



REPORT OF THE DIRECTOR OF AUDIT

ON THE ACCOUNTS OF THE NEVIS ISLAND ADMINISTRATION



**FOR THE YEARS ENDED DECEMBER 31,
2007, 2008, 2009, 2010, 2011.**



**NATIONAL AUDIT OFFICE
ST. KITTS AND NEVIS**



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NATIONAL AUDIT OFFICE**

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Honourable Vance Amory
Premier and Minister of Finance
Administration Building
Charlestown
Nevis

Sir,

Pursuant to section 76 (4) of the Saint Christopher and Nevis Constitution Order 1983, I have the honour of submitting my report on the Accounts of the Administration for tabling in the Nevis Island Assembly.

This Audit Report is on the Accounts for the fiscal years ending December 31, 2007; 2008; 2009; 2010; and 2011.

Respectfully submitted,

Wesley Galloway
Director of Audit

November 09, 2015.

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1. EXECUTIVE SUMMARY

1.1 REPORTING MANDATE:

This Audit Report, on the accounts of the Nevis Island Administration, is submitted to the Minister of Finance to be laid before the Nevis Island Assembly as required by sections 76 (4) and 108 (2) of the Saint Christopher and Nevis Constitution Order 1983, and section 8 of the Audit Act No. 8 of 1990.

The legislation requires the Director of Audit to submit his report within a period of nine months after the close of each financial year. This report is in respect of audit work on the Accounts of the Administration covering the five-year period 2007 to 2011.

1.2 AUDIT MANDATE:

This Audit Report on the accounts of the Nevis Island Administration for each of the years ending December 31, 2007, 2008, 2009, 2010 and 2011 has been prepared pursuant to the obligation imposed by section 76 (2) of the Constitution Order and section 7 of the Audit Act, 1990.

Under section 76 (2) of the Constitution, as amended by section 108 (2) I am required to:

- (a) satisfy myself that all moneys that have been appropriated by the Legislature and disbursed, have been applied to the purposes to which they were so appropriated and that the expenditure conforms to the authority that governs it; and
- (b) at least once each year audit and report on the public accounts of the Administration, the accounts of all officers and authorities of the Administration and the accounts of the Clerk of the Assembly.

Additionally, in accordance with generally accepted public auditing standards, I must also satisfy myself that:

- all moneys other than those which have been appropriated, have been spent in accordance with proper authority and the guidelines stipulated.
- all reasonable precautions have been taken to safeguard the collection and custody of revenue and other monetary instruments, and that the laws and directions relating to them have been duly observed.
- all assets and liabilities disclosed in the financial statements exist and that they properly belong to the Administration and are stated at proper value.

The Constitution also facilitates the performance of these duties under section 76 (3) which mandates: "The Director of Audit and any officer authorized by him shall have access to all books, records, returns, reports and other documents that in his opinion relate to any of the accounts referred to in subsection (2)".

The professional independence of the Director of Audit is also guaranteed by subsection (7) which states: " ... the Director of Audit shall not be subject to the direction or control of any other person or authority."

1.3 REPORT HIGHLIGHTS:

This section provides a brief overview of the contents of this report. The section reference at the end of each highlight is to facilitate easy access to the detailed comments on the topic:

Chapter 2 : The Audit Office

- Budget. (2.1)

Chapter 3 : Overview of the Public Accounts

- Accounts of the NIA will soon be current. (3.1)
- Accounting definitions used. (3.2)
- The largest overall deficit recorded \$29.56 million. (3.3)
- The largest recurrent deficit is wiped out by capital surplus. (3.3)

Chapter 4 : Analysis of the Public Accounts

- Revenue collections exceed \$100 million for the first time in 2007 (4.1)
- The twelfth consecutive overall deficit from 1998 broken in 2010. (4.1)
- Expenditure generally kept tight and within budgeted levels. (4.1)
- Cash & bank balances decrease in addition to increase in overdraft. (4.1)
- Cash & bank balances show net decrease of over \$16.3 million. (4.1)
- Only 2 Revenue centres surpass targets. (4.2)
- Hotel Room tax continues decline to almost nothing. (4.2)
- Financial Services revenue performs well, but just short of budget.
- Five Program Heads incur excess and unauthorized spending
- Debt servicing shows slight reduction. (4.3)
- Debt Servicing consumes over 39.9% of recurrent revenues. (4.3)

- Budgeted figures for Office of the Opposition Leader removed in 2011
- Response rate to Audit observations still a concern. (4.3)
- Surplus trend for current 5 year period broken. (4.3)
- Capital account deficit of \$17.2 million causes largest overall deficit. (4.4)
- Accumulated Deficit approaches \$200 million. (4.5)
- Bank Overdraft reaches a high of over \$83.5 million in 2009. (4.5)
- Outstanding Advances to Public Officers still cause for concern. (4.6)
- Outstanding Public Debt now over \$399 million in 2011. (4.7)

2. THE AUDIT OFFICE

As this Audit Report is the first to the Nevis Island Assembly since 2008, I am obliged to bring to the fore, matters of significance that transpired during the reporting period.

In this regard and starting on still a sad note, despite it is several years later, I must place on record the gratitude at the National Audit level, for the sterling contribution rendered to the Civil Service and in particular the Nevis Audit Office, by Senior Audit Manager, Ms. Veronica Parris.

Indeed it would be recalled that Ms. Veronica Parris succumbed on August 12, 2009, after a brief period of illness. For her thirty-six (36) years of public service (18 of those years spent in the Nevis Audit Office), she was considered a model civil servant. She was a meticulous lady of strong character, dependable and trustworthy. Her dedication to her work was unmatched and envied by many. She was a person who was always willing to give sound positive advice, and for that reason, I am grateful to have known her and worked with her for the many years she served in the Nevis Audit Office.

In fact, her last work before retiring, due to the illness, was on drafting the Report on the 2007 Accounts. That report was finalised since September 2008, but was never produced for tabling in the Assembly due to other complications.

Ms. Eunalette Roberts also served the Office in the capacity of Secretary, from 1998 until she left to pursue studies in 2002. Having completed the Bachelor and Master degrees by 2008, Ms. Roberts requested further leave to do a second Masters. However, before a decision was made, she submitted a letter of resignation to take effect in January 2009. The PSC advised her services were terminated on the grounds of insufficient notice. Nevertheless we thank Ms. Roberts for her work and dedication to the Audit effort during her years spent here.

Our gratitude is also expressed to Mr. Rene Smithen for his stint of service at the Audit Office during the period January 2004 to January 2007. Mr. Smithen served as one of the Audit Managers during that time.

Finally, Ms. Terrel Claxton joined the staff in May 2009 as the Audit Assistant/ Secretary and still continues in that capacity.

2.1 BUDGET:

The Nevis Audit Office had an approved Budget of \$340,401 for the fiscal year 2011. This budgeted allocation was an increase of just \$5,211 or 1.5% over the 2010 allocation. The Office has two Programs with related Activities for funding. These Programs received allocations as follows: 1) Administration \$161,220 and 2) Audits \$179,181.

Actual total expenditure incurred during 2011 was \$280,988 thereby realizing savings of \$59,413 for the year.

In fact, for the entire five year period under review, the Nevis Audit Office contained its expenditure to well within the budgeted allocations. The Office had approved Budgets of \$340,401; \$335,190; \$462,878; \$327,070; and \$324,182; for the years 2011, 2010, 2009, 2008 and 2007 respectively, and as can be noted from the table below, the Actuals were within the parameters set. The unusual jump shown in the 2009 budgeted figure resulted from an increased allocation for Personal Emoluments in the Audits Program. This was in keeping with the decision to increase the staffing arrangements at the Office. However, those posts were never filled and the budget was reduced to the regular level in subsequent years.

The following schedule provides comparative data of the actual expenditure during the period under review:

	Actual 2011 \$	Actual 2010 \$	Actual 2009 \$	Actual 2008 \$	Actual 2007 \$
Administration:	137,950	91,983	100,028	129,874	108,603
Personal Emoluments	85,092	55,670	56,404	89,206	71,351
Other Charges	52,858	36,313	43,624	40,668	37,252
Audits:	143,038	147,161	123,224	103,262	75,993
Personal Emoluments	140,501	144,730	121,035	101,059	72,607
Other Charges	2,537	2,431	2,189	2,203	3,386
Total Expenditure	280,988	239,143	223,252	233,135	184,596

3. OVERVIEW OF THE PUBLIC ACCOUNTS

3.1 SUBMISSION OF ACCOUNTS:

The Accounts of the Nevis Island Administration for the year ended December 31, 2006 along with the Audit Report thereon, were forwarded to the Honourable Premier on April 28, 2008. Those Accounts and the Audit Report were tabled in the Assembly on December 09, 2008.

Since submitting that 2006 Report to the Premier, the Audit Office has received from the Treasurer, the accounts for the years 2007; 2008; 2009; 2010; and 2011. The following statements in respect of each of these years (2007 – 2011) were submitted for Audit examination:

1. Annual Abstract
2. Detailed Statement of Revenue
3. Detailed Statement of Expenditure
4. Statement of Assets and Liabilities
5. Statement of Advances
6. Statement of Deposits
7. Statement of Public Debt

The Audit Office is also aware that the Accounts of the years 2012 and 2013 are complete and ready for submission to the Audit Office. The Office awaits these documents and anticipates those for 2014 and 2015 will follow shortly in the new-year.

3.2 ACCOUNTING POLICIES USED:

The accounting policies and practices employed in the preparation of the Public Accounts are not documented in any procedural or policy manuals, and in most cases, are applied on a conventional basis. Additionally, the financial statements do not disclose these policies in Notes to the financial statements.

Full disclosure in the Notes to the Financial Statements is to enable the user to better understand and analyse the statements in their appropriate context. Unfortunately, there are no Notes found at the end of the Statement of Assets and Liabilities and as such the statements do not provide adequate information for the proper interpretation of the accounts.

The following are some of the more significant accounting policies Audit assumes are adopted by the Treasury in the preparation of the Public Accounts.

(a) Reporting Entity

The accounts presented relate to the operation of the Nevis Island Administration only. The accounts of statutory bodies operating on the island of Nevis are not included in these public accounts.

(b) Cash Basis of Accounting

The public accounts are prepared using the cash basis of accounting. Therefore, only those transactions that involve an exchange of cash are recognized in the accounts.

Consequently, revenues are not recorded until they are received and expenditures are only charged to the account when payment has been made.

(c) Classification of Financial Transactions

All revenue received that is not payable by law into a specific fund, must be paid into the Consolidated Fund. The Legislature provides the authority to make expenditures out of the Consolidated Fund by the passing of an Appropriation Act. These revenues and expenditures are reflected as budgetary or "above-the-line" transactions in the Annual Abstract.

All other transactions generally fall into the category of borrowing, lending or investing activities and result in financial claims on others or future obligations payable from the Consolidated Fund.

With the exception of loan proceeds, most of these transactions are recorded as "below-the-line" or non-budgetary transactions in the Annual Abstract and are disclosed on a net basis on the Statement of Assets and Liabilities.

Any funds realized through loans and other forms of credit are recorded as revenue when the related expenditure is made. The obligation for the future repayment of the loan is not recognized as a liability.

(d) Assets

The fixed assets of the Administration such as land, buildings, roads, vehicles and equipment are charged as budgetary expenditures at the time of acquisition or construction. Accordingly, while these are not reflected as assets on the Statement of Assets and Liabilities, this does not negate the fact that the Administration has substantial holdings of such physical assets.

(e) Liabilities

Liabilities represent financial obligations of the Administration to other parties. As a result of the Administration's accounting policies, certain financial obligations are not recorded as liabilities. For instance, most moneys raised through loans are usually recorded as revenue and consequently, the obligation to repay the loan is not recorded as a liability. However, the financial obligations of loan receipts are recorded in memorandum records and are disclosed in the Statement of Public Debt.

(f) Foreign Currency Transactions

The public accounts are expressed in Eastern Caribbean (EC \$) dollars. Transactions occurring in a foreign currency are translated to EC dollars at the prevailing exchange rate at the time of the transaction. However, sterling balances and sterling transactions executed by Crown Agents on behalf of the Administration are translated at a rate pre-established by the Treasury.

(g) Pensions and Gratuities

Pensions, Gratuities and other terminal benefits of Government employees are treated as expenditure and charged against the Consolidated Fund in the period in which payments are made. Estimated pension liabilities are not actuarially determined for disclosure in the public accounts.

3.3 PERFORMANCE SUMMARY:

It should be stated at the onset that as this Report covers a five year period, focus would be primarily on the most current year, 2011. The results of the remaining years will be provided and quoted for comparative purposes and to highlight trends.

The Accounts for each of the financial years ended December 31 disclose for the most part, overall deficit results with the exception of one year. From 2007 to 2009, overall deficits in the amounts of \$17.25m; \$19.27m; and \$29.56m respectively, were recorded. In 2010, a small surplus of \$1.04m was realized and then in 2011 the deficit was \$20.06m. These results give an accumulated deficit for the five-year period of \$85.10 million.

In the previous Audit Report for 2006, it was noted that the result then (\$19.57m) was the largest overall deficit on record, since 1983. This has now dropped to third place as the results for 2009 (\$29.56m) and for 2011 (\$20.06m) have taken over.

The overall results comprise the out-turns on both the Recurrent and Capital accounts. During the period under review, these results showed some very wide swings and at times seem to alternate the extent of the swings. It would be noted in the Abstracts (shown on pages 12 -16) the Recurrent results in 2007 and 2008 were relatively small deficits of \$1.63m and \$3.94m; whereas the Capital results were deficits of \$15.62m and \$15.33m respectively. In 2009 the recurrent deficit escalated to \$27.26m and the capital deficit was only \$2.30m.

For 2010, the results were an amazing and by far the largest recurrent account deficit and capital account surplus ever on record (since 1983). The recurrent deficit was a significant \$49.86 million. However, this was completely wiped out with the equally impressive capital surplus of \$50.90 million; thereby resulting in the modest surplus of \$1.04 million for the year.

The Annual Abstract Account, as prepared by the Treasurer, discloses Recurrent Revenue for 2011 at only **\$119,585,846** and Recurrent Expenditure at **\$136,052,429**. In fact, recurrent expenditure decreased by \$7.80 million (5.4%); whereas recurrent revenue increased by \$25.6 million (27.24%) over the 2010 levels.

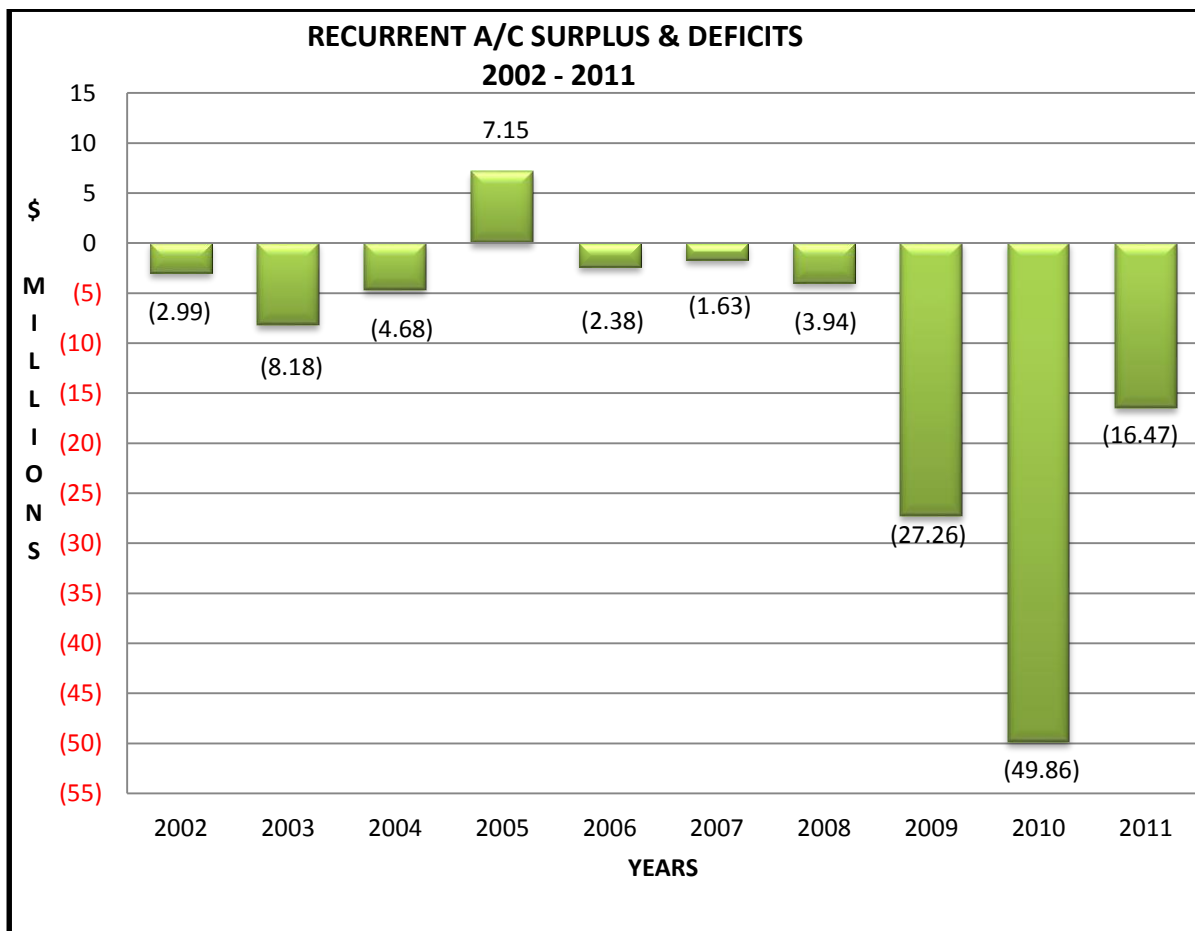
The actual recurrent revenue of \$119.59 million fell short of the budgeted level by \$16.93 million. However, the actual recurrent expenditure of \$136.05 million exceeded its budgeted level by just \$2.15 million.

There were as many as five (5) Program Heads that recorded expenditure in excess of their budgeted allocations on the 2011 recurrent account. These were the Premier's Ministry which recorded \$271,831 in excess of its \$4.5m budget; the Ministry of Finance, Statistics & Economic Planning which led the way with \$4.66m over its \$ 63.2m budget; the Ministry of Tourism recorded \$593,124 in excess of its \$2.27m allocation; the Ministry of Social Development, Youth, Sports etc. reached \$899,258 over its budgeted amount of \$4.88m; and finally the Ministry of Trade, Industry & Consumer Affairs found that it needed \$1.46m more than the \$7.15m that it was provided for the year. Hence the gross over spending was \$7.89 million

The other nine (9) Program Heads provided sufficient savings on their budgets to effectively reduce the impact of the excess spending by the others. Their savings amounted to \$5.73million, thereby reducing the level of over spending to the net amount stated (\$2.16 million).

On the revenue side, the Ministry of Finance and its Departments led the performance with their pool of revenue totalling \$103.44 million, although this was some \$15.76 million short of the projected revenue. In fact, only two Ministries passed their revenue targets in 2011. The Ministry of Health collected \$1.52 million which was slightly more than its \$1.48m target; and the Ministry of Trade, Industry & Consumer Affairs etc. had revenues of \$7.16m versus a budget of \$6.3 million.

The following graphs present the recurrent account results and the overall (recurrent + capital) annual results covering the period 2002 to 2011:

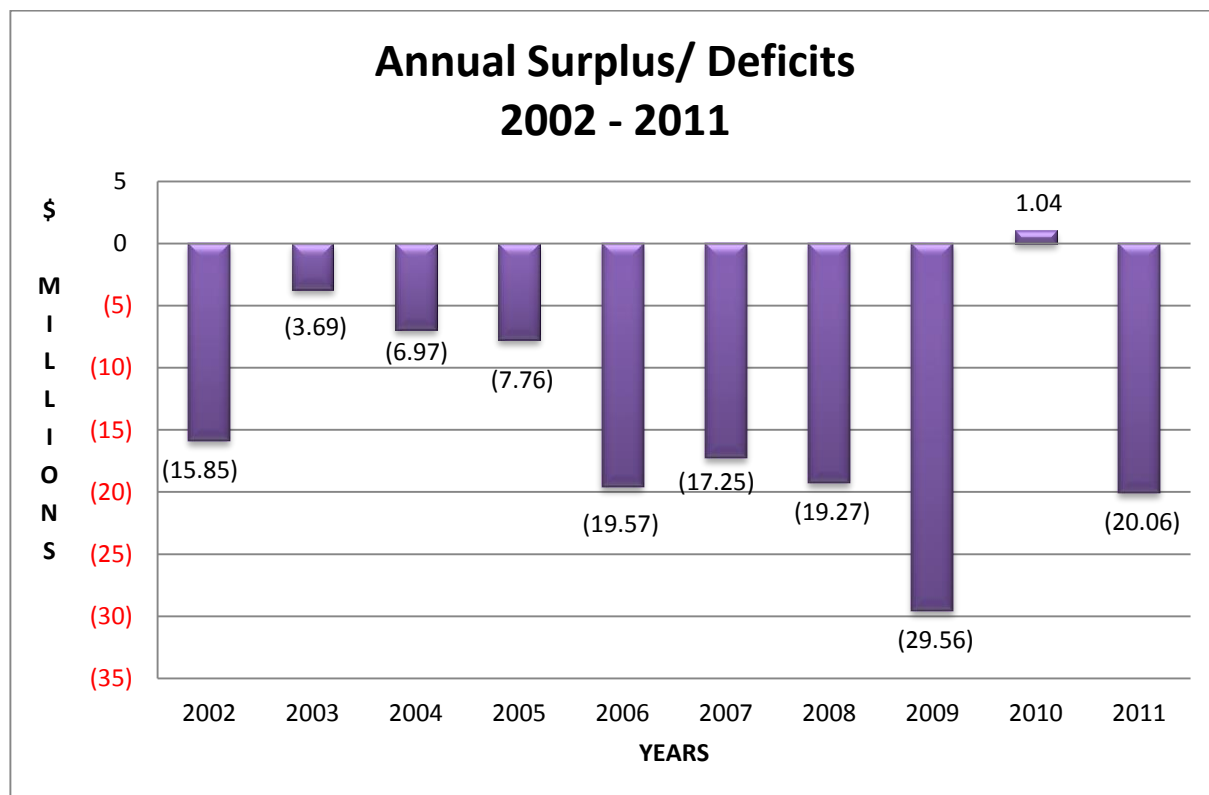


It is noteworthy that in each graph there is only one surplus recorded among nine deficits during the period. There is a recurrent account surplus in 2005 in the amount of \$7.15 million and then there is an overall surplus in 2010 of \$1.04 million.

Also of interest during the ten-year period, is that the Recurrent account results for the first five years (2002 -2006) only total a deficit of \$11.08 million; whereas for the second five year period, the one under review, (2007 -2011) the deficits total \$99.16 million. The Overall results for the same periods are deficits of \$53.84 m and \$85.10 million, respectively.

In fact, looking back at the results from Independence (1983) to 2006, the Recurrent account has a net deficit of just \$17.28 million, then the last five years add a further \$99.16 million. The Overall results show an accumulated deficit of \$110.08 million up to 2006 and by 2011, **it totals \$195.18 million** after a lengthy string of deficits dating back to 1998.

The overall annual results of a surplus and deficits (recurrent and capital accounts) during the period 2002 to 2011 are shown in the following graph:



4. ANALYSIS OF THE FINANCIAL STATEMENTS

4.1 THE ANNUAL ABSTRACT

The 2011 Budget anticipated a surplus would be realized on the recurrent account in the amount of \$2.61 million. This was based on Revenues of \$136.52m and an expenditure level of just \$133.90 million.

The actual Recurrent Revenue realized in 2011 was \$119,585,846 resulting in a shortfall from projections of \$16,931,154. It would be noted that the budgeted revenue was increased by \$35.07 million or 34.6% over the previous year. However the actual revenue reflects an increase of only \$25.6 million or 27.2% over the 2010 level of performance.

On the expenditure side, actual recurrent expenditure amounted to \$136,052,429 and reflected a reduction of \$7.8 million or 5.4% from the amount spent in 2010. Even though the level of spending was reduced from the previous year, it was still sufficient to exceed the budgeted amount by \$2.15 million

On the Capital account, revenue from all sources was estimated at \$23.8 million comprising Loans \$21.88 million and Development Aid \$1.92 million. Capital expenditure however was set at \$44.37 million. Hence a budgeted deficit on the capital account of \$20.57 million.

The actual capital revenue of \$34.72 was recorded as Loans revenue in the amount of \$34.66 million and Development Aid of \$55,961. The total capital expenditure amounted to \$38,314,391 or 86.3% of the budgeted level. Hence the result on the capital account was a deficit of \$3.59 million.

The following tables provide the summary of the budgetary transactions as extracted from the Annual Abstract of the Accounts for the five year period:

THE ABSTRACT (SUMMARY)

2011	ESTIMATED	ACTUAL	VARIANCE
	\$	\$	\$
RECURRENT ACCOUNT:			
Revenue	136,517,000	119,585,846	(16,931,154)
Expenditure	133,902,791	136,052,429	(2,149,638)
Surplus / (Deficit)	2,614,209	(16,466,583)	(19,080,792)
CAPITAL ACCOUNT:			
Loans: -			
Revenue	21,877,311	34,663,222	12,785,911
Expenditure	21,877,311	20,961,489	915,822
Surplus	0	13,701,733	13,701,733
Development Aid: -			
Revenue	1,919,600	55,961	(1,863,639)
Expenditure	1,919,600	0	1,919,600
Surplus	0	55,961	55,961
Capital Revenue: -			
Revenue	0	0	0
Expenditure	20,568,544	17,352,902	3,215,642
Deficit	(20,568,544)	(17,352,902)	3,215,642
Capital a/c (Deficit)	(20,568,544)	(3,595,208)	16,973,336
Total (Deficit)	(17,954,335)	(20,061,791)	(2,107,456)

Deficit brought forward	(175,116,105)
Deficit for the year (2011)	(20,061,791)
Accumulated Deficit c/fwd.	(195,177,896)

THE ABSTRACT (SUMMARY)

2010	ESTIMATED	ACTUAL	VARIANCE
	\$	\$	\$
RECURRENT ACCOUNT:			
Revenue	101,448,000	93,988,428	(7,459,573)
Expenditure	127,345,177	143,847,104	(16,501,928)
Surplus / (Deficit)	(25,897,177)	(49,858,676)	(23,961,501)
CAPITAL ACCOUNT:			
Loans: -			
Revenue	17,574,544	73,688,121	56,113,577
Expenditure	17,574,544	3,777,145	13,797,399
Surplus	0	69,910,976	69,910,976
Development Aid: -			
Revenue	1,817,272	787,426	(1,029,847)
Expenditure	1,817,272	651,331	1,165,941
Surplus	0	136,094	136,094
Capital Revenue: -			
Revenue	0	0	0
Expenditure	18,325,473	19,147,748	(822,275)
Deficit	(18,325,473)	(19,147,748)	(822,275)
Capital a/c (Deficit)	(18,325,473)	50,899,322	69,224,795
Total (Deficit) /Surplus	(44,222,650)	1,040,646	45,263,293

Deficit brought forward	(176,156,751)
Surplus for the year (2010)	1,040,646
Accumulated Deficit c/fwd.	(175,116,105)

THE ABSTRACT (SUMMARY)

2009	ESTIMATED	ACTUAL	VARIANCE
	\$	\$	\$
RECURRENT ACCOUNT:			
Revenue	121,273,000	90,065,869	(31,207,131)
Expenditure	117,686,954	117,327,499	359,455
Surplus / (Deficit)	3,586,046	(27,261,630)	(30,847,676)
CAPITAL ACCOUNT:			
Loans: -			
Revenue	19,000,000	17,984,418	(1,015,582)
Expenditure	19,000,000	7,955,274	11,044,726
Surplus	0	10,029,144	10,029,144
Development Aid: -			
Revenue	1,446,059	465,683	(980,376)
Expenditure	1,446,059	484,577	961,482
(Deficit)	0	(18,894)	(18,894)
Capital Revenue: -			
Revenue	0	0	0
Expenditure	15,250,000	12,304,385	2,945,615
(Deficit)	(15,250,000)	(12,304,385)	2,945,615
Capital a/c (Deficit)	(15,250,000)	(2,294,135)	12,955,865
Total (Deficit)	(11,663,954)	(29,555,765)	(17,891,811)

Deficit brought forward	(\$146,600,986)
Deficit for the year (2009)	(29,555,765)
Accumulated Deficit c/fwd.	(176,156,751)

THE ABSTRACT (SUMMARY)

2008	ESTIMATED	ACTUAL	VARIANCE
	\$	\$	\$
RECURRENT ACCOUNT:			
Revenue	115,350,000	112,073,984	(3,276,016)
Expenditure	105,982,622	116,012,184	(10,029,562)
Surplus / (Deficit)	9,367,378	(3,938,200)	(13,305,578)
CAPITAL ACCOUNT:			
Loans: -			
Revenue	36,433,800	6,608,460	(29,825,340)
Expenditure	36,433,800	12,040,153	24,393,647
Deficit	0	(5,431,693)	(5,431,693)
Development Aid: -			
Revenue	1,347,200	206,477	1,140,723
Expenditure	1,347,200	0	1,347,200
Surplus	0	206,477	206,477
Capital Revenue: -			
Revenue	0	0	0
Expenditure	22,405,000	10,106,017	12,298,983
Deficit	(22,405,000)	(10,106,017)	12,298,983
Capital a/c (Deficit)	(22,405,000)	(15,331,233)	7,073,767
Total (Deficit)	(13,037,622)	(19,269,433)	(6,231,811)

Deficit brought forward	(\$127,331,553)
Deficit for the year (2008)	(19,269,433)
Accumulated Deficit c/fwd.	(\$146,600,986)

THE ABSTRACT (SUMMARY)

2007	ESTIMATED	ACTUAL	VARIANCE
	\$	\$	\$
RECURRENT ACCOUNT:			
Revenue	104,507,860	104,925,833	417,973
Expenditure	95,284,547	106,560,538	(11,275,991)
Surplus / (Deficit)	9,223,313	(1,634,705)	(10,858,018)
CAPITAL ACCOUNT:			
Loans: -			
Revenue	48,433,800	26,143,540	(22,290,260)
Expenditure	48,433,800	28,799,890	19,633,910
Surplus /(Deficit)	0	(2,656,350)	(2,656,350)
Development Aid: -			
Revenue	1,531,835	0	1,531,835
Expenditure	1,531,835	21	(1,531,814)
Surplus/ (Deficit)	0	(21)	(21)
Capital Revenue: -			
Revenue	0	0	0
Expenditure	19,358,046	12,958,938	6,399,108
Deficit	(19,358,046)	(12,958,938)	6,399,108
Capital a/c (Deficit)	(19,358,046)	(15,615,310)	3,742,736
Total (Deficit)	(10,134,733)	(17,250,015)	(7,115,282)

Deficit brought forward	(\$110,081,539)
Deficit for the year(2007)	(17,250,014)
Accumulated Deficit c/fwd.	(\$127,331,553)

The surplus or deficit for each year is transferred to the Consolidated Revenue Fund. The balance in this account shows an accumulated deficit of \$195.17 million as at the end of 2011:

Deficit brought forward	(175,116,105)
Deficit for the year (2011)	(20,061,791)
Accumulated Deficit c/fwd.	(195,177,896)

The changes in the Accumulated Fund result only from the budgetary transactions of revenue and expenditure on both the recurrent and capital accounts. However, there are many non-budgetary transactions that involve cash flows and yet do not affect the annual deficit or surplus as recorded. The effects of such transactions are reflected in the movement of the cash and bank balances.

Despite the deficit of over \$20.06 million, there was further reduction in the Cash and Bank balances during the year of 2011. The cash position worsened by \$16.35 million, as shown in the following table:

	2011	2010	Increase <Decrease>
2011:			
Bank Overdraft	68,056,386	51,447,362	(16,609,024)
Cash Balances	1,366,972	1,110,313	256,659
Net Decrease in Balances			<u>(\$16,352,365)</u>

The non-budgetary transactions that gave rise to the net decrease in the cash position are summarized in the next schedule of cash flows for 2011:

2011:

Cash Inflows:	\$	\$
Increase in Trust Funds	1,485,616	
Increase in Deposits:-		
Social Services Levy	823,741	
Social Security	1,145,816	
Other	1,894,780	
Severance Payments	68,688	
Decrease in Deposits-Other	(1,303,980)	
Total Cash Inflows		4,114,661

Cash Outflows:		
Deficit for the year	20,061,791	
Increase in Advances: -		
Public Officers	405,235	
Decrease in Deposits:-		
Total Cash Outflows		(20,467,026)
Net Cash Outflows		<u>(\$16,352,365)</u>

4.2 STATEMENT OF REVENUE

Revenue collections on both the recurrent and capital accounts have not been up to the anticipated levels. The total budgeted revenue for 2011 of \$160.3 million resulted in a shortfall of \$6.0 million due to the fact that only \$154.3 million was collected. The revenue sources on the Recurrent account generated \$119.6 million; and on the capital account it was \$34.7 million.

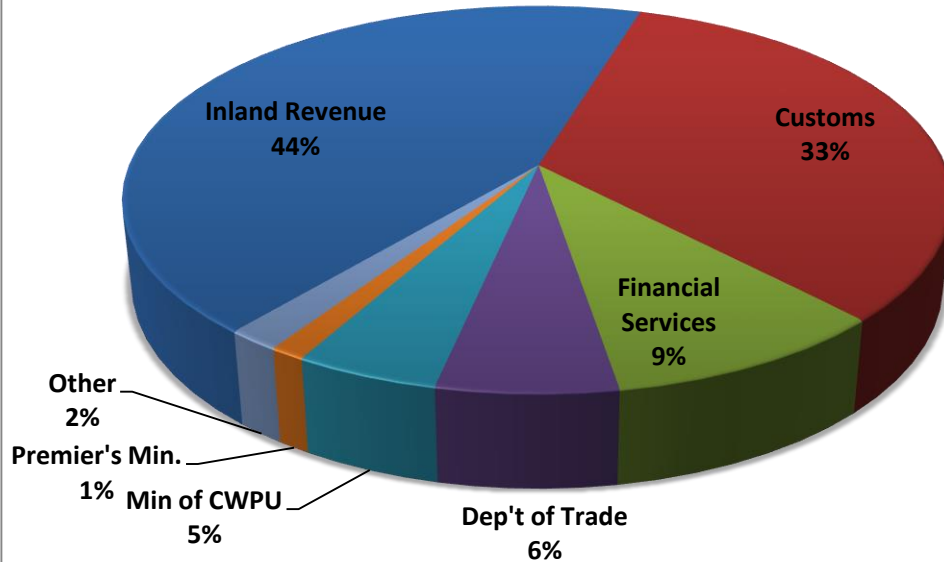
Amongst the seven (7) major revenue heads for which estimates are prepared, only two sources recorded revenue as being “over the estimate” during the 2011 fiscal year. These were the Ministry of Health and the Ministry of Trade, Industry etc.

A summary of the 2011 performance by the major Ministries is given in the following table:

	Estimate	Actual	Variance	
	\$	\$	\$	%
Legal Services	185,000	135,298	(49,702)	26.9
Premier’s Ministry	1,560,000	1,413,454	(146,546)	9.4
Ministry of Finance	119,023,000	103,437,391	(15,585,609)	13.1
Ministry of Public Utilities	7,031,000	5,729,550	(1,301,450)	18.5
Ministry of Agriculture, Lands	699,000	188,417	(510,583)	73.0
Ministry of Health	1,481,000	1,522,055	41,055	2.7
Min. of Trade, Industry, etc.	6,300,000	7,155,077	855,077	13.6

The following chart shows the proportion of contributions to the recurrent revenue by some of the major sources during 2011:

Major Revenue Programs, 2011



LEGAL SERVICES

The Legal Services has two programs where it was estimated that the Legal Department would generate \$145,000 and the Company Registry \$40,000. The actual collections totalled \$135,298 and were generated from: Registration of Companies \$21,750 and Unclassified revenue of \$113,298. It is noted that revenue from the Registration of Companies has decreased from the previous year moving from \$26,550 to \$21,750. The overall performance of the Legal Services showed a 29.6% or \$49,701 shortfall from estimated figures.

PREMIER'S MINISTRY

This Ministry has two major programs for revenue collections and as noted was one that did not meet its target, by \$146,546 or 9.4%.

The Administration program, which is responsible for Passports, Permits etc. and Work Permit ID fees, had a target of \$1.16 million and generated only \$1.07 million. This amount is to the credit of Passports, Permits etc. which realized \$1,058,226. Work Permit ID fees were \$17,875 and Sale of Forms \$885.

The Magistrate & Registrar's Program had a target of \$290,000 and its actual was \$253,102 recording a shortfall of \$27,898. Fines and Forfeitures for this year accounted for the majority of this program's revenue with \$252,532.

The Government Press and Public Relations program collected \$83,025 or 5.87% of total revenues for the Ministry.

MINISTRY OF FINANCE

There are five Programs for revenue collection under this Ministry. For the most recent year in the period under review over 87% of the budgeted revenue is allocated to the Departments within the Ministry of Finance. The actual collections of \$103.4 million represent over 86% of the recurrent revenue collected for the year.

The Value Added Tax (VAT) was introduced and implemented in St. Kitts and Nevis as of November 2010. This new tax was intended to replace primarily the Consumption tax and a number of other minor tax sources, previously referred to as "nuisance taxes". The general VAT rates were also intended to be close to revenue neutral. That is, no extra ordinary increase in revenue collections was anticipated from its introduction.

Customs:

It was estimated that Customs would realize \$39.9 million for the year 2011, where this estimate reflected an increase of \$5.94 million over the 2010 estimate. The actual collections of \$39.6 million compares favourably against the \$39.9 million budgeted since there was only a shortfall of \$310,327.

The actual amounts in respect of Consumption tax, Import Duties, Customs Service Charge, Environmental Levy, Excise Duty and Value Added Tax are summarized as follows:

	2011	2010	2009	2008	2007
Consumption tax	320,196	13,439,067	15,598,383	18,731,273	17,841,892
Import Duties	9,715,262	8,040,175	7,609,223	9,319,283	9,686,841
Customs Service Charge	6,970,547	6,558,744	5,645,356	6,795,377	6,373,683
Environmental Levy	496,241	545,659	648,350	983,300	1,179,132
Excise Duty	5,087,639	198,411	182,219	201,312	400,113
Value Added Tax	16,889,350	2,355,192	-	-	-

Over the five year period, Customs Service Charge has shown varying totals with an overall increase of \$596,864 or 9.36%. Actual collection for 2011 was \$6,970,547 that surpassed its targeted amount of \$6,579,000. This level of collection was also the highest amount over the five year period. Environmental levy has shown some unfavourable performances over the years as reflected in the decreases in its revenue every year since 2007. It has moved from \$1,174,132 in 2007 to just \$496,241 in 2011 reflecting an overall decrease of \$682,891 or 58.16%.

The newly introduced VAT is the major revenue collection for the Customs in 2011, amounting to \$16,889,349. This was over the estimate by \$249,349. For the last two months of the 2010 year when value added tax was implemented, it brought in \$2,355,192.

As previously mentioned, the introduction of VAT replaced the Consumption tax, among others. It would be noted in the table above that in 2010 the amounts collected from both sources (\$15.78m) closely approximates the \$15.59m collected as Consumption tax in 2009. Then in 2011, as the first full year of operating with VAT, it would be noted that collections have recovered to the 2007 and 2008 Consumption tax levels. However, it is too early to comment on the revenue neutrality of the VAT rate, given that it is a tax that is levied on a much wider base than those it replaced.

Import Duties amounted \$9,715,262 for the year 2011. Duties on Articles other than Alcoholic Liquors had a target of \$8.9 million and managed to realize \$9.6 million; Duties on Alcoholic Liquors amounted to \$106,938 which was short of its \$150,000 target. Customs Officers Fees only amounted to \$50,440 and not the \$80,000 that was anticipated.

Inland Revenue:

The Inland Revenue Department realized revenue amounting to \$52,126,469. This performance was unfavourable compared to the budgeted amount of \$66,534,000; with the shortfall being \$10.4 million.

Notable among the variations in performances against the budget were:

	Estimate 2011 \$	Actual 2011 \$	Variance \$
Stamp Duty – Property	7,505,000	10,521,912	3,016,912
Business & Occu. Licenses	550,000	390,782	-159,218
Social Services Levy	10,800,000	7,833,799	-2,966,201
Wheel Tax	2,500,000	2,018,414	-481,586
Hotel Rooms & Rest. Tax	-	838	838
Licenses – Drivers, Temp.	220,000	322,558	102,558
Licenses – Drivers, Perm.	400,000	322,496	-77,504
Income Tax	13,000,000	4,665,356	-8,334,644
House Tax	5,400,000	2,119,421	-3,280,579
Land Tax	-	41,584	41,584
Value Added Tax	18,140,000	18,624,272	484,272

Further recovery is noted in the Value Added Tax. The budget was \$18.14 million and surpassed it by \$484,272 for an overall total of \$18.62 million.

Similarly, Stamp Duty- Property collections continue to improve, where it exceeded its targeted amount of \$7,505,000 to collect \$10,521,912 resulting in an overage of \$3,016,912. It would be noted in the following table that this revenue source had a high point in 2008 when \$9.6 million was realized. However, in the following year, 2009, the revenue fell significantly to just \$5.87 million. Since then, a recovery has been noted over the past two years.

Income tax and House tax realized unfavourable variances as collections were less than 50% of their budgeted amounts. Actual revenues were \$4,665,356 for Income tax and \$2,119,421 for House tax. Again the trend line will show that there has been a consistent fall off Income tax revenues from 2008, moving from \$5.5 million down to \$4.6 million. On the other hand, House tax fell in 2010, but seems to have recovered in 2011 even though it was short of its target. It should be explained that revenues for House and Land Tax were combined in some years and separated in others. In 2007, they had a combined estimate of \$2.65m recorded as House Tax and as such no revenue was recorded for Land Tax in 2007 (as noted in the table following).

They were budgeted separately in 2008, but were again combined in 2009 and 2010 as Property Tax estimated at \$4.29million and \$3.05million respectively. The \$1,880 recorded as Land tax in 2009 and the \$167,412 recorded in 2010, seems to have been a few instances that escaped the combined net, as there was no separate estimated revenue for Land tax in those years.

A major indicator (for the Tourism Sector) has shown a downward spiral to virtually nothing. The Hotel Rooms & Restaurant Tax has fallen from a high in 2008 when it was \$10.8 million to a mere \$1.6 million in 2009, then in 2011 it is less than a thousand dollars. Of course these results from the revenue source reflect and

highlight the impact on government's revenue due to the prolonged closure of the Four Seasons.

Another interesting trend is noted in the Drivers Licenses for both the Temporary and Permanent drivers. Not only are the revenues trending downward from 2007, but the revenues from the Temporary visitors exceed that from the local "Permanent" drivers. In fact, the 2006 figures show the Temporary Licenses at \$419,000 and only \$290,000 for the Permanent. The Audit Officers did not complete a full review of this area, but it certainly merits further review and comments.

The five year summary of some taxes collected by the Inland Revenue Department:

	2011	2010	2009	2008	2007
Stamp Duty – Property	10,521,912	7,264,406	5,867,655	9,612,416	8,121,675
Business & Occu.	390,782	453,749	434,070	419,573	412,912
Licenses					
Social Services Levy	7,833,799	6,226,233	7,758,178	9,301,731	7,571,336
Wheel Tax	2,018,414	2,108,476	2,196,187	2,273,416	2,101,491
Hotel Rooms & Rest. Tax	838	1,564,185	1,631,514	9,933,729	10,810,088
Licenses – Drivers, Temp.	322,558	317,765	360,401	420,462	432,905
Licenses – Drivers, Perm.	322,496	317,284	290,156	328,459	301,276
Income Tax	4,665,356	4,698,654	5,008,729	5,549,430	3,473,207
House Tax	2,119,421	1,628,165	1,960,668	1,725,857	1,772,853
Land Tax	41,584	167,412	1,880	71,748	-
Travel Tax	352,994	437,836	329,032	460,989	415,030
Traders Tax	486,331	294,626	405,068	419,419	416,001
Value Added Tax	18,624,272	720,102	-	-	-

Financial Services:

This area of revenue collections continues to perform well. The actual collection of \$11.42 million against a target of \$12.30 million is fairly well when compared to previous year of \$11.22 million in actual revenue.

Revenue from the Registration of Offshore Companies has fallen short of the \$950,000 target as collections amounted to \$908,726. Annual Fees amounted to \$7.09 million and was still short of the revised budget of \$8 million. Also falling short of budget, were Registration Fees – Mutual Funds with only \$1,350 collected against its budgeted \$50,000. However, Captive Insurance Companies realised \$604,206 versus its \$250,000 target thereby recording an excess of \$324,206. Registration of Trust (Nevis) contributed \$91,476 although there was no budgeted figure for the year.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry had an estimate of \$7.031 million and its actual collections were \$5,729,550 with a shortfall of \$1,301,450. This Ministry has five revenue programs with two major sources, namely the Water department and the Post Office.

Water Department:

The targeted amount set for the Water program was \$6,127,000 where Water Rates were to generate \$6 million and Repairs and Connections the remaining \$127,000.

These targets were not attained as only \$5.07 million was realized. Water rates amounted for \$4,996,154, and Repairs and Connections amounted to just \$81,209. Total collections for the Water Department in 2010, 2009, 2008 and 2007 were \$4,604,422; \$5,236,634; \$4,315,945; and \$4,199,167 respectively. The five year period under review showed consistent improvement in revenues up to 2009. However, in 2010 there was a shortfall of \$915,977 from the targeted figure of \$5.2 million.

Post Office:

Revenue collection from the Post Office was targeted at \$442,000. Comprising this total were: Rent on private P.O. boxes \$50,000; Sale of Postage Stamps \$350,000; Express Mail Service \$38,000; and Unclassified \$4,000.

The actual revenue for 2011 amounted to \$329,983, resulting in a shortfall of \$112,017 from expectations. Sale of Postage Stamps amounted to \$247,747 and EMS \$21,686. Rent on Private P.O. boxes realized \$56,100 which is \$6,100 more than estimated and perhaps explained by more individuals making use of this service.

MINISTRY OF HEALTH, GENDER AND SOCIAL AFFAIRS

As noted earlier, this is one of the seven Ministries that surpassed its target for the year, 2011. The targeted revenue was \$1,481,000 and the Ministry generated actual revenue of \$1,522,055 which was \$41,055 or 2.8% over the budget.

This Ministry's major collections come from the Medical University fees, Hospital fees and Unclassified. Medical University fees were estimated for \$0.72 million and collection was \$744,295 for the year. At the Alexandra Hospital they attained \$682,519 compared to the targeted figure of \$650,000. As a result, these Activities that met and surpassed their targets contributed to the overall increase in revenue for the Ministry.

Comparison of Years:

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Legal Services	135,298	167,212	178,489	115,904	260,055
Premier's Ministry	1,413,454	1,417,522	1,872,821	1,641,122	1,527,490
Ministry of Finance	103,437,391	79,245,371	74,440,264	98,813,303	93,196,063
Ministry of Public Utilities	5,729,550	5,320,983	5,958,941	5,357,747	4,918,538
Ministry of Agriculture, Lands	118,417	371,370	279,851	300,999	205,705
Ministry of Health	1,522,055	1,424,178	1,400,386	1,494,268	1,548,857
Min. of Trade, Industry..	7,155,077	5,994,008	5,789,501	4,202,262	3,128,095

Over the five year period being examined, the Ministry of Agriculture showed a major decrease in revenue for the year 2011. This was a result of the renovation of the Charlestown Public Market that started in December, 2010 throughout the entire year of 2011. During the renovation, there were hardly any rental fees being charged to vendors, resulting in the Ministry only collecting \$5,000 and in so doing did not meet its target of \$30,000 for the year.

Another revenue generating source is the production of cotton. Cotton is exported on a large scale and for the year 2011, the production of cotton did not generate a sufficiently large enough amount to be exported and as a result no revenue was collected for the year. However, the cotton was stored for shipment at a later date.

The Premier's Ministry had its peak revenue in the year 2009 and generated \$1,872,821 million. The revenue from the sale of Passports, Permits etc. provided the major increase compared to previous years. The move to using the CARICOM Passport mandated that all previously held passports be changed before the end of 2009; and that resulted in the level of revenue collected. In fact, Passports and travel Permits realized \$1.49 million of the total \$1.87 million collected by the Ministry.

Under the Ministry of Trade, the Supply Office collected \$1.16 million in 2011 which was greater than in previous years. This success was aided by the improvement in the department's inventory system, where increased stocks were made more readily available to the public and the department welcomed new buyers from the sister island, St. Kitts.

The introduction of the Value Added Tax has generated a fair amount of revenue for the Ministry of Finance, resulting in that significant increase from 2010 to 2011. However, 2009 was the year when revenue collections were down across almost all areas of activity.

4.3 STATEMENT OF EXPENDITURE

The Nevis Island Assembly passed the 2006 Appropriation Act, which authorized Recurrent Expenditure of \$133,902,791 on fourteen (14) Program Heads and Capital Expenditure of \$44,365,455 for ten (10) of the usual fourteen Programs.

Generally, expenditure by the majority of Heads during the year was kept well within the budgeted amounts, particularly on the recurrent account. The gross over-expenditure on five (5) Program Heads amounted to \$7,882,872 and this was reduced as a result of savings of \$5,733,233 on the other nine (9) Heads.

The following tables show the savings and excesses in both dollar amount and as a percentage of the budget allocation.

PROGRAM	Actual	Savings	
	\$	\$	%
Legislature	482,251	196,447	28.9
Ministry of Communications, Works, etc.	8,615,251	1,091,018	11.2
Ministry of Agriculture, Lands, Housing, etc.	4,335,660	613,069	12.4
Ministry of Health	12,690,820	2,210,169	14.8
Ministry of Education & Library Services	16,604,515	577,757	3.4
Human Resources	2,150,945	740,372	25.6

PROGRAM	Actual	Excess	
	\$	\$	%
Ministry of Finance, Stats., & Econ. Planning	67,847,646	4,661,022	7.38
Premier's Ministry	4,766,920	271,831	6.04
Ministry of Tourism	2,860,116	593,124	26.1
Ministry of Social Dev'tment, Youth, Sports & Community Dev'tment	5,780,639	899,258	18.4
Ministry of Trade, Industry & Consumer Affrs.	8,607,223	1,457,637	20.4

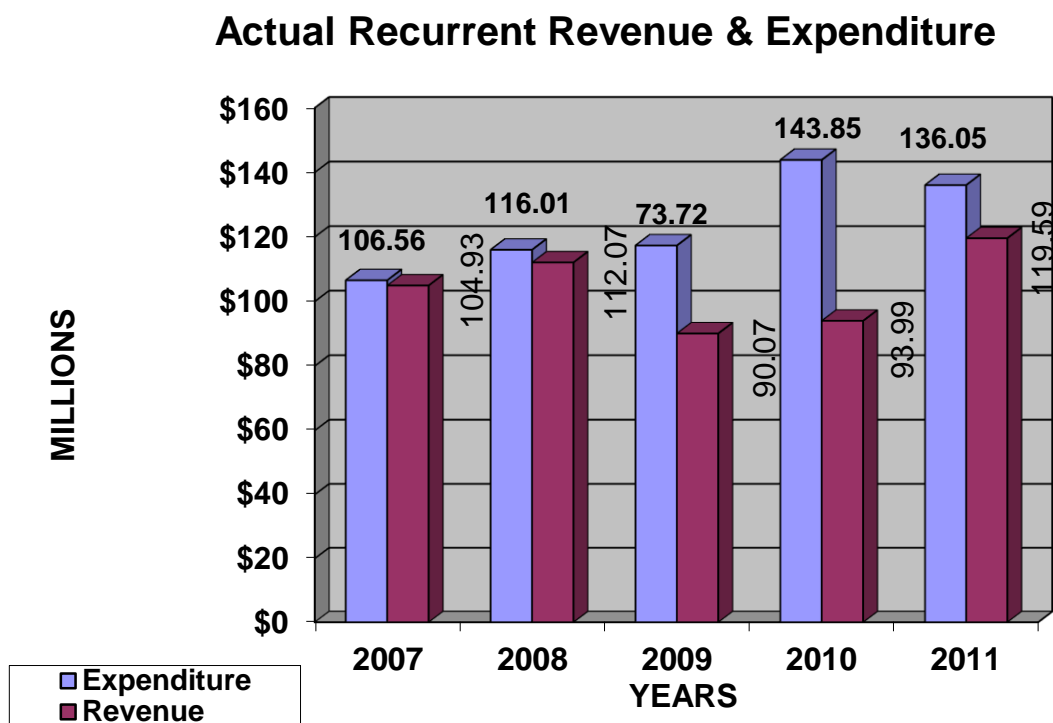
As noted from the chart on page 11, the results in the past three years (2009 – 2011) have been amongst the highest recurrent account deficits. However in the earlier years the expenditure did not out-strip the revenue to such a large extent. The deficits were much smaller. This perhaps suggests as well that there was more fiscal discipline in the implementation and monitoring of the budget during the year.

In reviewing the historical data on the recurrent account, it was noted that during the period 1983 to 1990 all deficits were incurred with the largest amount of \$3.7 million in 1984. Then, during the period 1991 to 1999 there were all surpluses with the largest amount of \$5.71 million in 1997. The five-year period 2000 to 2004 had all deficits and the largest was in 2000 in the amount of \$9.74 million.

In the 2006 Report the following comment was made:

The recurrent account surplus in 2005, of \$7.15 million is in fact the largest surplus on record since 1983. The result this year (2006) of a small deficit has broken the trend of what should have been surpluses for the period 2005 to 2009. Of course it would be of interest to note what results the next three years produce.

Indeed we now know that the recurrent deficit trend continued right through to 2011, with the increase in expenditure out pacing that for revenue. The following graph highlights this trend.



DEPUTY GOVERNOR GENERAL

The Allocation to the Office of the Deputy Governor General for 2011 was \$351,802. A total of \$302,889 was spent, thereby realizing a saving of \$48,912.

There was over expenditure on just one item, – Operating and Maintenance cost was over its budget in the amount of \$200. Spending in the other areas was well within budgeted amounts and resulted in savings as stated for the full allocation.

LEGISLATURE

The budget set for this program was \$678,698 and Actual Expenditure amounted to \$482,251 thereby recording significant savings of \$196,447.

There were over- expenditure on two object codes, Office and General Expenses in the amount of \$1,626 and Grants and Contributions \$21,542. However, savings in the other areas resulted in the net savings stated.

The observation must be made that there was a second Program that was budgeted under Legislature in the name of "Office of the Opposition Leader". The following budgeted allocations were made during the period:

YEAR	BUDGET \$	EXPENDITURE \$
2007	56,500	-
2008	57,000	-
2009	54,000	-
2010	31,050	-
2011	Removed	

The last time any money was spent from this Program, was in 2006 when a paltry \$600 was incurred from the budget of \$56,500. The \$600 was charged to Office and General Expenses. Absolutely no spending has taken place during the period 2007 to 2010, despite the provisions to do so. Perhaps the removal in 2011 is justified.

LEGAL

A Total of \$922,642 was allocated between the Two Expenditure Programs for the Legal Department namely Administration and Company Registry which received \$842,642 and \$80,000 respectively.

A total of \$726,566 was spent resulting in a savings of \$196,076.

There was over- expenditure on two object codes; Wages in the amount \$11,361 and Supplies & Materials with just \$26.

All other areas of spending recorded savings on their budgeted allocations.

Similarly, spending in the previous years was well constrained, with \$648,843 being incurred against a budget of \$871,000 in 2010 and a total of \$637,003 against a budget of \$809,000 in 2009.

PREMIER

Administration

This Activity exceeded its budget of \$2,138,411 by \$402,885 or 18.84%. The major areas of over expenditure were: Personal Emoluments, Allowances, Professional and Consultancy Services and Production & Marketing Expenses. The allocation for Personal Emoluments was \$892,000 the amount incurred was \$1,028,941. The Allowances budget was \$87,000 yet a total of \$131,509 was expended. Professional and Consultancy Services cost \$268,054 whereas the allotment was \$159,000.

An Appropriation Warrant in the amount of \$136,800 was utilized to cover some of the excesses incurred by the Administration program, but it was totally insufficient. In fact, the Appropriation Warrant plus the savings from the other five programs in the Ministry did not cover the excesses.

As a result, the net over expenditure by the entire Ministry was \$271,831. As the Warrant was for only \$136,860 it means the difference of \$134,971 is recorded as Unestimated expenditure and as such is **without legal authority**. I can state at this point that there are four (4) other instances of Unestimated expenditure in the 2011 Accounts. These will be summarized at the end of the Report for necessary action.

Registrar

A Total of \$695,046 was allocated for this Program and the expenditure amounted to \$666,165 thereby realizing a savings of \$28,881. Spending was also within the budgeted total in 2010 with \$663,952 incurred against a budget of \$688,000 and in 2009 there was \$641,149 against a budget of \$722,000.

Magistrate

The Budget set for this program was \$179,287 and Actual Expenditure amounted to \$174,341 resulting in a small saving of \$4,946.

There was over-spending on two object codes. The Allocation to Wages was \$17,000 and spending was \$56,838. Operating and Maintenance had a budget of \$2,000 whereas actual expenditure recorded was \$3,905.

Labour

This Program was allocated \$342,544 and spending amounted to \$299,235. This expenditure was well within the budget allocated and hence provided a (net) saving of \$43,309. There was no over- spending on any of the object codes for Labour.

Disaster Management

The sum of \$298,711 was budgeted for this activity and the expenditure amounted to \$257,217 resulting in a saving of \$41,494.

There was over expenditure on Personal Emoluments, where the budget allocation was \$168,000 but spending amounted to \$190,974. However, there were enough savings in other areas to result in the net saving as stated.

Department of Information

The Department of Information received an allocation of \$841,090 and the expenditure amounted to \$828,664 resulting in a saving of \$12,426. Spending in 2010 was \$752,077 against a budget of \$772,000 and 2009 spending was \$728,222 against a budget of \$911,000.

Overall, the Ministry and Departments of the Premier had a budget of \$4,495,089 and incurred expenditure of \$4,766,920; resulting in net excess spending of \$271,831. This excess was partly covered by an Appropriation Warrant in the sum of \$136,860 hence the difference of \$134,971 is unauthorized.

MINISTRY OF FINANCE STATISTICS & ECONOMIC PLANNING

The allocation to this Ministry was increased by \$3.215 million to \$63,186,624. The actual expenditure incurred was \$67.848 million resulting in a net over expenditure of \$4.661 million. There was a significant reduction (\$12.332 million) in spending from the level incurred in 2010.

As the Ministry of Finance did not approve any Appropriation Warrants for itself, the excess expenditure is recorded as Unestimated and hence not authorized.

Administration:

The Ministry of Finance is the centre of all financial activity and excesses can be expected as priorities are altered during the year. The Administration Program had actual expenditure was \$8,285,943. This was significantly down from the \$11.7 million spent in 2010. In fact, based on the budgeted level of \$12.99 million, there was a net saving on this Program of \$4.71 million.

Some of the main items of expenditure were: Telephone costs of \$466,667; Internet Services of \$176,146; Subvention to Statutory Bodies \$2133,315; Repairs and Servicing of Equipment \$200,000; Local Hosting and Entertainment amounted to \$254,057; Professional and Consultancy Services \$601,323; Medical Insurance

\$774,111; Claims against Government amounted to \$312,263; and Electricity bills total \$3.39 million.

Treasury:

The allocation to the Treasury in 2011 was \$45.08 million. Actual expenditure was \$54.42 million. This level of spending was \$9.43 million less than the \$63.85 million incurred in 2010. Hence there was a net level of overspending of \$9.35 million.

The key areas of spending included Retiring Benefits, which amounted to \$6,128,704; the amount for retiring benefits shows a reduction of \$1.4m from the amount paid out in 2010. The other significant area of expenditure was in respect of Debt Servicing, which cost \$47.69 million. The cost of debt servicing was \$8.08 million less than in 2010. This year the amount of \$40.39 million was in respect of the Domestic Debt, and only \$7.31 million was on the Foreign Debt portion.

MINISTRY OF COMMUNICATIONS, WORKS & PUBLIC UTILITIES

This Ministry was allocated \$9.706 million, which represented a very slight increase of just \$9,603 from what it received in 2010. Actual expenditure this year was \$8.615 million, compared to the \$8.076 million spent in 2010. All of the five Programs in this Ministry realized net savings on their budget allocations, to provide the \$1.09 million savings recorded.

Public Works:

The Public Works Program was allocated a reduced budget of \$3.727 million to cover the Activities of Minor Works to Roads & Bridges; Building Maintenance; Vehicle Repairs and the Asphalt Plant. The total incurred on all these Activities was \$3.41million, which reflected an overall increase in the spending level of \$158,000 from that in 2010.

Water Department:

This Department had an allocation of \$3.01 million and spent \$2.62 million, thereby realizing net savings of \$389,861. The Administration and Billing Division incurred a total of \$636,733; For the Production Activity, total costs amounted to \$771,807; The Distribution Activity cost a total of \$1.16 million; and Quality Control cost was \$50,954.

MINISTRY OF AGRICULTURE, LANDS HOUSING & CO-OPERATIVES.

The Programs under this Ministry had a total allocation of \$4,948,729. The allocation was shared to: Administration \$589,390; Agriculture Department \$3,868,089; Cooperatives \$228,250 and Fisheries \$263,000. The allocation represented an increase of \$725,096 over that in 2010. The major share of this increase went to the Agriculture department, which received an increase of just over \$327,000 and there was one reduction of \$24,700 to the Administration's budget.

Total expenditure incurred by the Ministry was \$4,335,660 resulting in net savings of \$613,069.

Actual expenditure by the Agriculture Department amounted to \$3,419,524. The department therefore had net savings of \$448,565. The Department of Cooperatives had actual expenditure totalling \$206,316, which was less than what was budgeted by \$21,934; Also, the Fisheries Program incurred \$211,667 of its \$263,000 budget.

MINISTRY OF HEALTH

The allocation to this Ministry was \$14,900,989 and reflected an increase from the \$13,309,610 provided in the 2010 budget. Actual expenditure incurred was \$12,690,820, which was some \$831,011 more than the \$11,859,809 spent in 2010. Nevertheless, the spending by the respective programs under the Ministry was well within their budgeted amounts and hence provided overall savings of \$2,210,169.

Public Health:

The allocation to this Program was \$3,266,820 and a total of \$2,883,638 was spent. There are six Activities under this Program with the major expenditure being incurred by the District (formerly Community Nurse Services) Activity where \$1,021,745 was spent from a budgeted \$1,058,000.

The key spending area within this Activity was on Supplies and Materials which totalled \$92,928. Another major Activity, Environmental Health Services, was allocated \$1,043,000 from which it spent \$974,706. Personal Emoluments and Wages were the main expenses for these Activities with \$1,761,276 collectively being spent from a budget provision of \$1,850,000.

Other Activities under this Program are Oral Health Services (Dental Unit) which incurred \$330,235 from its budget of \$419,000; and Patient Care Services spending an excess of \$13,246 over its allocation of \$90,000. Also, the delivery of Psychiatric Services incurred \$142,014 of its budgeted \$271,000.

Alexandra Hospital:

The budgeted operating expenses for the Program Alexandra Hospital increased to \$9,428,082 in 2011 from \$8,109,860 in 2010. The actual costs incurred amounted to \$7,826,275, thereby generating savings of \$1,601,806. This program also comprises six activities with Patient Care consuming the most significant portion of \$ 3,683,130.

Personal Emoluments, Wages and Allowances expenses of this Activity were \$1,365,538 less than the budgeted amount of \$4,645,000. Another noteworthy expense is Supplies and Materials which incurred costs of \$385,577 and was an overspending of the \$263,000 that was budgeted for this item. This increased spending occurred as a result of the Ministry's intent of fulfilling its Mission of providing premium health care services, programs and leadership in order to promote, protect and preserve the health and welfare of the population of Nevis.

Additionally, the Administration and Maintenance Activity incurred spending totalling \$1,336,847 which was slightly over its budgeted \$1,333,000. This was a result of the occurrence of combined costs from Personal Emoluments, Wages and Allowances of \$1,082,804; Repairs and Maintenance \$170,849; Local Travel and General, Supplies and Materials \$81,058; together with Professional and Consultancy Services of \$2,136.

It should also be noted that the Activity, Domestic and Nutrition Services accumulated expenses of \$1,091,369 which was less than the budgeted \$1,240,000. Personal Emoluments and Wages within this Activity amounted to \$903,532 while Supplies and Materials managed to be \$182,036, less than the proposed spending level of \$323,000. The savings within this Activity was \$148,631.

MINISTRY OF EDUCATION AND LIBRARY SERVICES

The allocation to the Ministry of Education and Library Services was \$17,182,272. This was a fairly moderate increase of only \$78,207 or 0.46% (less than half of one percent) when compared against the decrease of \$554,878 or 3.1% from 2009 to 2010. Actually, the budget for 2009 reflected an increase of \$2.75 million or 18.4% from 2008. So the Education budgets show significant variation in recent years.

Actual expenditure on the other hand, has shown more consistent increases over the years, even though most were well below the budgeted levels. Actual spending in 2008 was \$15.42m versus a budget of \$14.91m; in 2009 the Actual was \$15.61m vs a budget of \$17.66m; then in 2010 it was \$16.04m vs a budget of \$17.1m; and in 2011 the actual expenditure was \$16.6m vs the budget of \$17.18m.

Hence, despite the small budgetary increase in 2011, a significantly higher level of spending (\$464,000 more) was incurred, but yet managed to be within the limits of the year's budget.

The Education Department Program, which includes Administration, Early Childhood, Special Education and the Teacher's Resource Centre, incurred a total of \$3.12 million from a budget of only \$2.81 million. Some of the costs were: Early Childhood cost of \$772,333; Special Education cost \$269,914; and the Teacher Research Centre incurred \$98,476. There were a few instances of overspending on some Activities of the various sub- programs.

Primary Education costs amounted to \$5.81 million against a budget of \$6.1 million.

Secondary Education costs were \$6.26 million from an allocation of \$6.43 million. This included Charlestown Secondary with costs totalling \$3.29 million; Gingerland Secondary \$2.26 million and the Multi-Purpose Centre \$0.72 million.

The Public Library had an allocation of \$1.07 million and incurred costs of \$675,636.

MINISTRY OF SOCIAL DEVELOPMENT, YOUTH AND COMMUNITY DEVELOPMENT

The Ministry of Social Development, Youth and Community Development had actual expenditure of \$5,780,639 whereas it was allocated only \$4,881,381 in 2011. This indicates there was overall excess spending of \$899,258 by the Ministry. The allocation received was an increase of \$516,343 over the amount given in 2010.

The Ministry has three (3) Programs, where Administration incurred the majority of spending totalling \$2,707,900. This Activity is further divided into three (3) Sub-Activities with the majority of costs defrayed to the Sub-Head of Administration. This category had combined costs for General Administration and Administrative Support of \$1,452,555. Included in this level of spending were payments to Statutory Bodies for \$113,454 and Grants & Contributions to Local Institutions in the amount of \$200,048.

The Basic Needs Trust Fund Unit incurred \$233,822 for the alleviation of poverty through community based projects along with the Cultural Development Foundation of \$1,021,524. Expenses designated to the Cultural Development Foundation were Subvention to Statutory Bodies of \$911,845 and Grants to Local Institutions of \$109,679. Incidentally, the Cultural Development Foundation overspent its budget of \$575,000 by almost the same amount, in this case \$446,524 in providing financial support to associations and organizations related to Social and Community Development.

Additionally, the Program Social Development had payments of \$1,579,039 from its budget of \$1,581,997. There are Five (5) Activities that makes up this Program, the major one being Administrative Support which spent \$793,155. Other payments covered costs for Family Support Services of \$306,106; the enhancement of the Social Well-Being of Senior Citizens of \$252,903; the Promotion of Gender related Issues of \$178,266 and Support and Development of Youths of \$48,609.

The third Program of the Ministry is Sports and Community Development which had costs of \$1,493,700. This Program has into two Activities; Sports which incurred costs of \$993,047 and Community Development which spent \$500,653.

In summary, the three Programs of the Ministry had spending of \$5.78 million versus a budget of only \$4.88 million; with the result being a net excess of \$899,258. A number of Appropriation Warrants were approved, but only totalled \$293,228 and failed to cover the excess spending. Hence the difference of \$606,030.09 is classified as Unestimated, or unauthorized expenditure.

MINISTRY OF TRADE, INDUSTRY, CONSUMER AFFAIRS

The Ministry of Trade, Industry and Consumer Affairs had an actual expenditure of \$8,607,223, compared with a budget of \$7,149,586. This resulted in an excess spend of \$1,457,637. No Appropriation Warrants were approved for the Ministry and consequently the excess is classified as Unestimated.

The Ministry has two (2) Programs, Administration together with Trade & Consumer Affairs. The Administration Program had costs of \$954,859 divided into sub-activities of Administration, as well as the Small Business and Craft House. The other Program in this Ministry consists of the Trade and Consumer Affairs and the Supply Office.

Major spending occurred within the Program Trade and Consumer affairs amounting to \$7,652,363. The Supply Office incurred \$7,217,752 for its operations and in so doing overspent its budget by \$1,584,752. Key costs within this Activity were charges to Supplies and Materials totalling \$6,878,453. This level of spending by the Supply Office resulted from an increase in the volume of sales, as the Ministry diversified the products offered. These products are provided at concessionary prices, with the expressed intention of reducing the cost of living to the Nevisian consumers, as per the Mission statement of the Ministry.

Conclusion:

In reviewing the Detailed Statements of Expenditure it is clear that there is improvement in the control of expenditure during the years under review. However, the variances between the Budget and the Actual suggest that much work is required to close the gaps.

Now that the emphasis for control and monitoring of the budget is at the Program level, more attention is needed to track over expenditure on the various Activities. It was noted that some of the incidents of Unestimated expenditure occurred because the Program totals were not adequately covered.

Although the Ministry of finance is responsible for its Departments, it failed to lead the way in ensuring the necessary Appropriations and or Reallocations were effected. Perhaps the intention was to do one Supplementary Warrant to cover all instances, but the Accounts were finalized and the excesses remain not authorized.

As previously mentioned, the accounts for 2011 disclose five instances of over-expenditure at the high Program level. These were the Ministry of Finance, Premier's Ministry, Ministry of Tourism, Ministry of Social Development et al and the Ministry of Trade, Industry & Consumer Affairs. Hence, on the recurrent account, all the other Programs recorded net savings on their budget allocations.

While it is acknowledged this is normal practice to temporarily exceed the budget allocation, it is still a breach of the Finance Administration Act. The Appendix at the end of this Report details outstanding authorities dating back to 1988. It is indeed a procedural matter, as the money has already been spent. So while the excesses may total millions, it does not require actual funds to address them.

As one quotation states: "The job is not finished until the paper work is done".

Finally, I would make a comment on the continued lack of responses to observations raised by the Audit Office. In recent years the Office has been noting several instances of duplicate payments and these are happening across Ministries.

Most of the events take place at around the turn of the year, when there is a rush to clear invoices and payments are effected based on photocopies. Then early in the new-year the same payment is made again. While many of these are to local companies, some are in respect of overseas suppliers.

The difficulty Audit faces is the lack of responses to the queries for corrective actions. Again, while some amounts are bordering on trivial, others are substantial. Audit estimates there are about \$200,000 in duplicate payments to be recovered, yet many Permanent Secretaries and Department Heads remain unresponsive.

These outstanding queries have gone through our internal processes of issuing three (3) official reminders to the original query to the PS of the Ministry concerned. While some date back to transactions in 2009 and 2010, the original queries were issued in 2011 and 2013 and remain ignored. In fact, all the outstanding matters were sent to the Ministry of Finance at some point for them to exercise their powers to secure government's funds. Still there is no success to report.

Consequently the Office will exercise its remaining option to detail in its next Report to the Nevis Island Assembly, those Ministries / Departments from which adequate and acceptable responses to queries are not received and the \$ value at risk.

The work of the Audit Office would only be effective when there is an acceptable higher rate of response to the observations raised. This would indicate that corrective actions were taken and hence the chances of recurrence minimized.

4.4 THE CAPITAL ACCOUNT

Actual capital revenue realized in 2011 was \$34,719,183. This compares most favourably with the \$23.8 million that was budgeted. Capital Expenditure however, amounted to \$38.31 million. This performance on the capital account resulted in the deficit of \$3.61 million.

The results of expenditure and revenue on the capital account have been summarized in section 4.1 in the Annual Abstract tables (pages 12-16) covering the period. As noted, the revenue recorded on this account for 2011 resulted primarily from Loans raised in the amount of \$34.66 million and a small amount of Development Aid funds of \$55,961.

During the period under review, except for 2010, the Capital Revenues have been on the low side. In 2010, one of the higher levels of capital revenue was recorded when \$74.47 million was raised, albeit via loans of \$73.69 million. The amounts raised in revenues for the years 2009, 2008 and 2007 were; \$18.45m, \$6.6m; and \$26.1m respectively.

The capital expenditure for 2011 was charged against capital Revenue in the amount of \$17.35 million and against Loans, \$20.96 million. There were no Development Aid projects during the year.

The following are some of the projects by various Ministries:

The Ministry of Communications, Works, Public Utilities and Posts accounted for \$13.11 million or 34.2% of the total capital spending. The Ministry of Social Development, Youth, Sports and Community & Gender Affairs incurred \$17.56 million or 45.8% and the Ministry of Finance spent \$2.49 million on capital projects.

The Ministry of Communications spent \$1.32 million on the Purchase of an Asphalt Plant; it also spent \$1.99 million on the Call Centre; Water Drilling used \$2.19 million; Land Settlement accounted for \$1.26 million and a further \$250,000 was incurred in 2011 on the Police Barracks at Bell Vue. Road Repairs and Improvement Project, including the Drainage System accounted for \$890,870; and an upgrade to the Water Services totalled \$833,910.

The Ministry of Social Development, Youth, Sports and Community Development spent \$252,755 for the Maintenance of Community Centres; it also spent over \$2.22 million on Improvement and Maintenance of Sporting facilities. The major part of its spending in 2011 was \$10.68 million on the Fine Arts Theatre. Construction of the Community Centres for Camps, Fountain, Jessups and Cotton Ground amounted to \$3.87 million and the Barnes Ghaut Community Centre incurred \$262,292.

The Ministry of Finance incurred \$441,842 for the Purchase of Vehicle; the Purchase of Tools, Equipment and Furniture amounted to \$271,712; The Population and Housing Census accounted for \$118,957; and \$1.57 million was spent for the purchase of Lands.

The Ministry of Agriculture, Lands, Cooperatives and Fisheries spent \$1.59 million on their capital projects, which included: \$194,893 for Farm Machinery and Equipment; The Agro Processing Plant incurred \$32,213; The Fisheries Bio-Diversity project \$67,575; Sea Island Cotton Production cost \$59,418; and the Upgrade to the Charlestown Public Market amounted to \$1.08 million.

In the year 2010, the Capital revenue was budgeted at \$19.39 million and the actual collection amounted to \$74.475 million. As mentioned earlier the Loans component was \$73.688 million and Development Aid provided \$787,426.

Despite this level of revenue, Capital expenditure was only \$23.58 million. The Ministry of Communications, Works, Public Utilities & Posts accounted for \$10.5 million or 44.6% of the spending and the Ministry of Social Development, Youth, Sports and Community Development spent \$6.03 million or 25.6% of the total.

The following outlines some of the projects undertaken during 2010:

The Ministry of Communications, Works, Public Utilities & Posts: A total of \$2.85 million was incurred on the Road Improvement Project and charged against Revenue, even though there was no budget allocation for this project. The Water Drilling Project accounted for \$2.52 million; Repairs to Roads and the Drainage System amounted to \$1.11 million and again no funds were budgeted for this item. Likewise, the Construction of the New Call Centre building incurred \$296,425 in 2010 and was continued in 2011 and no budget allocation was made for this item. The Police Barracks at Bell Vue incurred \$201,186 and the Police Barracks in Charlestown accounted for \$219,773 although this was not a budgeted item. The Renovation and Expansion of Government Buildings amounted to \$612,222 and Secondary Village Roads cost \$562,796.

The Ministry of Social Development, Youth, Sports and Community Development: The Fine Arts Theatre accounted for \$4,432,000 or 73.4% of the Ministry's spending in 2010. A further \$602,340 was incurred for the Purchase of Saunders Land and the upgrade of Cotton Ground Playfield. The Construction of Community Centres for Camps, Fountain, Jessups and Cotton Ground used \$499,178; and the Improvement and Maintenance of Sporting Facilities cost \$177,696.

The Premier's Ministry: A total of \$137,238 was incurred for the Upgrade of Police Services; A Commission of Inquiry cost \$482,417; and the Purchase of Land and the Construction of Cotton Ground Police Station accounted for \$1,041,963 out of the \$1.79 million spent by the Ministry. This Ministry had a budget of \$2.83 million.

The amount spent by the Ministry of Health in 2010 was \$1.55 million from their budget of \$3.12 million and included: the Bulk Purchase of Drugs for \$460,714; the Nevis Environmental Work Program cost \$540,671; and the New Brown Hill Health Centre cost \$371,107.

Ministry of Education & Library Services: This Ministry's capital budget for 2010 was \$2.3 million and the actual expenditure incurred was \$1.53 million. Among the projects done by the Ministry were: The Computerization of Schools project on which \$407,743 was spent; Special Maintenance of Schools was \$146,201; and the Upgrade of Primary Schools cost \$702,580; the Expansion of Charlestown Secondary School amounted to \$176,000; and the Schools Text Books Programme cost \$14,553 in 2010.

Ministry of Finance: This Ministry had a budget of \$1.25 million and actually spent \$1.4 million on projects which included: the Purchase of Tools, Equipment and Furniture for \$365,219; Purchase of Vehicles amounted to \$730,506; and the Computerization of Government Services totalled \$60,826. Also, the Police Barracks at Butlers amounted to \$225,000.

Capital expenditure in the remaining years 2009, 2008 and 2007 was \$20.74 million; \$22.15 million; and \$41.76 million, respectively. In 2007 the Ministry of Communications, Works et al incurred \$36.53 million or 87.5% of the total capital spending. Its projects included: the Road Improvement Project \$21.7 million; the Link Road project accounted for \$6.3 million; Water Services Upgrade incurred \$1.5 million; the Water Development Program had \$499,126; and the Expansion of the Water Department Building incurred \$110,725; also the Renovation of Government House cost \$433,044 and the Renovation of the Historic Bath Hotel cost \$173,022 for the 2007 capital expenditure.

4.5 STATEMENT OF ASSETS AND LIABILITIES

The statement of Assets and Liabilities as at December 31, for each of the years under review, is summarized as follows:

	2011	2010	2009	2008	2007
Assets	\$	\$	\$	\$	\$
Cash Balances	1,366,972	1,110,313	1,345,0778	936,062	860,568
Advances& Receivables	3,064,114	2,658,878	8,375,044	8,928,223	8,738,547
Total Assets	4,431,086	3,769,191	9,720,122	9,864,285	9,599,115
Less Liabilities					
Bank Overdraft	68,056,386	51,447,363	83,582,236	69,442,736	47,837,819
Net Deposits	46,811,324	44,182,278	24,189,898	23,532,947	33,791,228
Trust Funds	84,741,272	83,255,655	78,104,739	63,489,588	55,301,621
Total Liabilities	199,608,982	178,885,296	185,876,873	156,465,271	136,930,668
Accumulated Deficit	<u>195,177,896</u>	<u>175,116,105</u>	<u>176,156,751</u>	<u>146,600,986</u>	<u>127,331,553</u>

Cash Balances 2011: The Treasurer's Cash of \$1,005,336 and the Joint Consolidated Fund (JCF) of \$361,636 comprised the Cash Balances as at the end of December 2011.

The Bank Overdraft increased by \$16.6 million or 32.3% for the year 2011. The movement in the Bank Overdraft during the period under review can be noted in the above table. Of significance, is the downward movement between 2009 and 2010 when it dropped by \$32.13 million. This was due in part to the \$73.69 million in loans that were raised during that year, which included \$64 million from the National Bank. \$83 million in 2009

The Trust Funds comprise the outstanding Treasury Bills as at year end. The value of Treasury Bills as disclosed in the Public Debt statement at year end was \$86.5 million (\$86,498,263).

4.6 STATEMENT OF ADVANCES AND DEPOSITS

The statement of Advances shows a negative balance of \$3,224,987 as at December 31, 2011 and can be summarized with comparative data as follows:

Advances:	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Other Gov'ts	1,357	1,357	1,357	1,357	1,357
Public Officers	2,811,470	2,406,235	2,292,870	2,202,674	2,012,998
Philatelic Bureau	15,482	15,482	15,482	15,482	15,482
Post Master	235,804	235,804	235,804	235,804	235,804
Other	(6,289,101)	(7,593,081)	5,829,531	6,472,906	6,472,906
TOTAL	(3,224,988)	(4,934,203)	8,375,044	8,928,223	8,738,547

The negative balance occurred in 2010 when the Nevis Housing and Land Development Corporation paid \$13.04 million into the Administration during the year. This had the effect of reversing their Advance balance of \$982,541.99 into a negative Advance balance or "Deposit" balance of \$12,058,458.01. As a result, the overall Advance balance turned negative as stated in the table above. It must be stated this is not the only Advance account with a negative balance, however, the others are much smaller and have negligible impact on the overall balance.

Ideally, if the payment into the NIA was intended to wipe out the indebtedness of the NHLDC, then that amount should have been applied to the outstanding figure on the Advance account to bring it to a zero balance; and then the remaining \$12m placed in a Deposit account. Instead, the current situation gives the impression that the NIA has negative assets, or no net accounts receivable

At December 31, 2011, outstanding Advances increased by over \$1.7 million from the previous year. This is accounted for by an increase in Advances to Public Officers (Subsistence and Personal) in the amount of \$405,235 and an increase in Advances-Other of \$1,303,981.

Outstanding Advances to Public Officers, and in particular Personal Advances, continue to increase as more and more persons make use of the opportunities afforded to help address financial and oftentimes medical crises. As such, these Advances are repayable over multiple financial years and their balances are not reduced as rapidly as with other types of Advances. What may be required is a review of the policy guidelines to better administer the issuance of Personal Advances.

Personal - Advances increased by \$37,359. Repayments amounted to \$28,949 and new issues totalled \$66,308 for 2011. The outstanding Personal Advances as at the end of 2011 is stated at \$1.04 million (\$1,041,691.14). It should be stated that at the

end of 2006 the outstanding figure was a little less than a million dollars at (\$996,811.71)

Advances - Subsistence have increased from \$896,123 at the end of 2006 to reach \$1.77 million (\$1,769,778.90) at the end of 2011. Given that these Advances are to be cleared within two weeks of return from travel / assignment, the extent of un-cleared advances can hardly be acceptable. During 2011, Subsistence Advances that were issued totalled \$529,653; and repayments were only \$161,777 resulting in a net increase of \$367,876 for the year.

This is an “age old” lament from the Audit Office about the non-clearing of subsistence advances for travel purposes. All that is required is a little more firmness from the Ministry of Finance in administering the policy. Simply – if there is an outstanding advance, another would not be issued; and after a month, clearance is from the next salary payment.

The following is a summary of the Deposits Balances, (\$40,522,222) as per the Statement with comparative data for 2010:

	2011	2010
Deposits:	\$	\$
- Grants	678,930	678,930
- Federal Government	8,949,608	8,949,608
- Social Security	5,621,508	4,475,692
- Social Services Levy	2,220,545	1,396,804
- Severance Payment	231,193	162,505
- Supply Office	1,295,068	1,295,068
- Development Aid	8,056	8,056
- Other	21,517,314	19,622,534

The Deposits - Federal Government account includes a loan of \$1.7 million to the Administration from the Federal Government. The difference, (\$7.25 million) comprise transfers from revenue sharing exercises in earlier years, which were not directly recorded as revenues. **This account only needs the political will to be tidied.**

The Deposit – Other account shows a net increase of \$1.89million. Included in this amount is an increase in the State Cheques account by \$1.2 million. This account needs regular tidying in order to reduce the risks of fraud and other manipulations. There are a number of accounts that should be closed to revenue or expenditure as the case may be, and so reduce the risk of misappropriations.

4.7 STATEMENT OF PUBLIC DEBT

The Public Debt as disclosed on the Statement as at December 31, 2006 was \$227,585,614 and by the end of December 2007 it was disclosed at \$263,448,157 which reflects an increase of \$35.86 million or 15.8%. At that time the Domestic portfolio total was \$155,463,508 and the Foreign portion was \$107,984,649.

At the end of the period under review, December 31, 2011 the total Public Debt is disclosed as \$399,076,742 reflecting an increase of \$171,491,128 or 75.4% from 2006. During this period the Domestic portion increased to \$285,217,435 or by 154.8% and the foreign portion actually **decreased** to \$113,859,308 or by just 1.56%.

The outstanding Treasury Bills as at the end of 2011 is disclosed as \$86,498,263 and reflects a net increase of \$36,098,135 or 71.6% over the five year period.

The domestic portion of the public debt includes Government Guarantees that amount to \$15,265,150 at the end of 2011. The statement does not disclose to which institution(s) the guarantees relate. However it is important to note that the outstanding amount of the guarantees has been reduced from a high of \$18.83 million in 2009 to now \$15.26 million in 2011. The guarantee in 2006 was only \$1.82 million.

Audit notes that no provisions, by way of sinking funds, have been made for the retirement of any portion of the outstanding public debt. The following statement provides comparative data:

	2011 \$	2010 \$	2009 \$	2008	2006 \$
Domestic	285,217,435	255,015,184	214,483,823	181,063,126	111,925,525
Foreign	113,859,308	133,362,261	152,157,784	147,619,316	113,839,766
Guaranteed —	15,265,150	15,848,454	16,538,601	17,864,977	1,820,323*

*To be added to the Foreign Debt as at the end of 2006 to total \$115,660,089.

5.1 ACKNOWLEDGMENTS

In conclusion, I express my sincere appreciation to the staff of the Nevis Audit Office who worked on completing these audit assignments over the years. Although the National Audit Office has overall responsibility for the Report on the accounts, it is the staff at the Nevis Audit Office who provides all the ground work, the vouching, inspections and analyses. I thank them for their diverse opinions and commitment to the various audits that were undertaken on this five year reporting period.

I also express gratitude and recognise the input of the former Director of Audit, Mr. Albert Edwards, who has been engaged by the Nevis Island Administration and tasked with bringing the Audit of the Accounts and the Reports up to date.

Finally, my gratitude is expressed to the Treasurer and Staff at the Treasury Department, Nevis and the staff of other Ministries and Departments in Nevis, for their valuable and timely assistance. Without such ready and willing cooperation, the Audit Office would not be able to fulfil its legislative mandate in an economic, efficient and effective manner.

Wesley D Galloway
Director of Audit

APPENDIX 1

UNAUTHORIZED EXPENDITURE 1988 - 2011

<u>HEAD</u>	<u>SUBHEAD</u>	<u>NAME</u>	<u>UNESTIMATED</u>
			\$
<u>1988:</u>			
Ministry of Finance	27	Pension & Grants	11,899.18
	52	Increase to Civil Servants	21,883.88
Premier	2	Travelling & Subsistence	422.52
Ministry of Communications, Works, & Public Utilities	3	Upkeep of Office Equipment	75.30
	8	M'tce of Terminal Bldg.	216.61
	30	Rent of Water Rights	434.90
Department of Education	22	Staff Text & Supplies	395.45
Department of Health	13	Environmental Disease	744.72
	10	School Health Programme	647.05
	38	One 1500 V.A Transformer	200.00
Community Affairs & Libraries	15	Books & Materials	94.72
	12	Caretaker Services, Old Age Pension, Sev'nce Pay N.E. Workers	200.00
Min. C.W. & P.U.	12(a)	Cades Bay to Camp via Mont Lily	18,054.40
	18	Bull Dozer	20,000.00
	21(g)	Main street Charlestown	113,096.62
	21(j)	Brick Kiln to Maddens	675.96
<u>1989:</u>			
Premier	50223	Substitutes	251.25
Finance	60252	Civil Servants Increase	5,460.85

<u>HEAD</u>	<u>SUBHEAD</u>	<u>NAME</u>	<u>UNESTIMATED</u>
<u>1990:</u>			
Min. C.W. & P.U	529600	Computer Room – Customs	568.87
	529910	Repairs to Cultural Complex	793.78
<u>1991:</u>			
Legal	40100	Personal Emoluments	1,071.20
Finance	60224	Loss of Exchange	3,593.08
Min. C.W. & P.U	529909	Purchase of 2 M.W Generating Set	249,380.67
<u>1992:</u>			
Finance	60217	Refunds Drawbacks & Re- payments from Revenue	1,249.28
Min. C.W. & P.U	520600	One Pick Up	374.48
Education, Health & Social Affairs	530200	Day Care Centre, St. Thomas	241.54
<u>1996:</u>			
Legal	40016	Operating & Maintenance	88.00
Premier	50509	Office & General Expenses	506.35
Finance	60101	Personal Emoluments	56,137.22
	60115	Telephones, fax, Postage	49.80
	60509	Office & General Expenses	20,283.02
Min. A.L.&T	70102	Wages	5,771.86
	70110	Supplies & Materials	96.82
	70202	Wages	462.60
Dept. of Agriculture	80101	Personal Emoluments	10,083.60
Min. C. W. & P.U.	100101	Personal Emoluments	26,172.76
	100214	Operating & Maintenance	4,336.43
Public Works	120102	Wages	214,340.78

<u>PROGRAM</u>	<u>ACTIVITY</u>	<u>NAME</u>	<u>UNESTIMATED</u>
	120116	Operating & Maintenance	22,866.93
Electricity	130110	Supplies & Materials	46,440.21
	130116	Operating & Maintenance	50,743.73
Education Dept.	140102	Wages	709.97
	140314	Tools, Instruments, Furniture	124.65
Health Dept.	150415	Telephone, Fax, Postage	55.60
Comm. Affairs, Culture & Libraries	160102	Personal Emoluments	35,302.18
1998:			
Premier	0509054	Computer Lab	2,528.87
2000:			
Min. of Finance			1,214,215.98
Min. of Education			239,630.06
2001:			
Min. of Finance	06020119	Debt Servicing	2,309,015.09
Min. of Health	09010101	Personal Emoluments	9,043.82
2002:			
Min. of Finance	06020119	Debt Servicing	1,323,799.23
2003:			
Min. of Finance	06020119	Debt Servicing	1,199,238.57
2005:			
Legislature	020101	Administration	21,687.06
Min. of Finance	0602	Treasury	2,550,831.58
2006:			
Min. of Finance	0602	Treasury	2,078,764.44

<u>PROGRAM</u>	<u>ACTIVITY</u>	<u>NAME</u>	<u>UNESTIMATED</u>
2009:			
Min. of Finance	0601	Administration	6,959,131.20
2010:			
Min. of Finance	0601	Administration	20,208,156.48
Min. of Soc Dev	1301	Administration	221,183.33
Min. of Trade	1401	Administration	348,211.90
Min. of Finance	0601	Capital Admin	286,284.79
2011:			
Premier's Min.	0501	Administration	134,970.98
Min. of Finance	0601	Administration	4,661,021.71
Min. of Tourism	1001	Administration	593,124.18
Min. of Soc Dev	1301	Administration	606,030.09
Min. of Trade	1401	Administration	1,457,636.69

Total unauthorized expenditure was \$7,452,783.65 incurred on five (5) Programs.

ADDENDUM:

	2011 \$	2010 \$	2009 \$	2008	2006 \$
Domestic	285,217,435	255,015,184	214,483,823	181,063,126	111,925,525
Foreign	113,859,308	133,362,261	152,157,784	147,619,316	113,839,766
Guaranteed –.	15,265,150	15,848,454	16,538,601	17,864,977	1,820,323*

*To be added to the Foreign Debt as at the end of 2006 to total \$115,660,089.

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