Fund of EC\$21.4M for retroactive contributions for government employees and Treasury Development Bonds of EC\$1.1M.

18. Total debt servicing amounted to EC\$379,011 being 1.18% of local recurrent revenue for the year.

Absence of Internal Audit

19. Frequent staff turnover through migration, promotion and natural attrition, lack of suitably qualified and knowledgeable replacements, and absence of internal audit departments in large ministries and in the major revenue collection department continues to have a negative impact on the internal control systems. This has led to deterioration in financial management. Management is however embarking on some capacity development initiatives to change this situation.

Key findings relating to Ministries/Departments/Statutory Agencies

20. Several Ministries/Departments were in breach of financial regulations when they recorded overstatements on their Appropriation Accounts. This

resulted from a failure to adequately monitor their expenses and seek appropriate warrants to provide the authority for spending.

21. Revenue Collectors continue to submit their Arrears of Revenue statements after the 31 March deadline in breach of the regulations. Outstanding sums amounted to \$22,064,890. A substantial portion of this appears to be uncollectible and is in need of write-off.

22. As regards, the Administration Department's Recruitment and Appointments process we found that adequate procedures exist and were being followed. However, one significant weakness was that no check was conducted to ensure that certificates presented were authentic. In the Training Division it was noted that some trainees were breaching the terms of their bond which required them to work in Montserrat during the bonded period or repay the scholarship funds. It does not appear that any significant effort is being made to enforce these clauses.

23. The Police Canteen now operates like a bar and grocery shop. Yet, proper financial statements are not prepared. Additionally, a single person is in charge of ordering and making payment for supplies, depositing funds collected, maintaining the cash book and preparing bank reconciliations. There is therefore a need for improved internal controls especially that of separation of duties.

24. Some of the monies collected by the Customs and Excise department could not be verified since some Importation Warrants and Receipts were not supplied for audit. Additionally, there were several instances of monies being either short deposited or overpaid. These instances indicate weak internal controls.

25. The Public Library operates a Trust Fund. A sum of \$7,103.49 was withdrawn from the fund and spent. We could not find any supporting documentation to show the types of items bought or their value.

26. No financial statements were tabled for several of the statutory agencies for fiscal year 2004. This is in breach of financial regulations.

CHAPTER 1

1.0 INTRODUCTION

1.1 Reporting Authority

1. This Report, for the fiscal year 2004, is submitted to the Honourable Minister of Finance, for onward transmission to the Legislative Council. It is pursuant to Section 26 (1) of the Audit Act 2001, No. 7 of 2001 and Section 17 (3) of the Finance (Administration) Act, No. 3 of 2001.

1.2 General Comments

2. This Report outlines the work of my office. It should cover the audits of all central government operations, statutory bodies and corporations and entities where the Government of Montserrat (GOM) injects substantial sums into their operations.

1.3 Audit Mandate

3. The audit of the Annual Accounts of the Government of Montserrat for the fiscal year 2004 was conducted in accordance with the provisions of the Audit Act 2001 and Section 17 (3) of the Finance (Administration) Act 2001. These pieces of legislation provide for the preparation and submission of annual statements by the Accountant General, and for examination and audit of those statements.

4. Section (8) of the Audit Act 2001 specifically requires the Auditor General and, by extension, the Office of the Auditor General, to inquire into, audit and report in an impartial manner, on the Public Accounts, and in the audit she shall make such examination as she may deem necessary to satisfy herself whether:-

- (a) accounts have been faithfully and properly maintained in accordance with Generally Accepted Accounting Standards [established by the International Accounting Standards Committee], and that all reasonable precautions have been taken to safeguard the collection and custody of public monies, and that these have been fully accounted for or paid, where so required by law, into the Consolidated Fund;

- (b) monies which have been appropriated and disbursed have been applied to the purposes for which they were appropriated, and that expenditure has been made only as authorized;
- (c) monies other than those which have been appropriated have been dealt with in accordance with proper authority;
- (d) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of cash, stamps, securities and public stores, and that the regulations, directions and instructions relating thereto have been duly observed;
- (e) sufficient, relevant and reliable audit evidence is obtained to support the issue of a professional audit opinion on the financial statements of the organizations subject to audit;
- (f) expenditure is achieving value-for-money;
- (g) adequate regulations, directions or instructions exist for the guidance of Accounting Officers and Accountable Officers, and are complied with;
- (h) proper returns have been submitted by Accounting Officers, in accordance with the Finance (Administration) Act 2001;
- (i) the accounts are in agreement with the books of accounts and returns.

5. The audit programme of work aims to provide sufficient, appropriate audit evidence to afford a reasonable basis for an opinion to be given on the general accuracy and regularity of the Government's financial and accounting transactions. The audit exercise is carried out by way of **test checks**, designed to capture material errors in the accounts, determine adequacy and reliability of internal controls and safeguards, and evaluate compliance with relevant enabling legislation and other Ministry of Finance directives.

1.4 Purpose of Audit Office

6. The Audit Office functions as a safeguard to maintaining financial integrity of Government's operations. The office is therefore independent of the Executive branch of Government for auditing and reporting purposes.

1.5 Reporting Process

7. The Auditor General has discretion as to the form and content of her annual report on the public accounts of Montserrat. It is not the duty or responsibility of the Auditor General to disclose each and every error or irregularity in the accounts. As a general rule, she reports on matters that she considers significant and constitute an actual or potential loss of public resources, a lack of financial control, an impairment of accountability, and a breach of, or non-compliance with, legislative or other requirements.

1.6 Goals of Audit Report

8. The goal of a Public Finance Management (PFM) system is to support the achievement of aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public funds.¹ Stakeholders therefore question whether these budgetary outcomes are achieved and seek to hold the Executive, Central Government agencies and public officials accountable for their actions and for the management of public funds entrusted to their care.

9. A critical objective of a good PFM system relates to the provision of Information that would allow dissemination to meet decision-making, control, management and reporting purposes. Another objective is that of Accountability and Transparency that facilitates external transparency and scrutiny of public finances. The timely flow of information coupled with good accountability and transparency practices therefore provide the groundwork whereby stakeholders can independently examine the stewardship of public officials and the overall operations of Central Government agencies.

10. Our mandate provides the authority for us to scrutinize the operation of the Executive and its agents. We are also required to report our findings to the Legislative Council, the body that holds the Executive to account for

¹ Revised Consultative Draft, October 21, 2004: PFM Performance Measurement Framework

the delivery of public policy. Our Audit Report is therefore intended to provide the Legislative Council and the public in general with an independent and objective assessment of the operations of Central Government.

1.7 Submission of Annual Accounts

11. Section 26 (1) of the Audit Act 2001, and Section 17 of the Finance (Administration) Act 2001, state that the Government's Annual Accounts shall be submitted, by the Accountant General, to the Auditor General [for audit] within a period of six months [to 30 June] after the close of each year, unless permission is obtained by a Resolution of the Legislative Council for them to be submitted at a later date.

12. Section 17 (2) of the Finance (Administration) Act 2001 states that the Accountant General ... shall show fully the financial position of the Consolidated Fund on the last day of each financial year and shall include -

- (a) a statement of assets and liabilities;
- (b) an annual abstract of revenue and expenditure by heads;
- (c) a comparative statement of actual and estimated revenue by sub-heads;
- (d) a comparative statement of actual and estimated expenditure by sub-heads
- (e) a statement of balances on advance accounts analyzed under the various categories set out in section 30;
- (f) a statement of balances on deposit accounts;
- (g) a statement of outstanding loans made from the Consolidated Fund, by annual and aggregate receipts and payments;
- (h) a statement of public debt;
- (i) a statement of contingent liabilities;
- (j) a statement of investments showing the funds on behalf of which the investments were made;
- (k) a statement of arrears of revenue by subheads;
- (l) a statement of losses of cash and stores and of abandoned claims;
- (m) a statement of the Contingencies Fund Account;
- (n) other statements as the Legislative Council may from time to time require.

13. The first draft of the 2004 Annual Accounts was presented for audit well after the mandated deadline. Final adjustments were presented in July 2008.

1.8 Compliance with Financial Orders

14. As in the previous year, there was good overall compliance with the provisions of Financial Orders. However, there is an increasing incidence of over-expended subheads which represents a significant breach to Financial Orders. Other exceptions to compliance will be referred to in subsequent paragraphs, under the respective Ministries/Departments.

1.9 The Public Accounts Committee (PAC)

15. The Chairman's report on matters arising out of the Annual Audit Reports for 2002 and 2003 were tabled in the Legislative Council on 25 April 2007.

CHAPTER 2

2.0 FINANCIAL STATEMENTS

2.1 Statement of Assets and Liabilities of the Consolidated Fund

16. The Consolidated Fund consists of all revenues and other monies raised or received for the purposes of the GOM, except revenues or other monies that are payable by or under any law into some other fund. Expenditure from the Consolidated Fund must be authorized by the Constitution of Montserrat, an appropriation ordinance, or any other law in force in Montserrat.

17. The following is a statement of the assets and liabilities outstanding at 31 December 2004 grouped according to the nature of the item. A detailed statement, as presented by the Accountant General, is attached at Appendix 1. The statement records cash assets and liabilities only.

TABLE 1
CONSOLIDATED FUND
STATEMENT OF ASSETS AND LIABILITIES

	2004	2003	Increase/ (Decrease)
Assets			
Cash	17,176,572	16,670,649	505,923
Development Capital Fund	12,323,420	(270,423)	12,593,843
Fixed Deposits	3,888,463	2,432,070	1,456,393
Investments	2,056,200	2,056,200	0
Advances	832,807	2,360,536	(1,527,729)
Total	36,277,462	23,249,032	13,028,430
Taxpayer's Equity			
Deposits	5,190,465	4,217,462	973,003
Consolidated Fund	31,086,997	19,031,570	12,055,427
Total	36,277,462	23,249,032	13,028,430

2.2 Movement of Assets and Liabilities

2.2.1 Assets

Cash

18. Total Cash increased by \$505,923. Included in this are balances relating to the following accounts:

- Cash Local. This recorded a decrease of \$6,859,990.
- Operating Account ECCB recording a decrease of \$41,905.
- Fiscal Reserve - A/c 1 Tranche 1 ECCB recorded an increase of \$246,422.
- Crown Agents #2 Account recorded an increase of \$7,161,396. The balance on this account included an amount of £1,325,000 or EC\$7,287,840 submitted as additional budgetary aid but held on call at the end of the fiscal year.

Development Capital Fund

19. The Development Capital Fund recorded an increase of \$12,593,843. This represents unused cash balances available for financing capital projects.

Fixed Deposits

20. Fixed Deposits recorded overall increases of \$1,456,393. This indicates that some effort is being made at monitoring and managing cash balances.

Advances

21. Balances on the Personal and Impersonal Advance accounts amounted to \$536,113, representing a decrease of \$300,786. Of this amount, \$292,363 was deemed uncollectible debts and was hence written off.

22. Outstanding imprests saw a marginal increase of \$9,234 thus amounting to \$466,055 at end of year under review. Government Departments owed \$161,999 while Government Officers had outstanding imprests totaling \$304,056.

23. Other Governments and Administrations recorded a balance of \$139,770. This represented a substantial decrease of \$1,207,374 when compared to balance outstanding at 31 December 2003.

24. CDB Student Loans decreased by \$40,555 leaving an outstanding balance of \$1,062,739. However, there has been no movement on a number of these accounts indicating that they may not be collectible. Effort should therefore be made to analyze these accounts with a view towards writing off those deemed not to be collectible.

25. The Postmaster Clearance account decreased by \$11,780 leaving a balance of (\$289,233).

26. There was no movement on the Development Fund Receivable account.

2.2.2 Liabilities

27. Miscellaneous Deposits increased by \$215,899 amounting to \$3,101,289. These accounts facilitate Below-the-line activity that bypasses the normal Legislative Council authority for expenditures. The accounts show a build up of debit balances totaling \$2,990,223 representing expenditures being incurred without proper legislative authority. The accounts also include other credit balances amounting to \$6,833,704 representing revenues which should have been credited to the Consolidated Fund. The Treasury Department is investigating these accounts with a view towards taking corrective action in the 2007 fiscal year.

28. There was no movement on the Insurance Company Deposits and the Industrial Development Deposits accounts.

29. There was a marginal increase of \$14,912 on the Special Funds account leaving a balance of \$583,927.

2.3 **Public Finance Management (PFM) System Outturns**

30. These refer to the immediate results of the PFM system in terms of actual expenditures composition, revenues, and deficit, and are assessed by comparison to the original approved budget. The outturns provide a measure

of realism of the budget and the extent to which the budget is an authoritative tool of government policy.

2.3.1 Consolidated Fund

31. Sections 7 & 8 of the Finance (Administration) Act 2001 states "that there shall be one revenue fund which shall be called the Consolidated Fund" and that "all revenues and other moneys raised or received for the purposes of the Government, shall be paid into and form part of the Consolidated Fund". Recurrent Revenue for the year totaled \$95,250,856.

32. Section 9 of the Finance (Administration) Act 2001 authorizes the payment of moneys out of the Consolidated Fund "to meet expenditure which is chargeable upon it by the Constitution or any law". Recurrent Expenditure for the year amounted to \$90,440,557. Expenditure for local projects undertaken by the Government of Montserrat during the fiscal year and funded from the Consolidated Fund amounted to \$2,948,085. This brings total payments from the Consolidated Fund to \$93,388,642 thus leaving a net surplus of \$1,862,214.

33. Effective from the presentation of the 2004 Public Accounts, expenditures and revenues supporting capital works have been incorporated into the Consolidated Fund - Statement of Assets and Liabilities. This is to facilitate compliance with the Finance (Administration) Act 2001 which, when redrafted, omitted the Development Fund from its list of authorized Public Funds. Development revenue amounted to \$26,170,900 whilst development expenditure totaled \$18,183,580.

34. The movements on the Consolidated Fund for the fiscal year under review can be summarized at follows:

<u>Expenditure</u>	<u>Authorized</u>	<u>Actual</u>
Consolidated Fund Services	8,439,600	9,375,587
Supply Services	<u>83,063,200</u>	<u>81,064,970</u>
Sub-Total	91,502,800	90,440,557
Less: Revenue	<u>83,762,800</u>	<u>95,250,856</u>
Surplus/(Deficit*)	<u>(7,740,000)</u>	<u>4,810,299</u>
<i>Consolidated Fund</i>		
Balance b/f 1 January 2004		19,031,570
Surplus for the year		4,810,299

Revenue (Development)	26,170,900	
Expenditure (Development)	<u>18,183,580</u>	7,987,320
Balance c/f 31 December 2004		<u>31,829,189</u>

* Value of Contingencies Warrants raised during fiscal year.

2.3.2 Recurrent Revenue

35. Recurrent revenue was budgeted at \$83,762,800. Actual collections totaled \$95,250,856, an increase of \$11,488,056.

2.3.3 Revenue Surpluses and Shortfalls

36. Revenue surpluses and shortfalls are detailed in Table 2 below.

**TABLE 2
REVENUE SURPLUSES AND SHORTFALLS**

<i>Recurrent Revenue Head</i>	<i><u>Budgeted</u></i>	<i><u>Actual</u></i>	<i><u>Surplus</u></i>	<i><u>Shortfalls</u></i>
	\$	\$	\$	\$
Taxes on Income, Profits & Gains	11,399,000	12,029,119	630,119	0
Taxes on Property	1,075,000	973,902	0	101,098
Taxes on Domestic Goods & Service	1,308,500	1,337,387	28,887	0
Licences	1,384,300	1,883,635	499,335	0
Taxes on Int'l Trade & Transactions	13,473,200	13,435,446	0	37,754
Fees, Fines and Permits	774,900	884,771	109,871	0
Rents, Interest & Dividends	1,075,000	344,381	0	730,619
ECCB Profits	200,000	210,704	10,704	0
Reimbursements	69,000	15,394	0	53,606
Budget and Grants	52,528,800	63,106,109	10,577,309	0
Other Revenue	475,100	1,030,008	554,908	0
TOTAL	83,762,800	95,250,856	12,411,133	923,077
Net surplus			11,488,056	

2.3.4 Total Recurrent Local Revenue

37. Authorised Recurrent Local Revenue for the fiscal year was \$31,234,000. Actual Recurrent Local Revenue amounted to \$32,144,747 representing a marginal increase of \$910,747 or 2.92% over the amount budgeted for the fiscal year.

38. Table 3 below provides a comparative summary of actual Recurrent Local Revenue collected during 2003 and 2004. A review of the figures indicates that Recurrent Local Revenue for 2004 fell by \$697,196 or 2.12% when compared to collections for 2003.

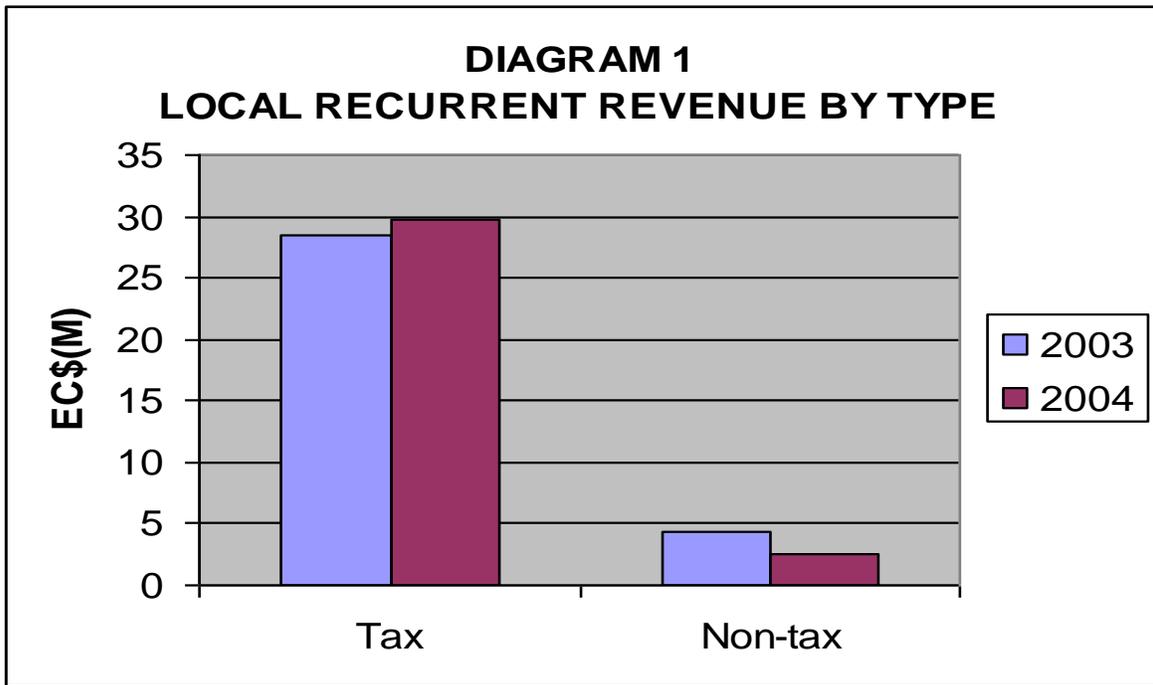
**TABLE 3
COMPARATIVE LOCAL REVENUE SUMMARY**

SOURCE OF REVENUE	ACTUAL 2004	ACTUAL 2003	INCREASE/ (DECREASE)
Taxes on Income, Profit & Capital Gains	12,029,110	12,425,192	(396,082)
Taxes on Property	973,902	703,573	270,329
Taxes on Domestic Goods & Services	1,337,387	1,128,607	208,780
Licences	1,883,635	1,865,947	17,688
Taxes on International Trade & Transaction	13,435,446	12,394,640	1,040,806
Fees, Fines and Permits	884,771	765,739	119,032
Rents, Interest and Dividends	344,381	1,966,904	(1,622,523)
ECCB Profits	210,704	185,476	25,228
Reimbursements	15,394	348,097	(332,703)
Other Revenue	1,030,008	1,057,759	(27,751)
TOTAL	32,144,738	32,841,934	(697,196)

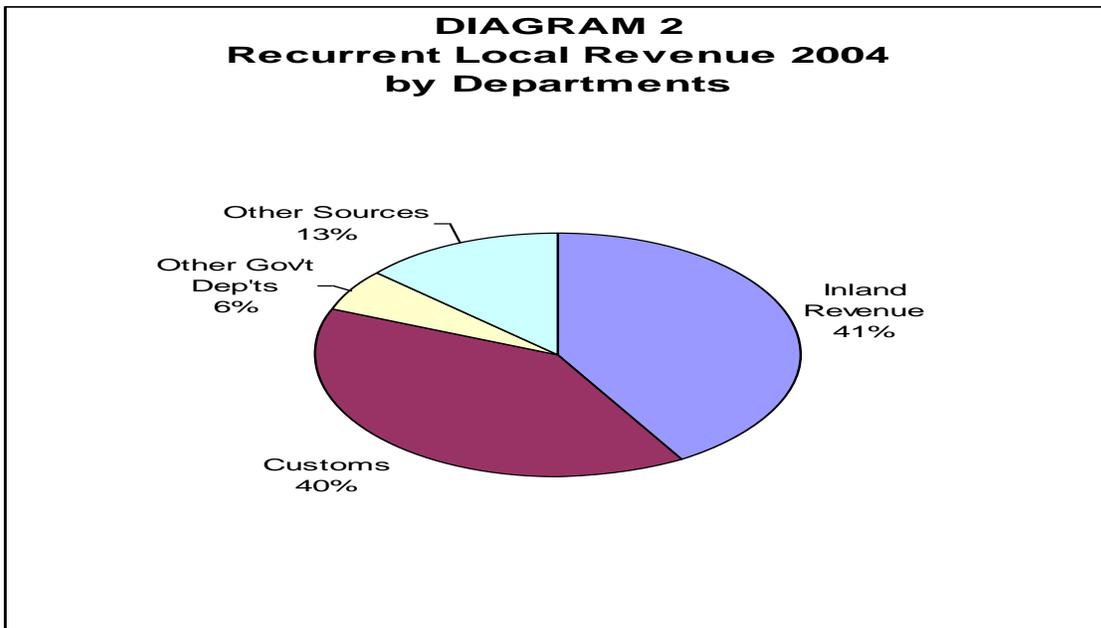
39. As seen from the Table 3 above, three revenue heads recorded increases of over \$200,000 whilst three recorded deficits greater than \$200,000 when compared with revenue collected the previous year.

40. Of the \$32,144,738 collected as Recurrent Local Revenue, \$29,659,480 was collected as Tax Revenue. This represents a 4% increase when compared with collections in 2003.

41. The Diagram 1 below compares actual revenue, by type, for the years 2003 and 2004.



42. Diagram 2 below illustrates the apportionment (by percentage) of revenue generated by various government departments. Revenue from other sources includes, but is not limited to, income received for Telecommunications Licences, Motor Vehicle Licences, Stamp Duty and Foreign Currency Levy. These revenue heads each contributed greater than \$400,000 dollars towards the public purse.



43. The Inland Revenue and the Customs Departments continue to be our major revenue generating departments. They combined to collect \$26.06M or 81% of revenue collected during 2004. An additional \$.86M was collected when compared to collections for 2003.

2.3.5 Special Budgetary Assistance

44. Projected Special Budgetary Assistance for 2004 was stated at \$52,528,800. Actual revenue for this subhead amounted to \$63,106,109, showing an increase of \$10,577,309. This increase was given primarily to meet subventions for transport subsidy; to make part payment on Social Security Contribution Arrears; and other Emergency Expenditure.

2.3.6 Recurrent Expenditure

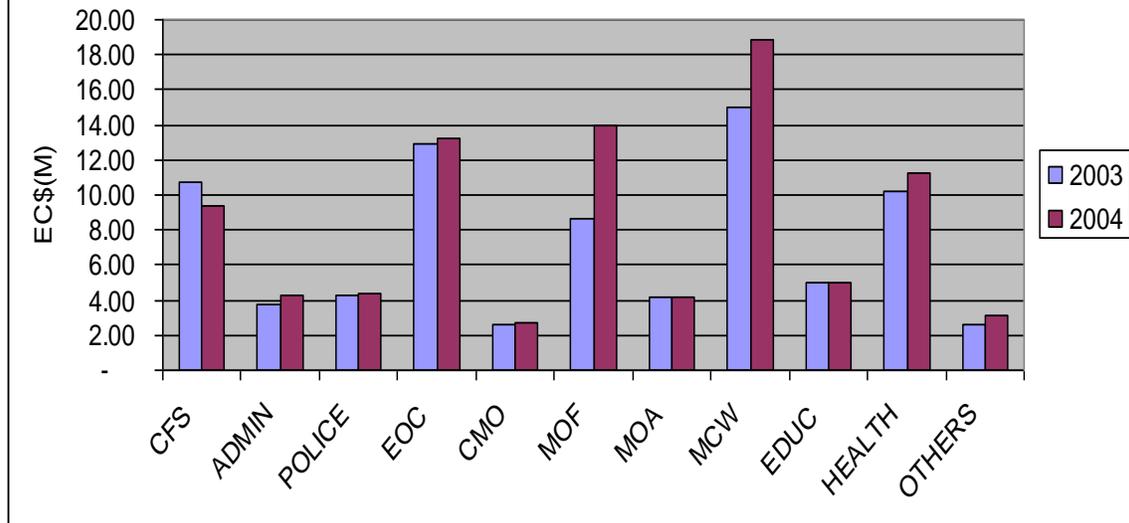
45. The Appropriations Act 2004, Ordinance #2 of 2004, authorized recurrent expenditure amounting to \$83,762,800. One Supplementary Estimate valuing \$7,600,000 was issued to meet cost of expenditure as outlined in paragraph 44. An additional \$140,000 was added to meet statutory obligations under the Consolidated Fund Services.

46. Actual expenditure for the year under review amounted to \$90,440,558.

47. Classifying costs by Ministries and Departments, we note that three of them recorded increased expenditure over \$1M when compared with actual expenditure in 2003. Departments making up the Ministry of Finance sub-grouping recorded total increased expenditure of \$5.36M, Ministry of Communications and Works \$3.81M while Ministry of Health and Community Services recorded \$1.05M. These increases were to facilitate payment of Social Security Arrears, increased subventions, investment promotion, and public welfare services.

48. The chart below highlights the major areas of actual Recurrent Expenditure incurred by the various Ministries and Departments for the year under review as compared with 2003. All Departments falling under the purview of the Ministry of Finance are grouped together, while other Departments not specifically listed are grouped under Others.

**DIAGRAM 3
RECURRENT EXPENDITURE
2003 - 2004**



49. Analyzing expenditure by type, it was noted that the major categories were Personal Emoluments, Pension and Gratuities, Goods and Services, Transfers and Subsidies, and Other Expenditure. Personal Emoluments (that is salaries and wages of staff) amounted to \$25,896,979, representing 30% of total recurrent expenditure for the year.

50. \$12,135,223 was spent for Pensions and Gratuities. This represents 13% of expenditure for the year.

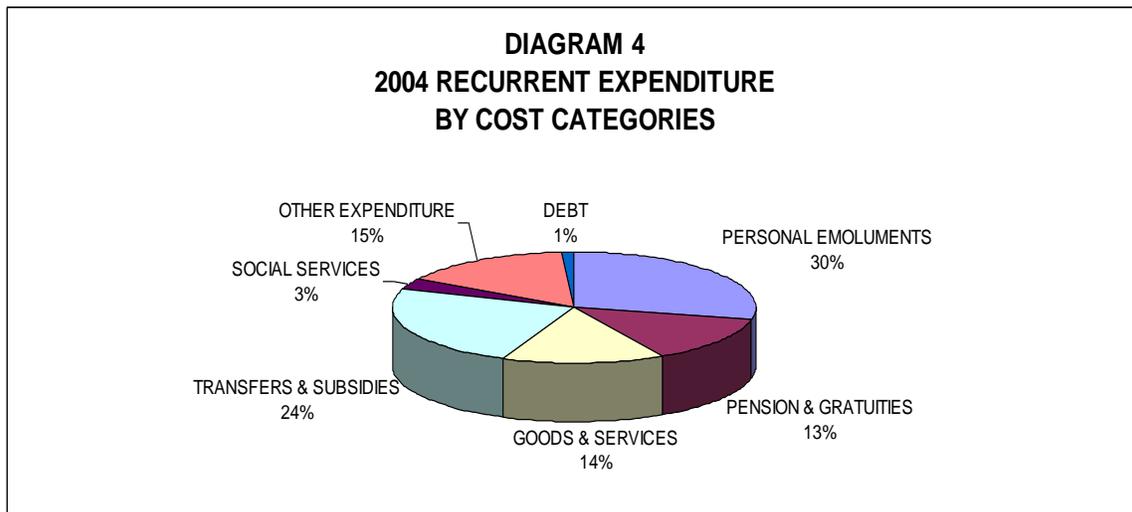
51. Expenditure for Goods and Services amounted to \$12,890,229 representing 14% of total expenditure for the fiscal year.

52. Total expenditure incurred for Transfers and Subsidies amounted to \$21,675,312 representing 24% of recurrent expenditure for 2004.

53. Expenditure incurred under the Other Expenditure sub-grouping amounted to \$13,747,665 representing 15% of total recurrent expenditure for the fiscal year.

54. Social Services and Debt Servicing complete the expenditure categories. Expenditure for Social Services amounted to \$3,044,797 being 3% of total expenditure. An analysis of expenditure on Debt Servicing is reported elsewhere in this report.

55. The graph below highlights expenditure by cost categories and gives relative percentages used per cost category.



2.3.7 Expenditure Control

56. **Warrants.** Five (5) Virement Warrants were approved by the Ministry of Finance to allow ministries and departments to transfer funds from one subhead to another. As mentioned earlier one (1) Supplementary Estimates was also issued.

57. **Reconciliation Statements.** Some managers and supervisors continue to disregard the importance of performing regular reconciliations of their accounts despite repeated reminders. In some cases, it appears as if regular supervision and monitoring is not being done in a timely manner. This has resulted in a number of sub-heads being overspent.

58. It is important for Accounting Officers to make a member of their staff responsible for ensuring that reconciliations are done in a timely manner. Supervision and monitoring of this internal control activity is of paramount importance if Accounting Officers want to avoid being surcharged.

59. **Over-expenditure.** A review of the Annual Abstract of Receipts and Payments revealed that the over-expenditures resulted in the Consolidated Fund Services and the Ministry of Communication and Works total allocations being over-spent by \$935,987 and \$811,143 respectively. Further analysis of the Statement of Votes in Excess for the fiscal year

revealed a 31.5% increase in over-expended subheads when compared with over expended subheads for 2003.

60. The analysis further revealed that twenty-one (21) subheads across twenty-four (24) Ministries/Departments recorded over-expenditure. This is being regarded as highly unacceptable when nine (9) subheads (43%) reported over-expenditure on personal emoluments and wages (one had over-expenditure of \$24,547). Four (4) other over-expended subheads related to Ministry of Communications \$10 Votes the operation of which continues to cause concerns. Other over-expended subheads include Travel allowance, Supplies, Fees and Rewards, Sundry Expenses, Printing and Binding and Maintenance Services.

61. All Accounting Officers must be reminded that no commitments should be incurred which would result in authorized expenditure limits for a department being exceeded. Thus, special efforts should be made to ensure that expenditure remains within the line-item limit. Expenditure should not be incurred in the hope that relevant Virement Warrants and/or Supplementary Appropriations would be effected later in the year.

62. When the Estimates is being prepared, attention should be paid to those departments that consistently record over-expenditure to ensure that the action plans are achievable.

63. All over-expended allocations are a serious breach of law and regarded as unauthorized expenditure since the necessary approval for these were not given by the Legislative Council. Such expenditure can only be legitimized through the issuance of Supplementary Appropriations by the Legislative Council.

64. Every effort should therefore be taken to ensure that the Legislative Council approves this expenditure. Further managers should ensure adherence to the guidelines for proper control and use of public funds as outlined in the public finance management regulations and Ministry of Finance directives.

2.3.8 Savings

65. Ten (10) Ministries and Departments recorded expenditure under budget by more than \$100,000. These are noted as follows:

Emergency Department	168,587
Legal	108,238
Legislature	101,276
Chief Minister's Office	171,708
Ministry of Finance	737,644
Development Unit	102,543
Treasury	243,101
Ministry of Agriculture	304,737
Ministry of Education	205,687
Health	<u>285,034</u>
	<u>2,428,555</u>

66. Total gross savings amounted to \$2,753,684. 45.62% of this amount represented savings on Personnel Emoluments, 34.66% being savings on Goods and Services, 19.03% savings on Transfers and Subsidies and .07% being savings on Social Services. Net savings amounted to \$1,062,243.

67. While cost containment may account for some of these under-expenditures, the magnitude of the perceived savings may have arisen from a combination of the following circumstances (over-estimation of the cost of providing various services; non-acquisition of relevant skills to enable achievement of departmental policies and completions of programmes; or non-provision of the services envisaged by the budget).

68. In all circumstances it is imperative that Accounting Officers direct their efforts towards providing more realistic and accurate estimates for the Appropriations Ordinance.

2.4 Arrears of Revenue

69. Several Ministries/Departments continue to submit their Arrears or Revenue statements way beyond the 31 March deadline, in breach of the regulations.

70. However, the following represents the status of Arrears of Revenue as at 31 December 2004: -

**TABLE 4
ARREARS OF REVENUE**

Executing Agency	Arrears at 31 December 2004
Ministry of Agriculture, Lands, Housing & the Environment	496,573
Ministry of Communications and Works	96,200
Inland Revenue:-	0
Income Tax	15,042,089
Company Tax	3,643,281
Property Tax	1,727,577
Broadcasting Services (Radio M/rat)	21,064
Customs	46,800
Treasury	900,509
Ministry of Health and Community Service	13,379
Development Unit	101,593
Total	22,101,710

71. As at the end of the fiscal year, there was a 13% decrease or \$3,273,931 on Arrears of Revenue when compared to arrears outstanding at the end of the previous year. This is due in large measure to the write-offs given during the year. However, it would be prudent for a further portion of the Arrears to be written off since they are no longer considered to be collectible.

2.5 DEVELOPMENT FUND

2.5.1 Statement of Assets and Liabilities

ASSETS		2004		2003
British Development Aid Claims Outstanding		0		704,075
Donor Agencies Expenditure Outstanding		2,440,065		2,387,140
Local Funds		2,253,474		0
Total Assets		4,693,539		3,091,215
LIABILITIES				
Deposits within Development Fund		10,956,229		343,734
Consolidated Fund Payable		(1,083,179)		(1,083,179)
Donor Agencies Expenditure Payable		(331,074)		694,610
Consolidated Capital Fund	(12,835,756)		3,941,165	
Add Revenue over Expenditure	7,987,319	(4,848,437)	805,115	3,136,050
Total Liabilities		4,693,539		3,091,215

2.5.2 Capital Expenditure

72. Development Expenditure as authorized by the Appropriations Act 2004 amounted to \$42,938,400. Warrants in the amount of \$2,157,100 increased authorized capital expenditure to \$45,095,500. Actual expenditure for the year amounted to \$18,183,580 being 40.3% of authorized expenditure for the year. This indicates that the rate of project implementation remained questionable.

73. Estimates and recorded results for the Development Fund are summarized in the Table 5 below.

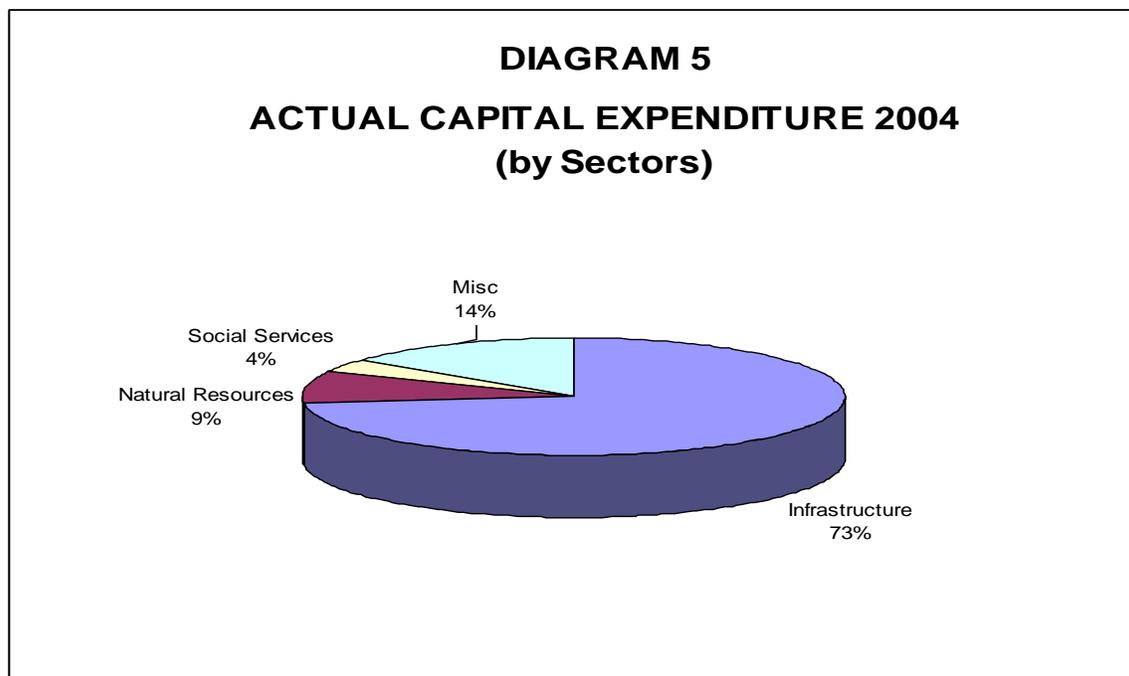
TABLE 5
Comparison Of Development Fund Estimates And Record Results 2004

Development Fund Expenditure	Authorized	Actual	Variance
DFID	37,407,000	14,964,440	22,442,560
LOCAL	5,863,100	3,148,299	2,714,801
UNDP	3,100	0	3,100
IRISH	11,300	0	11,300
FCO	75,000	0	75,000
BNTF	1,000,000	0	1,000,000
OECS	237,500	0	237,500
PAHO	486,200	70,841	415,359
CAREC	12,300	0	12,300
TOTAL	45,095,500	18,183,580	26,911,920

74. In general, estimates for externally funded projects appeared to be too optimistic as no donor funding was provided for significant number of projects. The Estimates should only include projects which have a relative assurance of being funded since inclusion of unfunded projects distorts expected economic returns and makes it difficult for revenue generating departments to realize set targets.

75. The difficulties of predicting funding for capital projects are acknowledged. However, the significant variance from estimates indicates a continuing need for improvement in the accuracy of the estimates. Such improvement will enable greater reliance on projected economic returns and more robust fiscal policies to be implemented.

76. Diagram 5 below gives a pictorial view of how the capital expenditures were incurred. The expenditures have been classified by sectors. We note that there continues to be an emphasis on infrastructure development (73%) although there was a 16% decrease in this area when compared to 2003 expenditures.



77. Significant improvement was seen in the area of expending funds without the relevant warrants being raised. However, there is further work

to be done to ensure that all accounting officers understand the principle of annual budgeting whereby appropriations can only be used for needs arising in the fiscal year and that warrants lapse at the end of the fiscal year. Further expenditures must be authorized by Parliament through the issuance of a warrant raised in the next financial year. For fiscal year 2004 one project - Extension of Prison - was allowed to continue without the relevant warrant being raised.

2.6 OTHER STATEMENTS

2.6.1 Statement of Contingent Liabilities

Date	Debtor	Creditor	Liability
December 31, 2004	GSB	SUNDRY	\$25,140,604

2.6.2 Statement of Special Funds

78. Net movement on this fund amounted to \$14,911 thereby increasing the balance at end of the fiscal year to \$583,927. The movement consisted of write-off of \$10,081 for the Fish Hook Snelling Project and net deposits to the account.

2.6.3 Statement of Public Debt

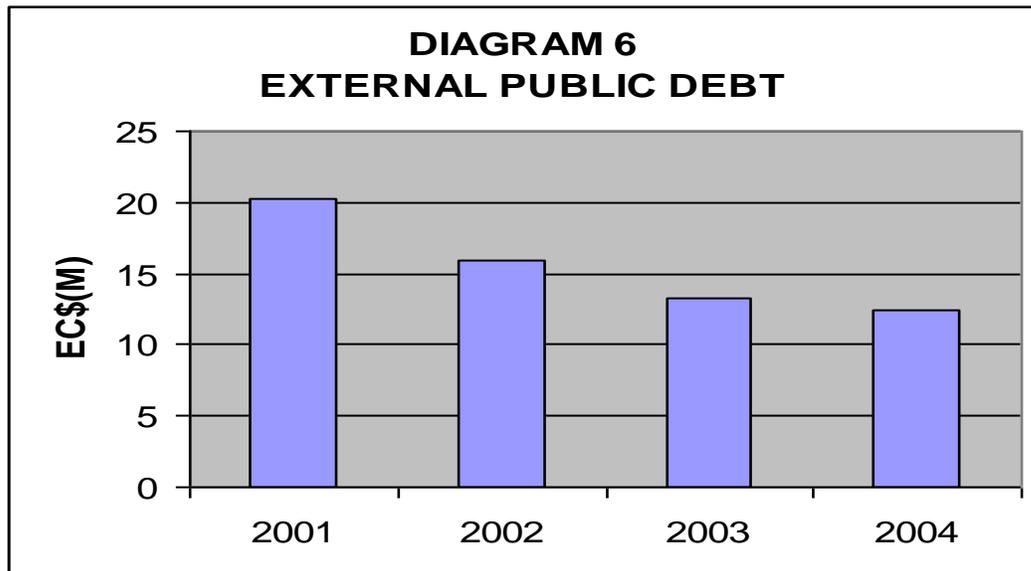
79. Public debt refers to the cumulative total of governmental financial obligations. To this end, it is inclusive of amounts borrowed to finance its expenditures and outstanding payments for goods and services the government contracted for but has not yet paid. The Statement of Public Debt outlines the outstanding government Debt instruments (primarily external loans and domestic bonds). Other fiscal exposures such as contingent liabilities, government guaranteed loans, statutory non-contributory pension payments, and outstanding contributions to technical advisory agencies are not included in this Statement. Note however that contingent liability for the Government Savings Bank is detailed elsewhere in the accounts.

80. Total Public Debt amounted to EC\$35,258,405. This includes an outstanding payment to Social Security. Paragraph 84 below provides an explanation for this. Public Debt per capita² which represents what each

² The Montserrat Statistics Department 2004-population estimate was 4,681.

person is expected to contribute toward the repayment of the debt amounted to \$7,532.28 per person³.

81. External Public Debt stood at \$12,758,405 at the end of the year being reviewed. The graph below compares the movements in the external debt at the end of the years 2000 - 2004.



82. Principal repayments during the period amounted to \$531,102 being 1.65% of actual local recurrent revenue recorded for 2004. When compared against GDP⁴ (in current prices for the year)⁵ it represents 0.56%.

83. Domestic Debt in the form of Treasury Development Bonds totaled EC\$2.1M at the beginning of the year. EC\$1M of the Treasury Development Bonds were redeemed during the year, leaving an outstanding Domestic Debt of EC\$1.1M. The associated Sinking Fund, held at the Eastern Caribbean Central Bank (ECCB), was reduced to \$748,961.

84. As stated in paragraph 80 Public Debt includes a government's financial obligations including payment for goods and services outstanding at the end of the fiscal year. A review of the Social Security law highlighted

³ The debt per capita is being calculated on the entire population there being no reliable estimate of the working population. The figure might have been significantly increased if children and aged persons were omitted from the calculation.

⁴ GDP measures the income generated by the entire economy.

⁵ GDP 2004 measured \$94.57M. Source: Montserrat Statistics Unit

that GOM should have been making contributions toward the Scheme for established civil servants from its introduction in 1986. Thus, during the year, the Government agreed to meet retroactive contribution payments of \$21.4M to the Social Security Scheme. Total Domestic Debt at the end of the fiscal year amounted to EC\$22.5M.

85. Interest paid for External Debt totaled \$250,886 being 0.78% of total local recurrent revenue generated for the year. Interest paid on Domestic Debt totaled \$128,125 being interest on development bonds.

2.6.4 Statement of Loans Outstanding

86. Balance outstanding on this account was recorded as EC\$183,628 at the end of the fiscal year. The only movement on these loans was the write off of \$656,243 granted by the GOM.

87. These loans have been on the books for an extended period. No effort is being made to clear them. GOM should therefore determine the possibility for legal action to be taken or write them off.

2.7 Losses/Overpayments

88. Balance outstanding on the gratuity overpayment to a legislator remained at \$58,083. The Public Accounts Committee had recommended a form of remedial action however the option was never exercised.

89. Cash Receipts totaling \$2,390 was reported lost after two break-ins within the Lands and Survey Department. The primary reason for the loss was however given as negligence and failure to follow proper accounting procedures on behalf of the relevant cashiers.

CHAPTER 3

3.0 MINISTRIES AND DEPARTMENTS

3.1 ADMINISTRATION

3.1.1 Over Expenditure

90. Once again over-expenditure is being recorded on recurrent expenditure subheads managed by the Department of Administration. Line-items within the Governor's Office, Administration Headquarters and Prison's budget are recording excess expenditure. These are recorded in the Table below:

Vote	Head	Subhead	Description	Amount
02	020	210	Personal Emoluments	1,919
03	030	220	Travel Allowance	636
03	030	228	Supplies & Materials	406
03	031	210	Personal Emoluments	13,555

3.1.2 Capital Expenditure

91. Authorised capital expenditure for the fiscal year was \$937,800. Actual expenditure for the year amounted to \$215,779 being a 23% of allocation. One project estimated at \$600,000 was included in the estimates however it incurred no expenditure. It thus appears that the project was included before relevant funding was sourced.

3.1.3 Passport Custody and Issuance

92. Departmental control procedures require that passport application forms be checked by senior staff, in particular, by a Principal Assistant Secretary. The documented procedures, although they were adequate, were not always followed. For the fiscal year being reviewed no checks were performed for 28% of the sample of passport application checks conducted. This is in breach of departmental policy and provides an opportunity for passports to be issued to clients who do not meet the application criteria.

93. The system for processing passports has recently changed from a manual system to being computerized. Further checks will be conducted to ensure that built-in controls are not being bypassed.

3.1.4 Recruitment Process and Appointments

94. In general, adequate processes exist and were being followed. One significant weakness however was that no checks are being conducted to ensure that documents presented are authentic. This may lead to personnel not qualified or unsuited for a particular job being employed, under performance by unqualified personnel and salary over payments.

95. Management should ensure that procedures are included to ensure that documents presented are authentic.

3.1.5 Training

96. Some trainees are breaking the terms of their bond which require them to work in Montserrat during the bonded period or repay the scholarship funds. It does not appear that the Department is making any effort to enforce these clauses.

97. Legal action should be taken where there is contravention of the terms of the bond. This may include seeking redress from the guarantors.

3.2 POLICE

3.2.1 Police Canteen Operations

98. Sales. The operations did not allow for a Sales Account in which all sales are accounted for.

99. We recommend that a Sales Account be established to record all sales, that is, both Cash and Credit Sales.

100. Purchases. No account is maintained into which all purchases are recorded.

101. We recommend that a Purchases Account be established to record all Cash and Credit Purchases.

102. Financial Statements. The canteen operations are now wider than was envisioned by the Act in that it is now operating more like a "Bar and Grocery Shop. However, no financial statements are prepared.

103. *Given the increased scale of operations and to keep management abreast of the assets and legal obligations, we recommend that proper financial statements be prepared.*

104. Storage of canteen records. Storage conditions resulted in some sales books being damaged making it impossible for some cash/credit sales slips to be audited.

105. *It is the duty of every Accounting Officer to provide suitable storage facilities for accounting records. We therefore recommend that the conditions be reviewed and necessary action taken to prevent further incidence of records being damaged.*

106. Non-Separation of Duties. Except for the writing up of daily cash and credit sales slips, all other areas of accounting are the sole responsibility of one official. This is inclusive of ordering goods, signing LPO's, posting invoices to ledger accounts, preparing cheques, maintaining cash book, making bank deposits and preparing bank reconciliations. This is in breach of good internal control practices and poses a significant risk.

107. *It is recommended that some of the responsibilities be delegated to other persons. For example, there should be separation of duties between personnel maintaining the cash book and those preparing the bank reconciliations.*

3.3 BROADCASTING (RADIO MONTSERRAT)

3.3.1 Arrears of Revenue

108. Outstanding revenue at the end of the fiscal year \$21,063.72. 47.73% of this amount related to outstanding revenue for 2004.

3.3.2 Fees

109. Despite assurances that an official rate sheet would be submitted to the Office of the Auditor General none has been presented to date. As a result, some of the fees charged do not appear to have been correctly authorized or approved.

110. *We therefore reiterate that it is the Accounting Officer's responsibility to seek proper authorization and approval from legislative Council for a Schedule of Fees.*

3.4 DEVELOPMENT UNIT

3.4.1 Capital Expenditure

111. Authorised capital expenditure for the fiscal year amounted to \$10,480,400. Actual capital expenditure amounted to \$3,699,783 being 35.3% of projected expenditure.

3.4.2 Arrears of Revenue

112. Outstanding rents at year end amounted to \$101,593.44. Although legal action was sought to redress the situation, minimal repayment efforts were being made by the tenants.

113. The mounting arrears are presenting an over-optimistic view for future revenues and cash flows whereas probable collection seems to be diminishing. A policy decision should therefore be taken to determine the future housing and fee paying status of these tenants.

3.5 TREASURY

3.5.1 Arrears of Revenue

114. Outstanding revenue at the end of 2004 amounted to \$900,509. Of this amount, \$15,750 was recorded as outstanding for Trade Licences while \$884,759 was recorded under Emergency Fuel Supplies.

3.5.2 Reconciliations

115. Reconciliation of bank balances and other account statements is an effective control mechanism to ensure that public funds are spent and/or invested wisely. With regards to bank balances in the Public Accounts, these are often reconciled late and often left incomplete in that some of the necessary adjustments are not made. For example, there are items in the reconciliation that require adjustments to be effected but these remain outstanding for greater than a year. This indicates that this control mechanism is not as effective as it is intended to be.

3.5.3 Over-expenditure

116. The Accountant General is responsible for management of funds allocated for statutory expenditure under the Consolidated Fund. For the fiscal year being reviewed several subheads were overspent. These are as follows:

Vote	Head	Subhead	Description	Amount
01	001	292	Debt Servicing	501,139
01	003	292	Debt Servicing	263,371
01	005	218	Pension & Gratuities	536,634
01	006	270	Revenue Refunds	115,825

3.6 CUSTOMS AND EXCISE

3.6.1 Arrears of Revenue

117. Outstanding revenue at end 2004 amounted to EC\$46,800.

3.6.2 Over-Expenditure

118. Our examination revealed over expenditure on two (2) line-items being Subhead 210 - Personal Emoluments with \$2,529 and Subhead 246 - Printing and Binding by \$2,879.

3.6.3 Importation Warrants and Registers

119. There were some instances where sums recorded in the Day Book [Cash Book] could not be verified since the associated Importation Warrants were not supplied for audit.

3.6.4 Embarkation Tax

120. Some receipt books were not presented for audit hence we could not verify the revenue collected.

121. Cross checking amount received on the ticket stubs with amounts deposited revealed several occasions where monies were either short

deposited or overpaid. Most of this occurred at outposts and it appears that no monitoring of monies collected was done as sums collected were often held for more than three weeks before being deposited. Further, it appears that no subsequent checks were conducted when the monies were finally deposited with the Headquarters cashier.

122. To reduce the incidences of receipts books not presented for audit, late deposits and under/over payment of funds collected and to ensure that corrections are made in a timely manner we recommend that management identify persons to perform an internal audit function.

3.7 INLAND REVENUE DEPARTMENT

3.7.1 Arrears of Revenue

123. Income Tax Arrears amounted to EC\$18,685,370 made up as follows:

Personal Income Tax	\$15,042,089
Corporate Tax	\$ 3,643,281

124. Again, we found that ninety-one (91%) or \$3,643,281 of Corporate Tax Arrears was outstanding by companies who had arrears greater than \$50,000. These arrears are broken down as follows:

File Reference	Amount EC\$
CO-0001	53,803.20
CO-0045	373,274.10
CO-0047	114,235.96
CO-0058	242,258.90
CO-0071	72,000.00
CO-0128	75,690.00
CO-0148	85,467.40
CO-0164	270,603.92
CO-0165	193,600.25
CO-0182	119,225.28
CO-0207	65,202.70
CO-0216	60,003.62
CO-0236	312,444.25
CO-0249	158,804.10
CO-3	147,577.33

CO-0309	64,811.00
CO-0312	84,000.00
CO-0322	299,967.89
CO-0519	116,453.25
CO-73	410,862.54
Total	3,320,285.69

125. Property Tax Arrears amounted to \$1,727,577.

126. Large and seemingly uncollectible arrears distort the future cash flows. Therefore, management should redouble its efforts to reduce the arrears. This might include more aggressive efforts to collect outstanding sums and seeking further write offs for those that are considered to be uncollectible.

3.7.2 Over-expenditure

127. Excess expenditure was recorded on two (2) subheads. Subhead 210 - Personal Emoluments - was overspent by \$24,547 while subhead 228 - Supplies and Materials- had over-expenditures of \$367.

3.8 AGRICULTURE, LANDS, HOUSING AND THE ENVIRONMENT

3.8.1 Arrears of Revenue

128. Arrears of Revenue related to those outstanding for Government Housing Stock being managed by the Montserrat Land Development Authority. As at December 31, 2004 these arrears were valued at \$496,573.

3.8.2 Government Housing Stock

129. Despite forty-one (41) houses being divested at Davy Hill, Shinnland and Lookout uncollected rents increased by \$33,567 reflecting a 7.25% increase over arrears recorded for the previous year. Further analysis of the arrears revealed that the major areas of non-collection are LookOut 2 1-Bed Force 10 (26.53%), LookOut 2 2-Bed Force 10 (18.08%), Davy Hill (10.27%), CARICOM (8.81%), and LookOut Warden Support Apartments (11.1%).

130. Outstanding rental was made up as follows:-

Location	Amount Outstanding 2004 EC\$	Amount Outstanding 2003 EC\$	Variance
Davy Hill	50,995	59,200	-8,205
Davy Hill (E.U.)	11,929	9,030	2,899
Davy Hill (Governor)	800	200	600
Shinland	1,050	450	600
Shinland (Governor)	100	0	100
Friths	5,808	4,438	1,370
Hope (Lower)	1,050	850	200
Hope (Upper)	2,405	2655	-250
Manjack	6,301	5,376	925
Sweeney's	1,750	850	900
Look Out 1	12,998	9,748	3,250
Caricom	43,737	43,017	720
Caricom Village 1-Bed Apts	2,200	0	2,200
Drummonds	6,138	5,700	438
Cheap End	1,800	2,100	-300
Flemmings	5,080	4,880	200
Look Out 2 - 1 bed concrete	25,432	28,332	-2,900
Look Out 2 - 1 bed Force 10	131,738	112,861	18,877
Look Out 2 - 2 bed concrete	740	740	0
Look Out 2 - 2 bed Force 10	89,757	75,672	14,085
Look Out 2 - 3 bed concrete	21,810	41,910	-20,100
Look Out 2 - 3 bed Force 10	0	6,950	-6,950
Look Out Studio Apartments	17,810	10,422	7,388
Look Out Warden-Support Apartments	55,145	37,615	17,530
Total	496,573	462,996	33,577

131. The MLDA continued its efforts to get delinquent tenants to settle their arrears. These included renegotiating leases for tenants whose rents were current and to delinquent tenants who made satisfactory arrangements to settle their arrears. Arrears Notices were issued, some tenants were referred to the Community Services Department for rental assistance while the names of habitual employed non-payers were submitted to the LDA's attorney for collections and subsequent legal action.

3.8.3 Capital Expenditure

132. Authorized capital expenditure amounted to \$12,145,700. Actual expenditure amounted to \$3,989,303 being 32.9% of total authorized capital expenditure.

3.8.4 Over-Expenditure

133. Head 300, Agriculture Headquarters, Subhead 212 - Wages recorded over expenditure of \$122.

3.8.5 Collection of revenue

134. There were instances where funds collected were not entered into the cashbook. Receipts were marked cancelled yet the original copy was not attached. Note that similar findings were recorded for the Lands and Survey Department, Physical Planning Unit and MALHE Headquarters. In all cases the sums involved were small, less than a \$100. However, the fact that these instances were never picked up and corrected indicates inadequate supervision and a general breakdown in internal controls.

135. The level of supervision needs to be increased to ensure that these matters are addressed in a timely manner.

3.9 COMMUNICATIONS AND WORKS

3.9.1 Over-Expenditure

136. Excess expenditure was recorded as outlined in the table below:

Vote	Head	Subhead	Description	Amount
35	350	210	Personal Emoluments	9,326
35	350	282	Resaleable Stock	55,659
35	351	232	Maintenance Services	16,181
35	351	278	Operation of Hot Mix Plant	336,695
35	352	277	Mechanical Spares	122,913
35	352	279	Operation of Plant & Workshop	439,874

137. Three (3) of the four departments under the Ministry overspent their authorized allocations leading to a total overspend of \$891,922 on Vote 35. This was the second successive year that the Ministry overspent its total allocation.

138. It is recognized that the operation of the \$10 Votes still poses a problem. However, the over-expenditure is extending to other accounting

areas. Management should therefore put a plan in place that would ensure more prudent fiscal management of its resources.

3.9.2 Arrears of Revenue

139. As at 31 December 2004, total Arrears of Revenue stood at EC\$96,200.00, made up as follows: -

	\$
Landing Fees	5,330
Navigational/Communication Charges	11,500
Concessions Rental	4,574
Plant Hire - Government Departments	60,282
- Statutory Bodies	14,514
TOTAL	96,200

3.9.3 Capital Expenditure

140. Authorised capital expenditure amounted to \$15,070,700. Actual expenditure totaled \$7,147,298 being 47.4% of total authorized expenditure.

141. The Ministry of Communications and Works also manages projects on behalf of other Ministries and Departments. For 2004, it was authorized to spend \$2,891,500. Of this amount \$1,823,041 was spent, being 63% of total authorized expenditure.

3.10 MINISTRY OF HEALTH

3.10.1 Arrears of Revenue

142. The write-offs granted by GOM have substantially reduced the arrears of revenue at the St John's Hospital. At the end of the fiscal year, arrears amounted to . This is broken down as follows:

<u>Year</u>	<u>Amount</u>
2002	6,489.50
2003	2,982.00
2004	<u>3,907.50</u>
Total	<u>13,379.00</u>

3.10.2 Over-expenditure

143. Once again, the Ministry of Health is recording over-expenditure on line-items. Excess expenditure of \$1,874 was recorded against Head 451, Sub-head 212 Wages and \$43 on Head 453, 265 Public Assistance.

3.10.3 Capital Expenditure

144. Authorized capital expenditure amounted to \$2,672,500. Actual spend was \$744,363 being 27.8% of authorized expenditure.

3.11 MINISTRY OF EDUCATION

3.11.1 Capital Expenditure

145. Authorised expenditure totaled \$563,900. Actual expenditure amounted to \$278,454 being 49.4% of authorized expenditure.

3.11.2 Over-Expenditure

146. Head 405, Subhead 210 - Personal Emoluments - was overspent by \$4,156.

3.12 CHIEF MINISTER'S OFFICE

3.12.1 Over-expenditure

147. Three (3) subheads under vote 15 were overspent. Although the amounts may not be significant by value they are reported here because they represent breaches to financial regulations and prudent fiscal management. The subheads are as follows:

Vote	Head	Subhead	Descriptions	Amount
15	150	262	Fees and Rewards	310
15	151	210	Personal Emoluments	390
15	152	280	Programme Production & Promotion	511

3.13 PUBLIC LIBRARY

3.13.1 Trust Fund Management

148. The Public Library operates a Trust Fund. Moneys generated are used to purchase supplies. During the fiscal year, a sum of \$7,103.49 was withdrawn from the fund. A single person was responsible for withdrawing funds and purchasing items. The sum withdrawn was spent however there is no supporting documentation - payments all made by cash - to show the types of items purchased or their value. No cash book was maintained and hence no bank reconciliations are prepared. A management control system seemed non-existent or it was ineffective.

149. It is therefore suggested that management develop an internal control system. This should include but is not limited to adequate segregation of duties, preparation of cash book, reconciliations for receipts and bank account(s), and more robust monitoring mechanisms.

CHAPTER 4

4.0 OTHER FINANCIAL AUDITS

4.1 Montserrat Water Authority (MWA)

150. We could not find any evidence that 2004 Financial Statements were completed and tabled in the Legislative Council.

4.2 Montserrat Land Development Authority (MLDA)

151. The 2001 - 2004 Financial Statements for MLDA's Government Housing Stock were tabled in the Legislative Council on 28 September 2006.

152. The 2004 Financial Statements for the corporate section of MLDA were tabled in the Legislative Council on 20 November 2007.

4.3 Social Security Fund

153. The 2004 Financial Statements were laid before the Legislative Council on 13 October 2005.

4.4 Montserrat Philatelic Bureau

154. The 2003-2004 Financial Statements were tabled in Legislative Council on 28 September 2006.

4.5 Montserrat Aviation Services Ltd (MASL)

155. The Manager informed that the audit of the Financial Statements for 2004 was completed. The accounts were presented to the Board of Directors for approval. However, there is no evidence to indicate that the accounts for 2003 and 2004 were ever tabled.

4.6 Montserrat Port Authority (MPA)

156. The Financial Statements for 2004 were laid in the Legislative Council on 16 March 2006.

4.7 Montserrat Electricity Services Limited (MONLEC)

157. We could not find any evidence that the accounts for 2003 - 2004 were tabled in the Legislative Council.

4.8 Montserrat Tourist Board (MTB)

158. The 2004 Financial Accounts were laid before the Legislative Council on 28 September 2006.

4.9 Montserrat Volcano Observatory (MVO)

159. 2002 Financial Statements were laid before the Legislative Council on 28 September 2006.

160. The 2003-2004 Financial Statements were submitted to the Office of the Auditor General for auditing. However, these accounts had several errors and were returned to the MVO for adjusting. We have made several requests (verbal and written) for the adjusted accounts but these have not been forthcoming.

4.10 Annual Government Accounts

161. The 2003 Auditor General's Report and Annual Accounts of the Government of Montserrat were tabled in the Legislative Council on 28 September 2006.

4.11 Montserrat Civil Service Association

162. The Accounts for 2002 - 2004 were audited and submitted to the Ministry of Finance for onward transmission to the Legislative Council.

4.12 Golden Years Foundation for Care of Elderly

163. The 2004 Financial Statements were laid before the Legislative Council on 16 August 2005.

4.13 Montserrat Financial Services Commission (MFSC)

164. Despite assurances that 2003 and 2004 Financial Statements were audited we could not find any evidence that they were laid in Legislative Council.

4.14 Citizen and Friends of Montserrat

165. The 2000 - 2002 Financial Statements were laid before the Legislative Council on 22 December 2005.

4.15 St Augustine Primary School

166. The 2001 - 2003 Financial Statements were laid before Legislative Council on 30 January 2007.

4.16 Montserrat Utilities Limited

167. This company was formed in 2001 to be used as the parent company for the Montserrat Electricity Services Limited and the Montserrat Water Authority. No Financial Statements have been produced to date.

CHAPTER 5

5.0 THE OFFICE OF THE AUDITOR GENERAL

5.1 Legislative mandate

168. The Audit's mandate detailed in the Audit Act 2001 makes me responsible for the audit of the Public Accounts, accounts of government Ministries/Departments, statutory agencies (except where their legislation provides for appointment of another auditor), and entities who are receiving or seeking grants from the public purse.

5.2 Mission

169. Our mission is "to promote 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 Council".

5.3 Auditing Standards

170. The Caribbean Organisation of Supreme Audit Institutions (CAROSAI) has formally adopted the International Organisation of Supreme Audit Institutions (INTOSAI) standards. Montserrat is a member of CAROSAI and hence follows the INTOSAI standards.

5.4 Reporting Criteria, Process and Practice

171. The main reporting criteria are the Audit Act and the Finance (Administration) Act. These mandate the Statements in the Public Accounts that are to be audited. We report on these. Additionally, we use our professional judgement to report on issues that should be made known to the Parliament and the public in the interest of accountability or which serve as useful learning points to the public sector. These include

- material non-compliance issues,
- actual or potential loss of public funds,
- significant breaches of or non-application of internal controls,
- whether value-for-money was obtained for monies spent, and
- whether services are being performed economically, efficiently and effectively.

172. A draft report or management letter is prepared which contains the findings arising from the audit and recommendations for improvement. This is discussed with senior management who is then asked to prepare and submit a written management response. Important matters are then selected from the draft report or management letter for inclusion in the Annual Audit Report.

5.5 Budget Outturn

173. The statement of operations for the Office of the Auditor General for fiscal year 2004 is outlined below.

EXPENDITURE			
Description	Authorized (EC\$)	Actual (EC\$)	Variance
Personal Emoluments	460,100	455,775	4,325
Travel Allowance	35,800	21,018	14,782
International Travel & Subsistence	25,000	16,883	8,117
Communication Expenses	10,700	8,670	2,030
Supplies & Materials	7,000	6,934	66
Maintenance Services	1,500	350	1,150
Training	10,000	7,548	2,452
Printing & Binding	1,000	996	4
Grants & Contributions	2,000	1,640	360
Fees & Rewards	10,000	4,024	5,976
Sundry Expenses	6,500	4,030	2,470
Total	569,600	527,868	41,732
REVENUE			
Audit Fees	3,000	14,000	11,000

Expenditure

174. Our budget for the year under Transport Allowance included monies for the addition of two (2) approved traveling officers. The authorization for this did not materialize until the later part of the year resulting in the under-spend of \$14,782. Additionally, our attendance at the INTOSAI Auditor General's Conference did not materialize hence the under-spend of \$8,117.

Revenue

175. The positive variance of \$11,000 resulted from a combination of increased completed audits and minimal price increases.

5.6 Outputs Report

176. For the financial year ending 31 December 2004, we audited:

- a) An aggregate of over \$122M in government revenues and expenditures.
- b) Twenty-two statements included in the Public Accounts. These audits focused on examinations of revenue and expenditure, and verification of assets and liabilities.
- c) Ten Ministries and Departments of Central Government with twenty-two accounting units.
- d) Four other financial statements.
- e) The pre-audit of pension and gratuity calculations. This activity included the audit of pension and gratuity calculations for mainstream Civil Servants, nurses, teachers, police and members of Parliament.

5.7 Outcomes Report

177. As part of our accountability regime, we have decided to measure the impact of our audits on improving managerial stewardship and increasing effectiveness and efficiency of audited entities. Our Outcomes Report is therefore based on the level of uptake of our recommendations.

LEVEL OF UPTAKE OF OUR FORMAL RECOMMENDATIONS (Annual Audits)	Number	%
Total number of recommendations (from sample of 22 entities)	91	100
Number of recommendations accepted	72	79
Number of recommendations rejected	0	0
Number noted or under consideration by management	2	2
Number where client has made no response	17	19

178. Our findings indicate that 79% of the recommendations we made in the management reports on the fiscal year 2004 were implemented. 2% were either noted or under active consideration by management. Although

there was no formal response⁶ for 19% of the recommendations, subsequent audits revealed that several of them were implemented.

5.8 Staffing

179. The Office of the Auditor General's personnel establishment comprises of 14 members of staff (12 auditors and two ancillary staff).

180. The following staff movements were recorded for 2004:

- We welcomed Mrs Anne Thomas who joined the department as Auditor effective 1 March.
- Miss Cecelia Corbette, Office Attendant, opted for early retirement effective 31 December. We wish her the very best in her future endeavours.

181. As expressed in the 2003 Annual Audit Report the Department's workload is constantly increasing and there is need for additional staff if the Department is to meet its mandate in an efficient and expeditious manner. At the end of 2004 the Department was still awaiting the additional staff.

5.9 Training

182. Continuous professional development is critical to ensuring increased professionalism of staff and an improved audit product. To that end management has utilized a combination of training strategies to ensure that staff acquires requisite knowledge and skills.

5.9.1 In-house training

183. Senior managers continue to share their knowledge and skills by giving direct guidance on tasks to be undertaken and using their mentoring and coaching skills.

184. During the financial year, eleven (11) members of staff benefited from the following in-house training seminars conducted by a Training Specialist of the St Lucian Office of the Auditor General:

⁶ The response rated was calculated on the basis of written managerial responses to the recommendations. Where no written responses were received the recommendation was counted as a no response.

- Working Paper Preparation
- Systems-based Auditing

185. Additionally, eleven (11) members of staff participated in a two-day workshop on Capital Project auditing facilitated by Paul Heppel, a former employee of the UK Audit Commission and consultant attached to the Anguilla Audit Office.

186. Staff members also enhanced their knowledge and skills by participating in several in-service training sessions/workshops conducted by the Labour Department and Training Division, Department of Administration. These include the following:

- Productivity seminars
- Occupational Health and Safety Seminars
- Customer Service
- Strategic Planning

5.9.2 Overseas training

187. The Auditor General participated in "Auditing in a Computerized Environment" and "Strengthening Public Finance Management" facilitated by CAROSAI and CAPFA respectively.

5.9.3 Distance learning

188. Staff members continue to utilize the University of the West Indies (UWI) distance learning programme to acquire managerial and accounting skills.

5.10 Advocacy

189. The Office of the Auditor General participated in a number of general civil service planning activities having determined that such participation would not impair its independence. Additionally, the OAG continued to assist departments in developing the knowledge and skills of officers participating in the financial management process.

190. The Auditor General participated in Regional Institutional Strengthening (RISC) meetings and the Accountants General/Budget

Directors/Auditor Generals meetings for the respective officials within the Eastern Caribbean Currency Union (ECCU).

ACKNOWLEDGEMENT AND APPRECIATION

The examination of public expenditure and revenue management could not have been completed without the assistance of various staff within the public sector. The Auditor General therefore wishes to express sincere thanks to the Treasury Department, all Accounting Officers and the staff of their Ministries/Departments, the staff of Statutory bodies and other organizations, for the co-operation and courtesies extended to the Auditor General's staff during the performance of the various audit assignments.

Appreciation is expressed to the Administration Department, its Training Division, IDI, CAROSAI and its member organizations, and other private sector auditors for their invaluable assistance toward the Department's institutional strengthening, succession planning and training initiatives.

Finally, I could not have completed these works without the assistance of my staff. I therefore wish to extend heartfelt gratitude and appreciation to all members of the Audit Staff, for their hard work, cooperation and assistance, in completing the various assignments.

Brades, Montserrat
28 July 2008

Florence A Lee, MSc, BSc, CPA
Auditor General

**GOVERNMENT OF MONTSERRAT
ANNUAL ACCOUNTS FOR FISCAL YEAR 2004**

AUDIT CERTIFICATE

I have examined the Annual Accounts prepared from the Consolidated Fund of the Government of Montserrat as at 31 December 2004, together with relevant subsidiary Statements, as required by Section 17 of the Finance (Administration) Act, #3 of 2001.

RESPONSIBILITIES

The Accountant General is responsible under Sections 5(1) and 17(1&2) of the Finance (Administration) Act 2001 for the preparation and presentation of the Financial Statements and the information contained therein. My responsibility under Section 8 of the Audit Act 2001 is to express an independent opinion on those statements based on my audit and to report my opinion to you.

SCOPE

My audit was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit also includes examination, on a test basis, of evidence supporting the amounts and other disclosures in the accounts, and the evaluation of accounting policies.

CONTRAVENTION OF THE FINANCE (ADMINISTRATION) ACT AND SCOPE LIMITATION

The accounts report recurrent expenditure in excess of appropriation on twenty-one subheads of the Consolidated Fund. In the absence of supplementary appropriation this excess expenditure is recorded in the Public Accounts without statutory authorization. Additionally, some of the revenue could not be verified as the supporting documentation was not presented for audit.

QUALIFIED OPINION

Except as otherwise stated in my Report dated 28 July 2008, attached hereto, and subject to the observations and comments contained therein, in my opinion, the Annual Accounts for the Fiscal Year 2004, presents fairly the financial operations of the Consolidated Fund of the Government of

Montserrat, and the sums expended have been applied for the purposes authorized by the Legislative Council.

FLORENCE A LEE, CPA, BSc, MSc
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL
MONTSERRAT, WEST INDIES
28 July 2008

APPENDICES

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APPENDIX 1
GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND
(with comparative figures for December 31, 2003)

ASSETS	2004	2003
CASH LOCAL	4,525,785	11,385,775
OPERATING ACCOUNT - ECCB	114,251	156,156
DEVELOPMENT CAPITAL FUND	12,323,420	(270,423)
CROWN AGENTS # 2 ACCOUNT	9,221,231	2,059,835
FISCAL RESERVE - A/C # 1 TRANCHE ECCB	3,315,305	3,068,883
FIXED DEPOSIT - BARCLAYS BANK	712,514	712,514
FIXED DEPOSIT - ST PATRICKS CREDIT UNION	246,880	246,880
FIXED DEPOSIT - BOM	2,856,716	1,400,000
INDUSTRIAL DEPOSIT - BANK OF MONTSERRAT	72,353	72,676
INVESTMENT MONTSERRAT MILLS	60,000	60,000
EQUITY BOM - # 2/SFR-OR-M	<u>1,996,200</u>	<u>1,996,200</u>
SUB TOTAL	35,444,655	20,888,497
 ADVANCES		
PERSONAL	458,491	549,978
IMPERSONAL	77,622	286,921
OUTSTANDING IMPREST	466,055	456,821
OTHER GOVERNMENTS & ADMINISTRATIONS	139,770	1,347,144
CDB STUDENT LOANS	1,062,739	1,103,294
SALARY CLEARING A/C	541	569
POSTMASTER CLEARANCE	(289,233)	(301,013)
GOVERNMENT SAVINGS BANK	0	0
DEVELOPMENT FUND RECEIVABLE	<u>(1,083,179)</u>	<u>(1,083,179)</u>
SUB TOTAL	<u>832,807</u>	<u>2,360,535</u>
TOTAL ASSETS	<u>36,277,462</u>	<u>23,249,033</u>

Government of Montserrat Annual Accounts for the year ended December 31, 2004

**GOVERNMENT OF MONTSERRAT
CONSOLIDATED REVENUE FUND**

**Statements of Assets and Liabilities as at December 31, 2004
(with comparative figures for December 31, 2003)**

LIABILITIES AND THE CONSOLIDATED FUND

	2004	2003
MISCELLANEOUS DEPOSITS	3,101,289	2,885,390
INSURANCE COMPANY DEPOSITS	712,514	712,514
INDUSTRIAL INVESTMENTS DEPOSITS	50,543	50,543
SPECIAL FUNDS	<u>583,927</u>	<u>569,015</u>
SUB - TOTAL	<u>4,448,273</u>	<u>4,217,463</u>

CONSOLIDATED FUND

BALANCE AT START OF YEAR (Recurrent)	19,031,570	11,729,508
REVENUE FOR THE YEAR	95,250,856	88,593,116
EXPENDITURE FOR THE YEAR	<u>90,440,557</u>	<u>79,849,821</u>
SURPLUS (Development)	4,810,299	8,743,295
REVENUE FOR THE YEAR	26,170,900	
EXPENDITURE FOR THE YEAR	<u>18,183,580</u>	
SURPLUS	7,987,320	
SUSPENSE	<u>36,277,462</u>	<u>253,311</u>
		20,726,114
TRANSFER OF LOCAL COSTS		2,340,744
PRIOR YEAR ADJUSTMENT		<u>646,200</u>
TOTALS	<u>36,277,462</u>	<u>23,249,033</u>

*Accountant General
Montserrat*

CONSOLIDATED REVENUE FUND – 2004

Annual Abstract of Receipts and Payments

	ESTIMATE	TOTAL AUTHORISED	ACTUAL REVENUE	SURPLUS (SHORT FALL)
CONSOLIDATED FUND REVENUE: -				
1A. TAX REVENUE				
Taxes on Income, Profits and Capital Gains	11,399,000	11,399,000	12,029,119	630,119
Taxes on Property	1,075,000	1,075,000	973,902	(101,098)
Taxes on Domestic Goods and Services	1,308,500	1,308,500	1,337,387	28,887
Licences	1,384,300	1,384,300	1,883,635	499,335
Taxes on International Trade & Transactions	13,473,200	13,473,200	13,435,446	(37,754)
<i>TOTAL TAX REVENUE</i>	<i>28,640,000</i>	<i>28,640,000</i>	<i>29,659,489</i>	<i>1,019,489</i>
1B - NON-TAX REVENUE				
Fee, Fines & Permits	774,900	774,900	884,771	109,871
Rents, Interest and Dividends	1,075,000	1,075,000	344,381	(730,619)
ECCB Profits	200,000	200,000	210,704	10,704
Reimbursements	60,000	60,000	15,394	(53,606)
Budgets and Grants	52,528,800	52,528,800	63,106,109	10,577,309
Other Revenue	475,100	475,100	1,030,008	554,908
<i>TOTAL NON-TAX REVENUE</i>	<i>55,122,800</i>	<i>55,122,800</i>	<i>65,591,367</i>	<i>10,468,567</i>
TOTAL REVENUE	83,762,800	83,762,800	95,250,856	11,488,056

*Ag Accountant General
MONTSERRAT*

Government of Montserrat Annual Accounts for the year ended December 31, 2004

CONSOLIDATED REVENUE FUND - 2004

Annual Abstract of Receipts and Payments

CONSOLIDATED FUND EXPENDITURE: -	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	(EXCESS) SAVINGS
01 CONSOLIDATED FUND SERV'S	8,299,600	8,439,600	9,375,587	(935,987)
02 GOVERNOR'S OFFICE	284,400	284,400	267,181	17,219
03 ADMINISTRATION	4,334,200	4,334,200	4,252,782	81,418
05 POLICE	4,331,900	4,431,900	4,390,994	40,906
06 EMERGENCY CENTRE	12,368,000	13,448,000	13,279,413	168,587
07 LEGAL	1,059,300	934,300	826,062	108,238
08 MAGISTRATES COURT	190,900	190,900	103,427	87,473
09 SUPREME COURT	758,300	758,300	709,679	48,621
10 LEGISLATURE	781,400	781,400	680,124	101,276
11 AUDIT	569,600	569,600	527,868	41,732
15 OFFICE OF THE CHIEF MINISTER	2,841,500	2,841,500	2,669,792	171,708
20 MINISTRY OF FINANCE	4,694,100	4,694,100	3,956,456	737,644
21 DEVELOPMENT UNIT	2,324,100	2,289,100	2,186,556	102,544
22 TREASURY	1,747,100	6,447,100	6,203,999	243,101
23 CUSTOMS & EXCISE	765,700	805,700	805,614	86
24 INLAND REVENUE	515,100	515,100	470,000	45,100
25 GENERAL POST OFFICE	386,400	386,400	368,138	18,262
30 MIN. OF AGRI., LANDS, HSG & ENVIR.	4,516,900	4,516,900	4,212,163	304,737
35 MIN. OF COMMS & WORKS	16,133,000	18,033,000	18,844,143	(811,143)
40 MIN. OF EDUCATION	5,306,200	5,246,200	5,040,513	205,687
45 MIN. OF HEALTH & COMM. SERVIC	11,555,100	11,555,100	11,270,066	285,034
TOTAL	83,762,800	91,502,800	90,440,557	1,062,243

Government of Montserrat Annual Accounts for year ended December 31, 2004

GOVERNMENT OF MONTSERRAT
DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2004
(with comparative figures for December 31, 2003)

<u>ASSETS</u>	2004	2003
BRITISH DEVELOPMENT AID		
CLAIMS OUTSTANDING (1)	0	704,075
DONOR AGENCIES		
EXPENDITURE OUTSTANDING (2)	2,440,065	2,411,555
GENERAL LEDGER		
DEVELOPMENT FUND	0	0
LOCAL FUNDS	2,253,474	
TOTAL ASSETS	<u>4,693,539</u>	<u>3,091,215</u>
<u>LIABILITIES</u>		
DEPOSITS WITHIN THE		
DEVELOPMENT FUND (3)	10,956,229	511,341
CONSOLIDATED FUND PAYABLE	-1,083,179	-1,888,294
DONOR AGENCIES EXPENDITURE PAYABLE	-331,074	694,610
OUTSTANDING FUNDS	0	0
CONSOLIDATED CAPITAL FUND	-12,835,756	3,941,165
ADD: REVENUE OVER		
EXPENDITURE	7,987,319	-805,115
TOTAL LIABILITIES	<u>4,693,539</u>	<u>3,091,215</u>

NOTES TO THE BALANCE SHEET

- (1) SUM OF THE BALANCES FOR BDD AND WISTS (STMENT 16)
(2) SUM OF ALL DEBIT BALANCES EXCEPT BDD AND WISTS.
(3) SUM OF THE CREDIT BALANCES EXCEPT BDD, WISTS & LOCAL PROJECTS.
(4) SEE DETAILS RE: STATEMENT 16.

Ag Accountant General
Montserrat

Government of Montserrat Annual Account for the year ended December 31, 2004

DEVELOPMENT EXPENDITURE - 2004
Annual Abstract of Receipts and Payments (Cont'd)

	ESTIMATE	TOTAL AUTHORISED	ACTUAL EXPENDITURE	EXCESS (SAVINGS)
01. COMMS & WORKS	14,620,700	15,070,700	7,147,298	7,923,402
02. COMMS & WORKS - O D'S	2,405,300	2,891,500	1,823,041	1,068,459
03. FINANCE & ECONOMICS	9,914,700	10,480,400	3,699,783	6,780,617
04. AGRI. , TRADE, LAND & HOUSING	11,976,700	12,145,700	3,989,303	8,156,397
05. HEALTH AND COMM.	2,186,300	2,672,500	744,363	1,928,137
06. MANPOWER & ADMINISTRATION	937,800	937,800	215,779	722,021
07. EDUCATION	563,900	563,900	278,454	285,446
08. POLICE	333,000	333,000	285,560	47,440
TOTALS	42,938,400	45,095,500	18,183,580	26,911,920

Acting Accountant General
MONTSERRAT

Government of Montserrat Annual Accounts for the year ended December 31, 2004

GOVERNMENT OF MONTSERRAT - CONSOLIDATED FUND NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

A. General

These are the specific principles, bases, conventions, rules and practices adopted by the Government of Montserrat in preparing and presenting public accounts. The accounting policies are based on the Finance (Administration) Act 2001- FMA - and comply with generally accepted accounting practices. The accounting policies have been applied consistently throughout the year.

B. Reporting currency

The reporting currency is the East Caribbean Dollar.

C. Reporting period

The reporting period for the Financial Statements is the financial year of the Government, which runs from 1 January to the next.

D. Basis of accounting

The financial statements comply with generally accepted accounting practices. The measurement base applied is historical cost. The cash basis of accounting has been used consistently during the year. Receipts are recorded when cash is received and payments are recorded when cash is paid.

E. Revenues

The Government of Montserrat maintains a Consolidated Fund into which all revenues and moneys raised or received for purposes of Government are paid (FMA S8). These accounts show the revenues collected and received in the year ended 31 December 2004. The revenues consist of tax collections, non tax collections, grants and loans as detailed in the accounts.

F. Expenditure

Expenditure for Government of Montserrat consists of the expenditure made out of the Consolidated Fund in regard to payments made in the year ended 31 December 2004.

G. Development Programme Account

The Government of Montserrat maintains a Development Programme Account as part of its Consolidated Fund in accordance with FMA S15 into which are paid moneys collected and received to meet its development expenditure.

H. Receivables

As these accounts are maintained on the cash basis of accounting, the Statement of Assets and Liabilities does not include moneys receivable by the Government of Montserrat as at 31 December 2004. However, the amounts that are receivable by Government that can be identified are shown in the schedules to these accounts. The receivables include arrears of revenues.

I. Liabilities

The Statement of Assets and Liabilities does not include moneys owed by the Government of Montserrat as at 31 December 2004. Those amounts owed by Government that can be determined have been reflected in schedules to the accounts.

J. Investments

Investments held by the Government of Montserrat include those investments held as at 31 December 2004. The investments which include fixed deposits are shown on the face of the Statement of Assets and Liabilities. However, in future years, in accordance with the cash basis of accounting such investments will only reflect those which are expected to be realized in near future.

K. Deposits

The Government of Montserrat holds deposits on behalf of various individuals and institutions. The funds in those deposits do not belong to the Government of Montserrat.

Notes to the accounts explain the make up or amounts shown in the accounts.

1. Cash Local represents the balance of the Consolidated Fund bank account.
2. Operating Account ECCB are the funds being held by ECCB for the Government of Montserrat.
3. Development Capital Fund represents the balance as at 31 December 2004 for the Development Programme Account bank account held at the Bank of Montserrat. The bank account forms part of the Consolidated Fund in compliance with the Finance (Administration) Act 2001.
4. Crown Agents 2 Account is the balance held by Crown Agents on behalf of the Government of Montserrat. The balance of \$9,221,231 includes GBP 1,325,000 held on a Call Account at Crown Agents in London.
5. Fiscal Reserve - A/C 1 Tranche East Caribbean Central Bank (ECCB) are the reserve funds held by ECCB for Government of Montserrat.
6. These represent shares held at the Bank of Montserrat. In future years in accordance with the cash basis of accounting the shares will not be shown amongst the assets in the Statement of Assets and Liabilities.
7. Personal Advances represent advances relating to government employees who are designated traveling officers for the purchase of motor vehicles and the insurance premium for the said vehicles, salary advances, medical advances and any other approved balances. These advances are currently being analyzed to identify those that are unlikely to be recovered and recommendation will be made for their write off.
8. Impersonal Advances are cash floats issued at the beginning of the year to departments with a revenue collection function, and travel advances to officers proceeding overseas on government business. All these advances should be retired immediately on return or before the end of the year whichever is earlier.
9. Outstanding Imprest consists of travel advances to staff and imprests to GOM Departments. A schedule of the breakdown of the imprests is attached to these accounts.

10. 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 is attached to these accounts to give the details of the advances.
11. CDB Student loans are outstanding balances on loans that were given to students as per line of credit received from the Caribbean Development Bank as shown in the schedule that is attached to these accounts. A schedule giving details of the loans is attached to these accounts. An analysis will be made in future to identify the loans that have been outstanding for a long time and may therefore not be collectible. Thereafter recommendation will be made to write off those loans that are not collectible.
12. Salary clearing account is a below the line account for salaries.
13. Postmaster Clearance Account is the Postmaster contra account held by GOM.
14. As in previous years the Balance Sheet of the Consolidated Fund includes an item called "Miscellaneous Deposits". This should represent money deposited by third parties with the Government of Montserrat and accordingly is shown as a liability of the Government. However, an analysis of these accounts showed that a number of them had debit balances apparently representing assets. A prima facie examination of these accounts could not establish the existence of the assets and it appears likely that these accounts represent expenditure incurred without proper legislative authority being in place. These accounts total \$ 2,990,233. Accordingly Government's liabilities and expenditure may have been understated by this amount.

Conversely, the prima facie examination revealed that other credit balances represented government revenues which should have been brought to account and credited to the Consolidated Fund. These accounts totalled \$ 6,833,704. Accordingly, Government's liabilities may have been overstated by this amount and its revenues understated.

Investigation into these accounts is ongoing and will be completed shortly. Appropriate recommendations will be made to regularise the situation and corrective accounting action will be taken in the 2007 fiscal year. A schedule showing the details of all Miscellaneous Deposits included in the Balance Sheet will be found at page and the accounts in question indicated therein.

15. The figure of 95,250,856 includes an amount of GBP 1,325,000 (equivalent of EC\$7,287,840) received as additional budget support from DfID but which was still held on a Call Account by Crown Agents in London at 31 December 2004.

APPENDIX 2

NO. 07 OF 2001

AUDIT ACT 2001

MONTserrat

(Preamble and Enactment Omitted)

Short title and commencement 1. This Act may be cited as the Audit Act 2001, and shall come into force on such day as the Governor-in-Council may by Order appoint.

PART I

PRELIMINARY

Interpretation 2. In this Act unless the context otherwise requires:-

"Auditor General" means the Auditor General of Montserrat appointed under section 3;

"Accountable Officer" means any officer, including an Accounting Officer, concerned in or responsible for the collection, receipt, custody, issue of payment of public moneys, stores, stamps, investments, securities or negotiable instruments whether the same are the property of the Government or on deposit with or entrusted to the Government or to any public officer in his official capacity either alone or jointly with any other public officer or any other person;

"Accountant General" means the Accountant General of Montserrat;

"Accounting Officer" means any public officer appointed under the provisions of this Act and charged with the duty of accounting for any service in respect of which moneys have been appropriated;

"Appropriation Act" means any Act to apply a sum out of Consolidated Fund to the service of a financial year, and includes a Supplementary Appropriation Act;

"Consolidated Fund" means the Consolidated Fund of Montserrat established by section 7 of The Finance (Administration) Act, 2001;

"Development Programme Account" means the development programme account referred to in section 15 of the Finance (Administration) Act, 2001;

"Financial Secretary" means the officer directly responsible to the Minister for the management of the Department of Finance;

"Financial Year" means the twelve months ending on the thirty-first day of December in any year;

"Government Company" for the purpose of this Act includes -

(a) Companies under the control and supervision of Government;

(b) Companies in which Government holds stock, shares or bonds; or

(c) Companies or institutions in which Government has a financial interest.

"Legislative Council" means the Legislative Council of Montserrat;

"Minister" means the member of Executive Council to whom has been assigned for the time being responsibility for matters relating to finance;

"Officer" means an employee of the Government including a public officer and a police officer;

"Public Accounts Committee" means the Standing Committee for the examination of the Public Accounts of Montserrat appointed by the Speaker of the Legislative Council in accordance with Legislative Council Standing Order No. 65;

"Public Body" for the purposes of this Act includes the Government, Government Ministries, Departments, Offices and Units;

"Public Moneys" includes -

- (a) all revenues or other moneys raised or received for the purpose of the Government; and
- (b) any other moneys or funds held, whether temporarily or otherwise, by any public officer in his official capacity, either alone or jointly with any other person, whether a public officer or not;
- (c) any other public property which come within the scope of this Act and those of Public Bodies, Statutory Bodies and Government Companies;

"Public Stores" means all chattels of whatsoever nature the property of, or in possession of, or under the control of the Government;

"Public Service" means the service of the Crown in a civil capacity in respect of Government;

"Receiver of Revenue" means the Accountant General or any officer designated by him for the purpose of receiving moneys, securities or other financial instruments collected by collectors of revenue;

"Speaker" means the Speaker of the Legislative Council and includes the Deputy Speaker;

"Statutory Body" for the purposes of this Act means any Corporation, Company, Board, Commission, Authority or other Body established by or under an Act to provide goods and services to the public; and which meets one or more of the following criteria -

- (a) all or part of its appropriations for operating purposes are provided from public funds; or
- (b) its operations may under the Act establishing the same, or under any Act relating thereto, impose or create a liability upon such public funds;

"Supplementary Appropriation Act" means any Act the purpose of which is the appropriation of moneys in supplementation of the appropriation already made by an Appropriation Act.

PART II THE AUDITOR GENERAL

Appointment of Auditor General

3. The Governor in his discretion with the prior approval of a Secretary of State shall appoint in writing an officer, to be styled the Auditor General, who shall not be capable while holding the office of Auditor General, of holding any other office of profit under the Crown.

Tenure of office

4. (1) The Auditor General shall be deemed to be an officer in the Public Service of the Crown and, save as is otherwise provided in section 5 and section 6 (1), the provisions of the law and regulations in force relating to the Public Service shall apply to him:

Provided that the terms and conditions of office applicable to the Auditor General upon his appointment shall not be made less favourable to him during the currency of his appointment.

(2) The Auditor General shall hold office during good behaviour, and may be removed only by the Governor with the prior approval of a Secretary of State; and in any such case a full statement of the circumstances shall at the first opportunity be made to the Legislative Council.

Vacancy in office of Auditor General

5. In the event of the office of Auditor General becoming vacant the Governor in his discretion, after consultation with the Public Service Commission, may appoint in writing a public officer to act as Auditor General pending the appointment of a

Auditor General in accordance with the provisions of section 3.

Acting
General

Auditor

6. (1) If, in the opinion of the Governor, the Auditor General is likely to be unable to exercise his powers or perform the duties of his office during any period by reason of absence or inability to act from illness or any other cause, the Governor in his discretion, after consultation with the Public Service Commission, may appoint in writing a public officer to act as Auditor General during such period.

(2) Every person appointed to act as Auditor General pursuant to the provisions of section 5 or subsection (1) of this section shall have and may exercise all the powers and authority and shall perform all the duties by this Act conferred and imposed upon the Auditor General.

(3) Notwithstanding the provisions of section 4 (1), every public officer appointed to act as Auditor General under the provisions of section 5 or of subsection (1) of this section shall, for the period for which such public officer acts as Auditor General, be paid an allowance at an annual rate equal to the difference between the annual salary of his substantive appointment in the Public Service and the annual salary granted to the Auditor General under section 7.

Salary and
Allowance of
Auditor General

7. (1) The annual salary and allowances of the Auditor General shall be at a rate not less than the average rate paid to Departmental Permanent Secretaries.

(2) The Legislative Council may by Resolution increase the salary payable under this section, and the person holding the office of Auditor General at the date on which such Resolution is passed shall as from the date or such other date as may be specified in the Resolution be entitled to the salary at the increased rate as if it had been duly granted to him under this section.

(3) The salary and allowances payable to the Auditor General by virtue of this section shall be charged on and issued out of the Consolidated Fund.

PART III
DUTIES AND POWERS OF AUDITOR GENERAL

Duties of
Auditor General

8. (1) The Auditor General shall inquire into, audit and report in an impartial manner on the accounts of Public Bodies, Statutory Bodies and Government Companies, and in his audit shall make such examination as he may deem necessary to satisfy himself whether -

- (a) accounts have been faithfully and properly maintained in accordance with generally accepted accounting standards, and that all reasonable precautions have been taken to safeguard the collection and custody of public moneys, and that these have been fully accounted for or paid, where so required by law, into the Consolidated Fund;
- (b) moneys which have been appropriated and disbursed have been applied to the purposes for which they were appropriated, and that expenditure has been made only as authorised;
- (c) moneys other than those which have been appropriated have been dealt with in accordance with proper authority;
- (d) all reasonable precautions have been taken to safeguard the receipt, custody, issue and proper use of cash, stamps, securities and public stores, and that the regulations, directions and instructions relating thereto have been duly observed;
- (e) sufficient relevant and reliable audit evidence is obtained to support the issue of a professional audit opinion on the financial statements of the organisations subject to audit;
- (f) expenditure is achieving value for money;

- (g) adequate regulations, directions or instructions exist for the guidance of Accounting Officers and Accountable Officers, and are complied with;
- (h) proper returns have been submitted by Accounting Officers in accordance with the Finance (Administration) Act 2001;
- (i) the accounts are in agreement with the books of accounts and returns.

(2) In the conduct of his duties the Auditor General shall comply with professional Auditing Standards to deliver a high quality audit service operating to best current practice.

Advisory Role
to Public
Accounts Committee

9. (1) The Auditor General shall act in an advisory capacity to the Public Accounts Committee in the execution of its duties and powers provided for in section 4 of Order No. 65 of the Standing Order of Montserrat Legislative Council (SRO 6 of 1972).

(2) In accordance with the provision of subsection (1) , the Auditor General shall -

- (a) advise the Chairman of the Public Accounts Committee on the matters selected for examination, and if requested to do so, explain the accounting principles involved to the whole Committee;
- (b) brief the Chairman of the Public Accounts Committee, and if requested, the whole Committee, on the items appearing in the Statements of Expenditure in Excess; and
- (c) brief the Committee on the Treasury minute and on progress made in implementing the Committee's previous recommendations.

(3) In performance of his advisory functions the

Auditor General shall not be subject to any directions or instructions given by the Committee.

Access to
information

10. (1) In the exercise of duties imposed upon him by this Act the Auditor General may upon request -

- (a) have access to all records, registers, books, documents, data, vouchers, cash, stamps, securities, stores or other Government property of any kind whatsoever in the possession of any public officer.
- (b) call upon any officer for any explanations and information which he may require in order to enable him to discharge his duties;
- (c) without the payment of any fee cause search to be made in and extracts taken from any public office;
- (d) authorize any person publicly carrying on the profession of accountant, auditor, or public officer, including members of his staff, to conduct on his behalf any inquiry, examination or audit, including surprise checks of cash and stores, and such person or officer shall report thereon to the Auditor General.

(2) If in the opinion of the Auditor General, a public officer, in response to a request made under subsection (1) denies access or fails to provide any or sufficient information or explanations, he may so advise the Government who shall thereupon direct the officer of the body or company to furnish the Auditor General with such information and explanations, and to give him access to those accounting records and documents which are in the opinion of the Auditor General, necessary for him to fulfill his duties and responsibilities.

Auditor General not
to be required to
undertake pre-

11. (1) The Auditor General shall not be required to undertake any examination of accounts partaking of the nature of a pre-audit which involves the acceptance by him of

audit or any duties incompatible with his office

responsibility which would preclude him from full criticism of any accounting transaction after each transaction has been duly recorded.

(2) The Auditor General shall not be required to undertake any duties outside those pertaining to his office if in his opinion such duties are incompatible with the responsibilities and duties of that office.

Requests by Government

12. The Auditor General may, if in his opinion such an assignment does not interfere with his primary responsibilities, whenever the Government so request, inquire into and report on any matter relating to the financial affairs of Montserrat or to public property, or to inquire into and report on any organisation that has received aid from the Government of Montserrat, or, in respect of which, aid from the Government of Montserrat is sought.

Advisory powers

13. The Auditor General may, if requested to do so by any entity whose accounts he audits render to that entity any technical advice or assistance that he is competent to render by virtue of his professional qualifications and experience.

Notification of irregularities to Financial Secretary and Attorney General

14. If at any time it appears to the Auditor General that substantial irregularities have occurred in the receipt, custody, issue or expenditure of public moneys or in the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other Government property, or in the accounting for the same, he shall immediately bring the matter to the notice of the Financial Secretary.

Auditor Officers not to be appointed to Boards

15. Neither the Auditor General nor any member of his staff may be appointed as Chairman or member of any Board of Survey, Tenders Board or Board of Enquiry, and he shall not be required to take part in any actual or apparent investigation into suspected losses, fraud or irregularities. However, subject to the provisions of section 11(2), he or any member of his staff may provide technical advice and services if requested to do so.

Legal advice

16. In the exercise of his duties imposed upon him in this Act

the Auditor General may lay before the Attorney General a case in writing as to any question regarding the interpretation of any Act or regulation concerning the powers of the Auditor General or the discharge of his duties, and the Attorney General shall give a written opinion upon the interpretation required.

Powers of Auditor General not subject to direction

17. In the exercise of his powers of audit of and reporting on accounts the Auditor General shall not be subject to the direction or control of any person or authority.

Staff resources

18 (1) The staff required to assist the Auditor General in the performance of his duties shall be composed of such qualified officers as the Governor may from time to time appoint.

(2) Anything which, under the authority of this Act, is directed to be done by the Auditor General, other than the certifying of and reporting on accounts, may be done by any officer of his staff so authorised by him.

Use of professional services

19. The Auditor General may within the total budget approved for his office in the annual Appropriation Act, contract for professional services at such remuneration and on such terms and conditions as approved by the Minister for Finance.

Accommodation to be made available for outside audits

20. If in order to carry out his duties more effectively, the Auditor General considers it necessary or desirable to station any person employed in or by his office in the premises occupied by any Government Ministry, Department, Office, or Unit, Public Body, Statutory Body, Government Company, or other organisation established by law for public purposes, the auditee shall make every effort to provide the necessary office accommodation for any person so stationed.

Sanctions for improper disclosure

21. Disciplinary action, as provided for in section 106 of General Orders and, in serious cases, legal action, may be instituted against the Auditor General or, any Auditor in his department, or any person engaged by him in accordance with

the provisions of section 10 (1)(d), for improperly disclosing information obtained during the course of an audit.

Other Auditor

22. (1) Notwithstanding section 8 (1), the Auditor General is not required to audit the books and accounts of a Statutory Body or Government Company for which another Auditor is appointed in accordance with the provisions of its constituting Act or of the Act that governs its operations, and may, in order to fulfill his auditing responsibilities, rely on the report of the duly appointed Auditor of the Statutory Body or Government Company.

(2) The Auditor of the books and accounts of a Statutory Body or Government Company, must provide to the Auditor General, a copy of -

(a) the annual financial statements;

(b) his report on these statements; and

(c) any other report he makes to the Board of Directors, the executive or the management of the Statutory Body or Government Company, as the case may be, on his findings and recommendations.

(3) The Auditor mentioned in subsections (1) and (2) shall make available on request to the Auditor General, the working papers, and other documents and reports in respect of his audit as well as any other information and explanation which the Auditor General may require in respect of that audit and its results.

(4) When the Auditor General is of the opinion that the information, explanation, documents and reports provided by the Auditor mentioned in subsections (1) and (2) are insufficient or that additional audit work should be carried out, he may conduct or cause to be conducted such additional audit or investigation as he considers necessary of the books, accounts and operations of the Statutory Body or Government Company.

Funding of the Audit

23. (1) The Auditor General shall annually prepare an

Office estimate of the sums that will be required to be provided by the Legislative Council for the payment of the salaries, allowances and expenses of his office during the next ensuing fiscal year.

(2) The Auditor General shall apprise the Governor in writing in the event that the amounts provided in the Annual Estimates to be submitted by the Ministry of Finance to the Legislative Council are, in his opinion, inadequate to enable him to fulfill the duties and responsibilities of his office.

Audit of office of Auditor General 24. The Auditor General shall prepare accounts in respect of work of his office during each financial year, and those accounts shall be audited by such Auditor appointed by the Minister of Finance after consultation with the Public Accounts Committee.

PART IV THE AUDIT AND EXAMINATION OF PUBLIC ACCOUNTS

Annual Accounts 25. Within a period of six months (or such longer period as the Legislative Council may by Resolution appoint) after the end of each financial year there shall be transmitted to the Auditor General by the Accountant General accounts showing fully the financial position of Montserrat at the end of the year, which shall include the statements listed in section 17 (2), and section 18 of the Finance (Administration) Act 2001. Any delay in submitting these statements to the Auditor General must be authorised by a Resolution of the Legislative Council.

Report on Annual Accounts and Special Reports 26 (1) On receipt of the accounts prescribed by section 25 the Auditor General shall cause them to be examined and audited and shall, within a period of nine months (or such longer period as the Legislative Council by Resolution may appoint) after the end of the financial year to which the accounts relate, certify each account, and shall within the aforesaid period prepare, sign and transmit to the Minister a report on the examination and audit of all such accounts, together with copies of the accounts, certified as aforesaid. In this certification of the accounts the Auditor General shall express his opinion as to whether they present fairly, information, in accordance with accounting policies of the

Government together with any reservation he may have.

(2) The Auditor General may at any time if it appears to him desirable transmit to the Minister a special report on any matter incidental to his powers and duties under this Act.

Minister to lay documents transmitted to him by Auditor General

27. (1) The Minister shall cause a copy of every document transmitted to him under the provisions of section 26 to be laid before the Legislative Council at its next meeting following the date on which such documents were received by him.

(2) If the Minister fails to lay any document before the Legislative Council as required by subsection (1) the Auditor General shall forthwith transmit a copy thereof to the Speaker to be by him presented to the Legislative Council.

Documents laid in accordance with section 27 to be dealt

28. Every document laid before the Legislative Council in accordance with the provisions of section 27 shall be dealt with in the manner prescribed by Legislative Council Standing Orders.

PART V

EXAMINATION AND AUDIT OF THE ACCOUNTS OF STATUTORY CORPORATIONS, BOARDS, COMMISSIONS AND BODIES.

Examination and audit of accounts of Statutory Corporations and similar bodies

29. As provided for in section 8 (1), but subject to the provisions of section 26 (1), the accounts of any Statutory Corporation, Board, Commission or Body shall be examined and audited by the Auditor General.

Duties and powers

30. In relation to such Statutory Corporation, Board, Body or Commission and its members, officers and employees, the same or similar duties powers and discretion as are conferred upon the Auditor General in regard to the audit of Government accounts apply.

Preparation of report

31. Subject to the provisions of the provisions of section 25, the Auditor General shall prepare a report on the examination and audit of the quasi-Government accounts for which he is appointed Auditor, and shall transmit such report to the

Minister under whose portfolio a particular entity lies for presentation to the Legislative Council.

Minister to obtain observations on report of Auditor General

32. (1) On receipt of any account and the report by the Auditor General, the Minister shall obtain the observations of the Statutory corporation, Board, Body or Commission concerned on any matter to which attention has been drawn by the Auditor General in such report, and such observations shall be presented to the Legislative Council with the said report.

(2) If the Minister fails within a reasonable time to present such account and report to the Legislative Council, the Auditor General shall transmit a copy of the account and report to the Speaker to be by him presented to the Legislative Council.

Audit Fees to be charged

33. Any Statutory Corporation and any Board, Body or Commission the accounts of which are audited by the Auditor General under the provisions of section 31 shall in respect of such audit pay such fee as may be determined by the Auditor General. Any such fee shall be paid into the Government Treasury as public money:

Provided that the Financial Secretary may, in any case in which it shall appear to him to be in the public interest that some lesser fee shall be paid, instruct the Auditor General to levy such lesser fee.

SPEAKER

Passed the Legislative Council this 12th day of October, 2001.

CLERK OF COUNCILS

APPENDIX 3
OFFICE OF THE AUDITOR GENERAL
ORGANISATION CHART (proposed)

