



Report of The Director of Audit



On The Accounts of the
Nevis Island Administration



FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2013





ST. KITTS AND NEVIS

NATIONAL AUDIT OFFICE

P. O. Box 19, Basseterre, St. Kitts.

TEL: (869) 467-1051; FAX: (869) 466-8510; E-MAIL: Auditoffskn@sisterisles.kn

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, 2012 and 2013.

Respectfully submitted,

Antonette R Hodge (Ms)

For

Director of Audit

November 18, 2016.

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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 two years 2012 and 2013.

1.2 AUDIT MANDATE:

This Audit Report on the accounts of the Nevis Island Administration for each of the years ending December 31, 2012 and 2013 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

- The 2012 Budget allocation was woefully inadequate to cover the normal operating cost of the Office. (2.2)
- Officers benefit from Training as part of their development program. (2.3)

Chapter 3 : Overview of the Public Accounts

- The accounts of the NIA prepared and produced as per IPSAS. (3.1)
- Accounting policies used form part of the Notes to the financial statements. (3.2)
- More revenue is realized in 2012 than in 2013, but 2012 has larger deficit. (3.3)
- The accumulated deficit exceeds the \$200m level in 2012. (3.3)

Chapter 4 : Analysis of the Public Accounts

- The new format of the financial statements are too summarized (4.1)
- The net cash position worsens in 2012 with net negative cash flows. (4.1)
- The cash position improves in 2013 with lower bank overdraft. (4.1)
- Net cash flows from Operating activities are positive in both years. (4.1)

- Net cash flows from Financing activities are negative in both years. (4.1)
- Hotel Room tax is replaced with the introduction of VAT. (4.2)
- House and Land tax revenues fluctuate significantly during the period. (4.2)
- Taxes on International Trade and Transactions is top source in both years. (4.2)
- Debt servicing shows slight reduction. (4.3)
- Budgeted figures for Office of the Opposition Leader included in 2012 (4.3)
- Ministry of Trade, Industry and Consumer Affairs now under Finance (4.3)
- Only one surplus recorded in over 10 years (4.3)
- Capital revenue fails to materialize at budgeted level. (4.4)
- Administration's cheques temporarily dishonoured. (4.5)
- Accumulated Deficit exceeds \$200 million in 2012. (4.5)
- Bank Overdraft closes at over \$68 million in 2012 and \$66.9m in 2013. (4.5)
- Outstanding Advances to Public Officers still cause for concern. (4.6)
- Outstanding Public Debt reduced from \$399 million in 2011 to \$359.7m in 2012. (4.6)
- The Public Debt closes 2013 at \$372.03 million. (4.6)

2. THE AUDIT OFFICE

2.1 STAFFING:

The fact that this Audit Report is over three years late, hopefully does not significantly diminish the need to know and to be made aware of the developments and transitions in the Audit Office during the reporting period.

Ms Shara Maynard was appointed as Audit Manager effective May 2010. After a little more than a year, she was granted study leave from September 2011 to end in May 2013. Upon completion of her studies, she returned to the Office, having attained her Masters qualification.

Another addition came to the staff in the person of Ms Latoya Jones, who took up duties as an Acting Senior Auditor, effective February 2012. Again, after only a year and a half, she was transferred out to another Department in July 2013.

2.2 BUDGET:

The Nevis Audit Office had an approved Budget of \$274,678 for the fiscal year 2012. This budgeted allocation was a decrease of some \$65,723 or 19.3% from the 2011 allocation.

In 2013 the budget allocation was then increased to \$388,412 reflecting an increase of \$113,734 or 41.4%. This was perhaps far more of a correction than necessary.

What was noted in 2012 was that the Actual expenditure of \$302,010 surpassed the budgeted level by some \$27,332 which is a very rare occurrence for the Audit Office. However, the excess was primarily due to charges for the Personal Emoluments. The budget allocation for Personal Emoluments was reduced in 2012 to just \$210,334. The Actual spent on salaries amounted to \$247,802; hence an over-expenditure of \$37,468 on this item. The other major item of expenditure was the Office Rental of \$38,400. Therefore, the total spending, on just these two items, (salaries and rental) took the Office well past its \$274,678 which was budgeted.

Despite the stringent spending on other areas, the savings were not enough to cover the necessary spending on salaries and rent. For instance, Office and General Expenses amounted to only \$256 for the year; and Traveling Expenses totalled \$3,000. The Office certainly did its part to curtail spending as per the dictates of the time. However, the allocation given to the Office was woefully inadequate to cover the normal operating costs.

As the “watchdog” of the public purse, the Audit Office is one of the most prudent and conservative spenders in the public sector. The Office ought not to have been placed in the awkward position of having to request additional funds, via Appropriation, for what was clearly foreseeable and easily estimated expenditure.

The 2013 Actual expenditure totalled \$294,574 and this was \$7,436 less than the amount spent in 2012. Compared to the budget provision of \$388,412 this resulted in savings of some \$93,838 or 24.2%. Clearly the 2013 budget allocation was more than enough, unlike the

situation in the previous year. Indeed the Office does not have a culture of spending for the sake of doing so.

2.3 TRAINING:

The Staff members of the National Audit Office (including the Nevis Audit Office) were afforded several training opportunities during 2012 and 2013.

An introductory (2-day) course entitled *Fundamentals in Fraud and Forensic Auditing* was attended by two Senior Officers (1 from St. Kitts and 1 from Nevis). The sessions were conducted on September 13-14, 2012 and were hosted by the Caribbean Institute of Forensic Accounting (CIFA).

The Senior Audit Manager and another Senior Officer from St. Kitts travelled to Suriname to participate in a 3-day (November 12-14, 2012) Management Workshop on the ISSAI Implementation Initiative – 3i Programme.

Two other Senior Officers also completed a 6-week online Financial Management course entitled *"Audit of Public Debt"*. This course was delivered over the period May to June 2013.

The 9th Congress of CAROSAI was hosted by the SAI of Trinidad and Tobago from March 18 to 22, 2013. This event also marked the 25th Anniversary of CAROSAI and was held under the theme *"Collaboration to Promote Best Audit Practice"*. A number of topics and Country papers were presented at this Congress some of which included:

1. Risk-Based Approach to Financial Audits
2. Strategic Imperatives for Greater Collaboration between External and Internal Audit in Improving Public Financial Management of the Country.
3. Collaboration as a Tool for Promoting Best SAI Audit Practices.
4. CAROSAI's Strategic Plan and the Way Forward.

The National Audit Office will continue to embrace every available training opportunity offered to enhance the quality of our audits and reports.

3. OVERVIEW OF THE PUBLIC ACCOUNTS

3.1 SUBMISSION OF ACCOUNTS:

The Accounts of the Nevis Island Administration for the five years ending December 31, 2007 through to 2011 along with the Audit Report on those accounts, were forwarded to the Honourable Premier on November 09, 2015. Those Accounts and the Audit Report were tabled in the Nevis Island Assembly on December 08, 2015.

The Ministry of Finance and the Treasurer took the decision to have the Accounts of the NIA produced as per the International Public Sector Accounting Standards (IPSAS). This decision was applied to the preparation of the 2012 Accounts and onwards. **These accounts then are the first set to have been prepared using IPSAS for the cash basis of accounting.** As a result the whole format of reporting has changed and with it the analysis will also eventually change.

The following statements in respect of each of the years (2012 and 2013) were submitted for Audit examination:

1. Statement of Receipts and Payments
2. Statement of Comparison of Budget and Actuals
3. Statement of Revenue and Expenditure
4. Statement of Financial Assets and Liabilities
5. Summary of Recurrent Revenue
6. Summary of Capital Expenditure
7. Summary of Recurrent Expenditure
8. Statement of Public Debt
9. Notes to the Financial Statements

3.2 ACCOUNTING POLICIES USED:

The Statement of Receipts and Payments has been prepared in compliance with Part 1 of the International Public Sector Accounting Standards (IPSAS) for Budgetary Entities.

IPSAS 1 requires that the presentation of a statement of Receipts and Payments which recognizes all cash receipts and payments, the presentation of cash balances controlled by the entity, accounting policies and explanatory notes. IPSAS 1 also requires comparison of budget and actual amounts for an approved budget that has been made publicly available.

The Public Accounts are also prepared in accordance with the provisions of section 57 of the Finance Administration Act, 2007 of St. Christopher and Nevis.

The Public Accounts have been prepared using the cash basis of accounting which records the actual flow of cash. Revenue is recorded when cash is received and expenditure is recorded when cash is paid out. **The statements provide information on the sources and uses of cash, for the various functional Activities of Operating, Investing and Financing.**

The Financial Statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Reporting Entity

These financial Statements are of the Nevis Island Administration. The NIA in accordance with the relevant laws and the Constitution is responsible for the raising and collection of revenues and incurring expenditure to support the following areas: Air and Sea Ports; Education; Extraction and processing of minerals; Fisheries; Health and Welfare; Labour; Government Land and Buildings; Government Administration and Operations and the Licensing of imports and exports.

All revenues or other moneys raised or received by the NIA (except for those that are payable by law into some other fund of the NIA established for the specific purpose) shall be paid into the Nevis Island Consolidated Fund.

Statutory Bodies and Government owned corporations are not covered in these statements. However, cash outflows to these entities during the reporting period and any contingent Liabilities incurred on behalf of these entities are recognized in the financial statements.

The Financial Statements are prepared by the Treasurer in the Treasury Department and submitted to the National Audit Office to be audited by the Director of Audit.

Reporting Period

The Financial Statements cover the reporting periods January 1, 2012 to December 31, 2012 and January 01, 2013 to December 31, 2013.

Reporting Currency

The Financial Statements are expressed in Eastern Caribbean Dollars (XCD) which is the functional currency of Nevis.

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Eastern Caribbean dollars (XCD) using the exchange rate at the date of the transactions. The United States Dollar (USD) is

the only foreign currency for which cash balances are held and this rate is fixed at XCD2.7169 for USD1.00

Timeliness

Section 57 (2) of the Finance Administration Act requires that the Accountant General shall within six (6) months after the end of each financial year;

- a) Prepare the public Accounts for that financial year in accordance with the generally accepted accounting principles as determined by the Minister, accounting for all public money and showing fully the financial position of Saint Christopher and Nevis at the end of that financial year;
- b) Certify the Public Account; and
- c) Submit to the Director of Audit as many copies of the Public Accounts as the Director of Audit may require.

Comparative Information

As 2012 is the first year that the financial statements have been prepared under the Cash Basis Standard of IPSAS, no comparative information is included in the 2012 Financial Statements. However, the 2013 Financial Statements have comparative information included.

Appropriations

The original budget was approved by legislative action in the Nevis Island Assembly by the passing of the Appropriation Act on December 16, 2011 for the 2012 budget. The 2013 budget was passed on April 26, 2013. These actions authorized the release of funds for expenditure by the various Ministries from the Consolidated Fund in accordance with Section 27 (3) of the Finance Administration Act, 2007.

Consolidations

All amounts referenced within this Annual Statement are the representation of the inflows and outflows of public monies held within the Consolidated Fund as stipulated by the Finance Administration Act, 2007.

International Public Sector Accounting Standards (IPSAS) requires the consolidation of all entities within the Federation that are controlled by the Government and inclusive of the Nevis Island Administration. However, these Annual Statements for the years ending 2012 and 2013 are for the operations of the NIA. The activities of the Nevis Island Administration and those of the Federal Government have not been consolidated.

There are several other Notes to the financial statements that provide the standards and the policies used in the preparation of the statements.

3.3 PERFORMANCE SUMMARY:

It should be stated at the onset that as this Report covers a two year period, focus would be primarily on the most current year, 2013. The results of the other year will be provided and quoted for comparative purposes and to highlight whatever trend may be noted.

Recall that the reporting standards and bases have changed and comparison with the results of 2011 and previous years, though possible, would require some adjustments and reconciliation of the figures. Nevertheless, I would still present data from previous years, where it is deemed helpful in order to gain a better perspective.

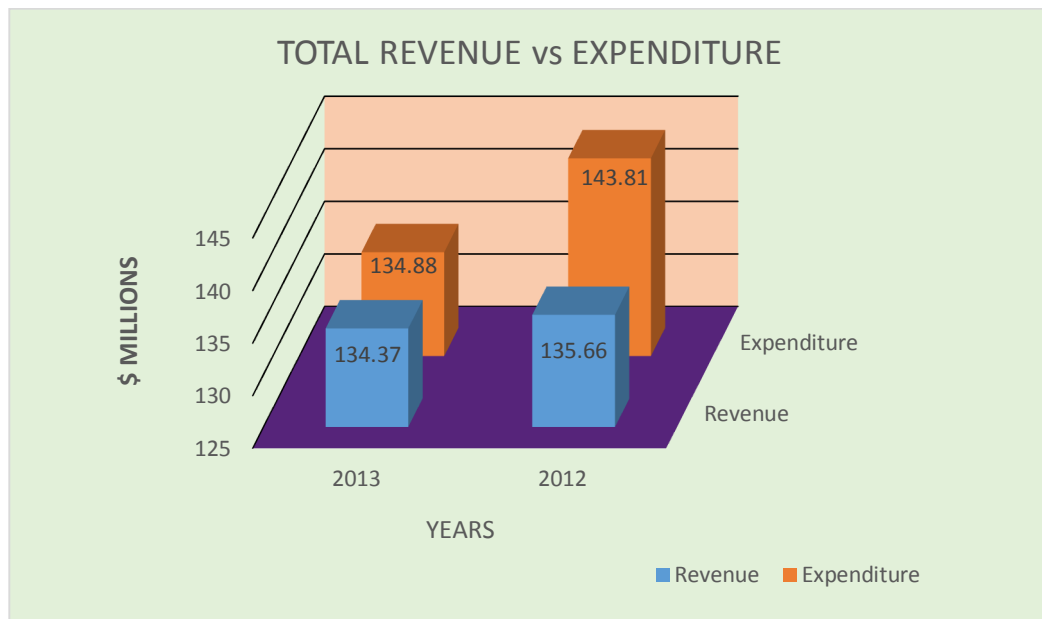
Additionally, it should be noted that the accounts are now presented in a highly summarized format, using broad category headings in the economic classification. All that simply means is that we now speak of results on the Current account, as opposed to the Recurrent account; and what used to be the Annual Abstract is now presented in a statement that shows Net Cash Flows from three broad Activities; viz; Operating, Investing and Financing.

These 3 results give the Net Increase / (Decrease) in the government's Cash position. The Net movement is added to the Opening Cash to give the final yearend position of the Cash accounts.

Hence the earlier comment that there may be need for slight adjustments or reconciliation of the figures when attempting to make comparisons between economic and fiscal results.

The Accounts for each of the financial years ended December 31 disclose the overall out-turn for each as a deficit result. **In 2013 the deficit was only \$514,534 and for 2012 it was \$8,157,444.**

The total revenue realised in 2013 was \$134,370,396; whereas the total expenditure in that year was \$134,884,930. In 2012, the revenue was \$135,655,896 against expenditure of \$143,813,340.



The following table presents the broad categories of the sources of Income and the areas of Expenditure during the reporting period:

**NEVIS ISLAND ADMINISTRATION
STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR
ENDED DECEMBER 31 2013**

	2013	2012
REVENUE	\$	\$
Taxes on Income	11,555,725	12,989,573
Taxes on Property	2,217,448	2,134,255
Taxes on Domestic Goods and Consumption	36,248,321	21,594,028
Taxes on International Trade and Transactions	40,201,713	50,749,878
Non-Tax Revenue	30,832,353	28,847,584
Capital Revenue	13,314,836	19,340,578
Budgetary Grants	0	0
Total Revenue	134,370,396	135,655,896
EXPENDITURE		
Personal Emoluments and Wages	-60,940,346	-56,129,113
Goods and Services	-23,489,185	-25,903,190
Transfers and Subsidies	-12,077,338	-12,947,614
Interest payments	-18,058,143	-21,803,050
Capital expenditure	-9,634,700	-17,681,686
Principal payments	-10,685,218	-9,348,687
Total expenditure	-134,884,930	-143,813,340
Total Deficit	<u>-514,534</u>	<u>-8,157,444</u>

The overall results comprise the out-turn on both the Current and Capital accounts. During the period under review, the 2013 Capital account realized a surplus of some \$3.68 million; whereas the Current account had a deficit of over \$4.19 million.

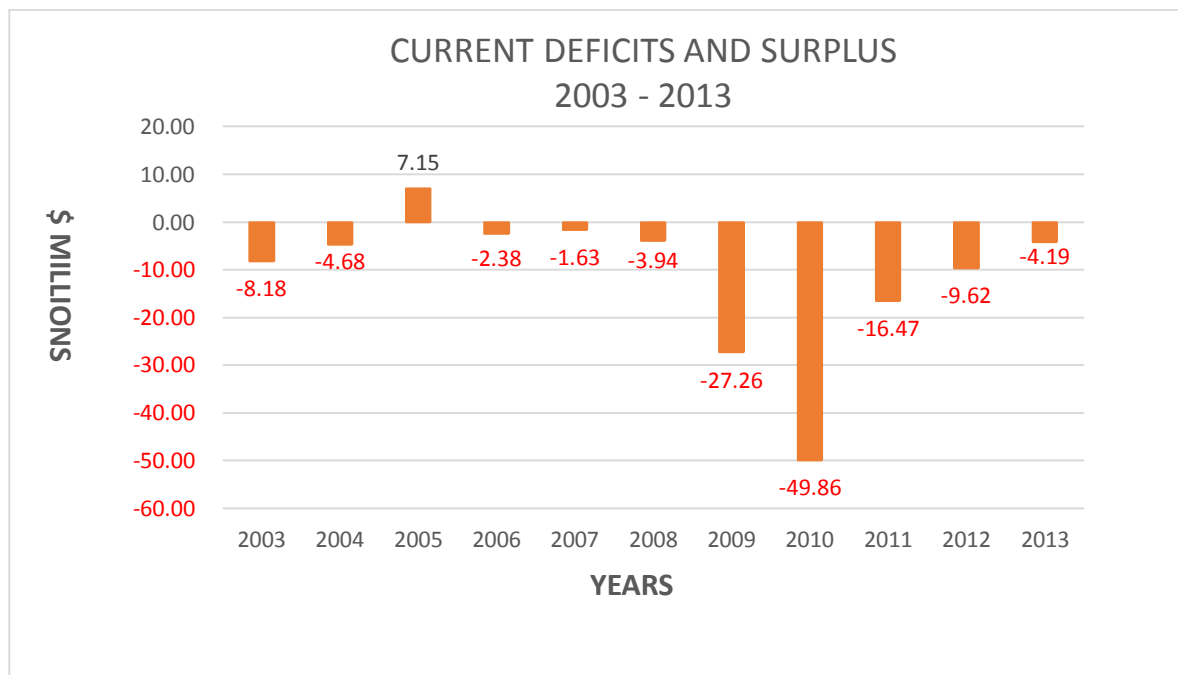
The results for 2012 show a deficit on the Current account of more than twice that of 2013. The Current account deficit is recorded at \$9.62 million. However, for the Capital account in 2012, there was a smaller surplus realized in the amount of \$1.46 million. Hence the net results as per the above table.

The Statement of Revenue and Expenditure presents the data by source of Revenue and by the classification of Expenditure. Hence one would glean that the source of revenue for International Trade and Transactions performed much better, \$50.7m, in 2012 than it did in 2013, \$40.2m. Likewise, Taxes on Income performed better in 2012, with \$12.99 million compared with the \$11.56 million realized in 2013.

On the Expenditure side it would be seen that more money was spent in 2012 on: Goods & Services; Transfers & Subsidies; and Interest Payments, than in 2013. In fact, the total spending in 2013 was some \$8.9 million less than the amount spent in 2012. Also evident from the data in the table, is that only Salaries & Wages and the Principal payments on the debt were at higher levels in 2013.

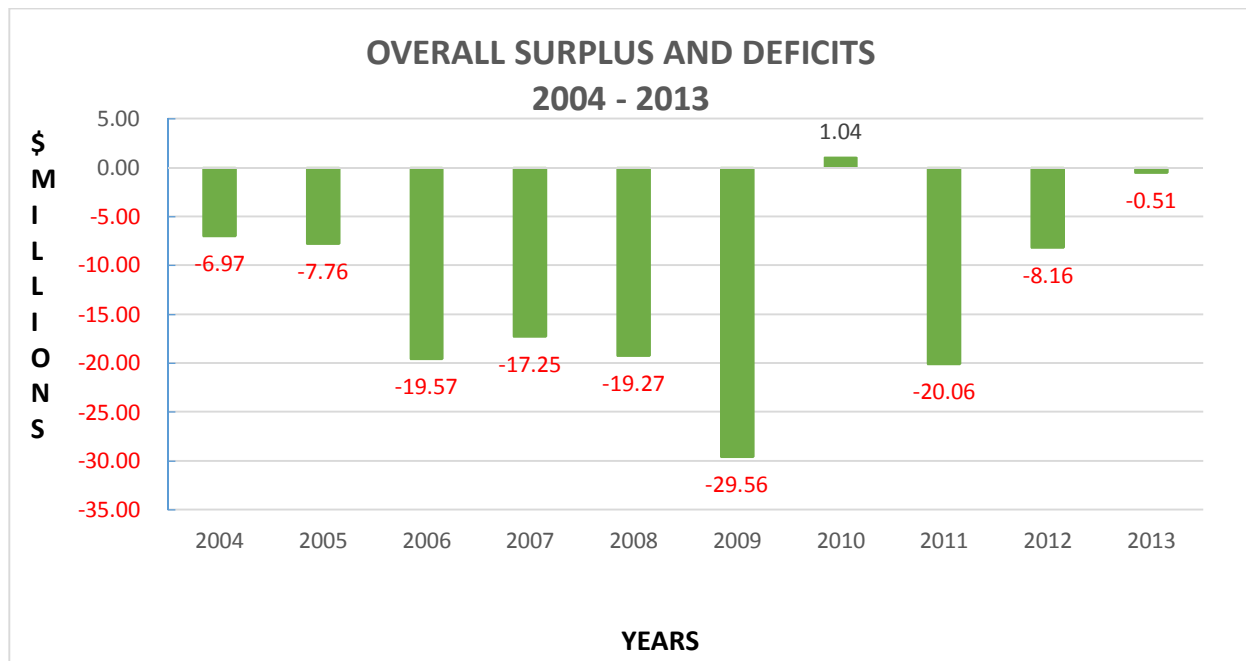
It is reasonable to conclude therefore that the Ministry of Finance was able to exercise much more control over the spending, than it did in the previous year. Also, given the fact that Elections were held in January 2013, it is normal to expect that spending levels would have been elevated in the previous year.

The following graph shows the results on the Current account covering the eleven years 2003 to 2013:



Unfortunately or otherwise, there was only one year in that eleven year stretch when a surplus was realized; and that was in 2005. The accumulated Deficits on the current account for that period exceed \$128 million.

The overall annual results of a surplus and deficits (Current and Capital accounts) during the period 2004 to 2013 are shown in the following graph:



The historical data shows several years of Deficit results. In fact, the string of deficits started back in 1998 coming forward until it snapped in 2010. In this period of ten years shown in the graph, the one (1) surplus result that was managed was barely over \$1 million, in the year 2010, to end the deficits streak. On the other hand, the nine (9) deficits shown, total in excess of \$129 million. **Later in the analysis it will be shown where the overall accumulated deficit now exceeds the \$200 million level, and this was at the end of 2012.**

The financing of these annual deficits must be serviced. As they mount, their servicing becomes a more onerous tax burden. Although this information is dated, it reflects that point in time when the country was in an IMF program designed to relieve the stranglehold of servicing the mounting debt levels.

4. ANALYSIS OF THE FINANCIAL STATEMENTS

4.1 THE STATEMENT OF RECEIPTS AND PAYMENTS

The Financial Statements as presented do not show any of the data in reference to any Ministry or Departments of Government. This is true for all four statements, viz: Statement of Receipts & Payments; Statement of Budget & Actuals; Statement of Revenue & Expenditure; and the Statement of Financial Assets & Liabilities.

Recognising that the Budget and in particular the Appropriation Act sets out Government's plans for revenue and spending as per the various Programs in each Ministry, the Audit Office made a request for additional information to enable us to Report to the Assembly, and by extension to the general public, along the lines of what was approved by the Assembly.

Hence three Summaries were presented: Summary of Recurrent Revenue; Summary of Recurrent Expenditure; and a Summary of Capital Expenditure. These summaries present the Budget allocations versus the Actuals incurred / realized, according to the Ministries.

Although the Financials are prepared and presented in accordance with IPSAS, (see Sec 3.1) which are the International Standards now adopted by the Treasury, their brevity and absence of certain details may not meet local expectations. This is not to say the details and other specifics are not there, just that they are not presented in the usual format. Hence, this first Report will be a test of how well those expectations have been managed.

The statement of Receipts and Payments shows the receipts and payments detailed under three broad Activities. The following table summarizes these results:

	2013	2012
Net Cash Flow from Operating Activities	5,174,697	639,645
Net Cash Flows from Investing Activities	1,710,615	(3,277,093)
Net Cash Flows from Financing Activities	<u>(5,642,752)</u>	<u>(1,455,442)</u>
Net Increase / (Decrease) in Cash	1,242,560	(4,092,890)
Opening Cash Position	(68,159,206)	(64,066,316)
Yearend Cash Position	(66,916,646)	(68,159,206)

The Receipts from Operating Activities total \$121.15 million in 2013 and 119.68 million in 2012. Whereas the Payments total \$115.98 million and 119.04 million for 2013 and 2012 respectively, giving the net cash flows for Operating Activities summarized above.

The following is the entire statement of Receipts and Payments for 2013, with comparative data for 2012:

NEVIS ISLAND ADMINISTRATION		
STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31 2013		
RECEIPTS	2013	2012
	\$	\$
Taxes on Income	11,555,725	12,989,573
Taxes on Property	2,217,448	2,134,255
Taxes on Domestic Goods and Consumption	36,248,321	21,594,028
Taxes on International Trade and Transactions	40,201,713	50,749,878
Budgetary Grants		
Utilities	5,010,232	5,443,348
Fines, Fees & Forfeitures	15,938,995	15,400,743
Postal Services	538,892	490,699
Other Receipts	9,334,734	7,512,668
Repayment of Personal Advances	10,719	54,302
Repayment of Subsistence Advances	91,122	303,643
Repayment of Other Government Advances	7,600	3,007,899
PAYMENTS		
Personal Emoluments and Wages	-60,940,346	-56,129,113
Goods and Services	-23,489,185	-25,903,190
Transfers and Subsidies	-12,077,338	-12,947,614
Interest Payments	-18,058,143	-21,803,050
Issuance of Personal Advances	-10,500	-108,801
Issuance of Subsistence Advances	-190,230	-580,179
Issuance of Other Government Advances	-1,215,062	-1,569,444
Net Cash Flows from Operating Activities	5,174,697	639,645
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Proceeds from sale of land and properties	0	199,553
Interest, Dividend and Currency	9,501	125
Capital Grants	8,272,370	11,247,781

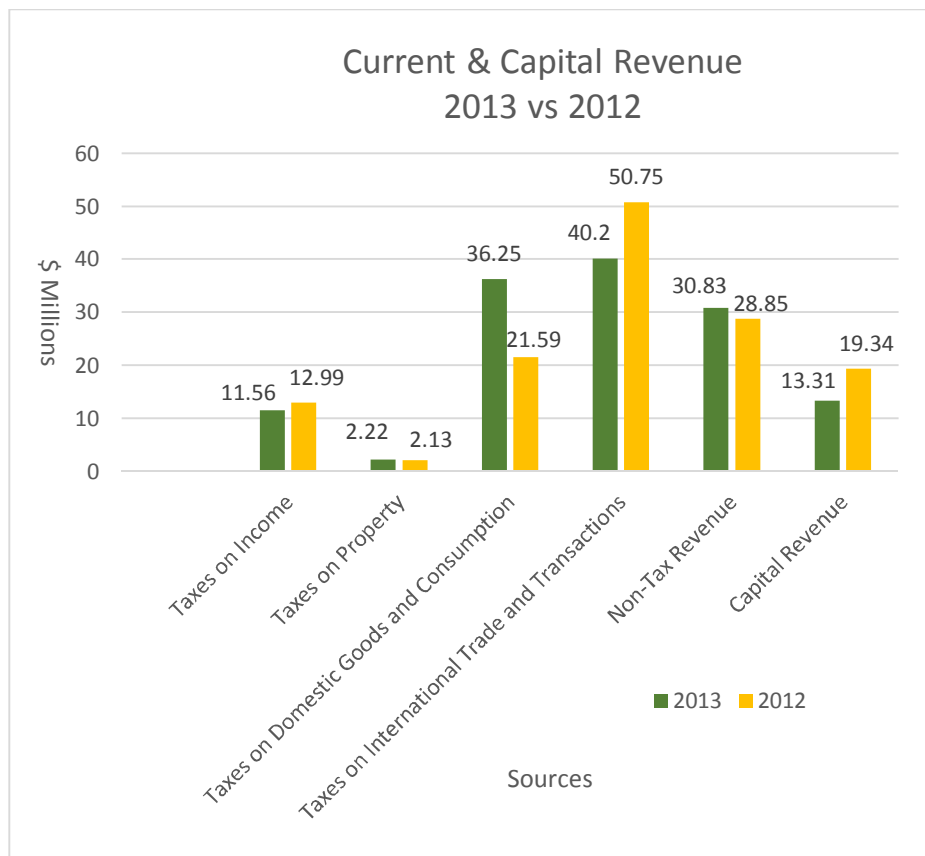
Repayment of Other Advances		
Returns on Investments		
Receipts from Trust Funds	3,727,385	5,008,595
Receipts from Other Public Funds	76,111,861	69,208,413
Payments		
Capital Expenditure	-9,634,700	-17,681,686
Net Lending		
Issuance of Other Advances		
Purchase of Investments		
Outflows from Trust Funds	-5,012,321	-8,377,423
Outflows from Other Public Funds	-71,763,480	-62,882,451
Net Cash Flows from Investing Activities	1,710,615	-3,277,093
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from borrowings - Foreign	0	7,893,245
Proceeds from borrowings - Domestic	5,042,466	
Payments		
Repayment of borrowings - Foreign	-2,750,157	-2,592,013
Repayment of borrowings - Domestic	-7,935,061	-6,756,674
Net Cash Flows from Financing Activities	-5,642,752	-1,455,442
Net increase/(decrease) in cash	1,242,561	-4,092,890
Cash at the beginning of the period	-68,159,207	-64,066,318
Cash at the end of the period	-66,916,646	-68,159,208

4.2 STATEMENT OF REVENUE

The following is the statement of Revenue and Expenditure for 2013 with comparative data for 2012 as presented:

NEVIS ISLAND ADMINISTRATION		
STATEMENT OF REVENUE AND EXPENDITURE		
FOR THE YEAR ENDED DECEMBER 31 2013		
	2013	2012
REVENUE	\$	\$
Taxes on Income	11,555,725	12,989,573
Taxes on Property	2,217,448	2,134,255
Taxes on Domestic Goods and Consumption	36,248,321	21,594,028
Taxes on International Trade and Transactions	40,201,713	50,749,878
Non-Tax Revenue	30,832,353	28,847,584
Capital Revenue	13,314,836	19,340,578
Budgetary Grants	0	0
Total Revenue	134,370,396	135,655,896
EXPENDITURE		
Personal Emoluments and Wages	-60,940,346	-56,129,113
Goods and Services	-23,489,185	-25,903,190
Transfers and subsidies	-12,077,338	-12,947,614
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Principal payments	-10,685,218	-9,348,687
Total expenditure	-134,884,930	-143,813,340
Deficit	-514,534	-8,157,444

Initially, the analysis would be on the Revenue section of the statement, with the Expenditure analysis coming later. The following graph is provided to add some perspective for comparison of the revenue figures in both years:



Actual Revenue collections on both the current and capital accounts have not been up to the anticipated levels. The total budgeted revenue for 2012 of \$163.29 million projected that \$128.72 million would be realized on the current account and the balance of \$34.57 million on the capital account would come from grants and loans. The actual results for 2012 reveal that only \$116.51 million was raised on the current account and \$19.34 million on the capital account.

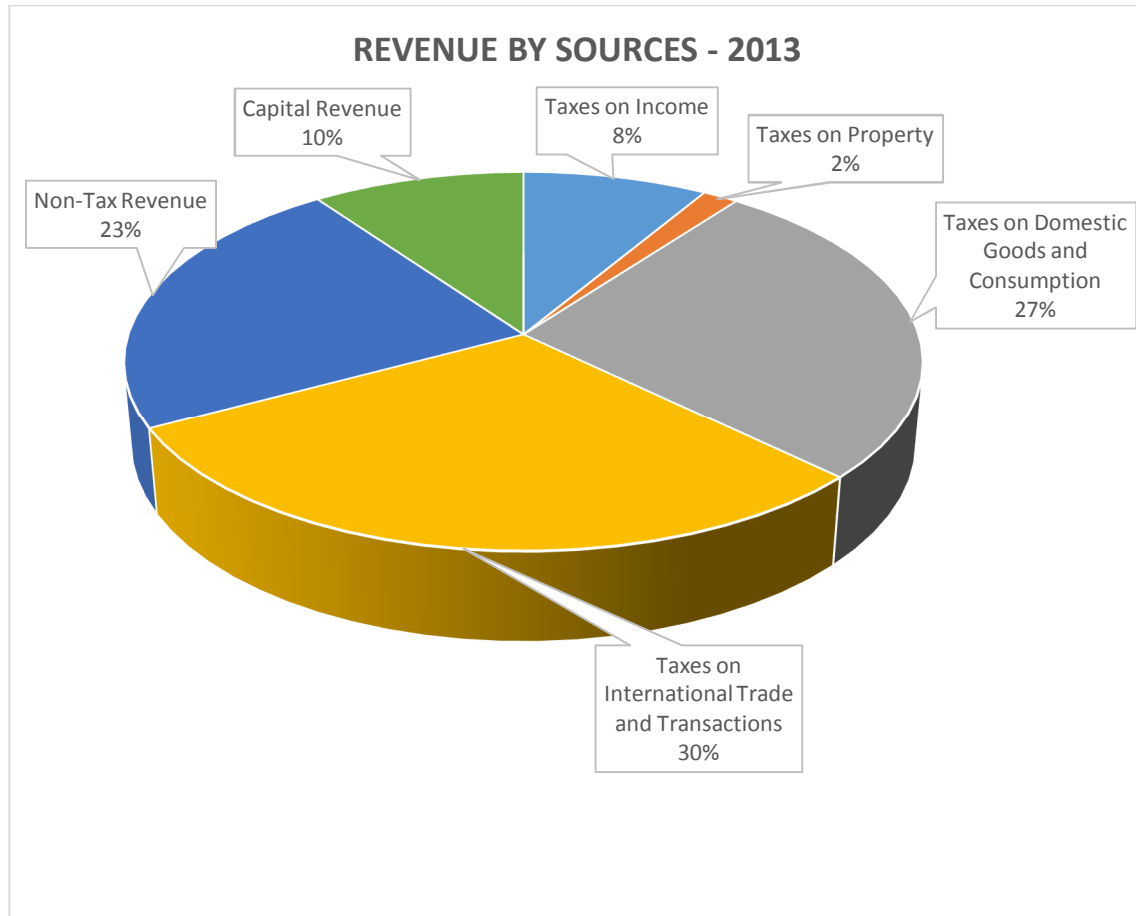
Although the 2012 figures fell short of projections, there was an overall improvement from the 2011 performance which saw a 7% increase in revenues. The main reason for this increase came from grants received from the SIDF in the amount of \$11.25 million during 2012.

Turning to the 2013 performance, the projected revenue was \$123.02 million on the current account and for the capital account it was only \$3.87 million of which loans would be \$1.08 million and grants \$2.79 million.

The current revenue was projected at \$5.7 million or 4.4% less than the 2012 budget of \$128.71 million. Also, on the capital account, the revenue projections were reduced by \$30.69 million or 88.8% from that of 2012. The justification (in the 2013 Budget Address) for this reduction of revenue on the current account was that it was to be seen as a 5.58% growth based on the actual performance in 2012; and not as a reduction from the then budgeted level in 2012.

The actual outturn in 2013 realized \$121,055,560 on the current account versus its budget of \$123,019,426. A resulting shortfall of \$1.96 million. Compared with the 2012 result of \$116.51 million, the 2013 result reflects an increase of \$4.55 million or 3.9%. Of course not quite making the 5.58% growth, but getting reasonably close.

The following chart shows the proportion of contributions to the recurrent revenue pie by the major sources during 2013:



As can be seen in the graph above, taxes on International Trade and Transactions account for 30% and the largest contributor to the revenue in 2013. Likewise in 2012, its contribution was 37%. Non-tax revenue was next with 23% in 2013 and 21% in the previous year. Taxes on Domestic Goods and Consumption recorded the largest shift in contributions by moving from 16% of revenue in 2012, to 27% in 2013.

The Summary Revenue statement presents the same data, but by Ministry responsible for their revenue collections; and even this is in a highly summarized format at the Program level, for the Current account:

MINISTRY	BUDGET 2013	ACTUAL 2013	ACTUAL 2012
Legal	135,000	173,011	144,066
Premier	1,421,983	1,930,834	2,284,242
Finance	112,616,067	105,550,601	100,023,155
Min of Works	6,866,786	5,708,121	6,131,891
Min of Agriculture, Lands	421,000	241,219	209,065
Min of Health	1,553,090	1,338,831	1,381,957
Min of Education and Library	5,550	7,131	3,660
Min of Social Development	-	40	0
Min of Trade, Industry etc.	-	6,105,772	6,336,835
Total Current Account Revenue	123,019,476	121,055,560	116,514,871
Capital Account Revenue	8,300,000	13,314,836	19,340,578
Grand Total Revenue	131,319,476	134,370,396	135,655,896

The Ministry of Finance and its Departments have the responsibility for collecting over \$100 million in revenues. Despite having the best results, their performance fell short of their budget.

It must be stated that the omission of a budgeted figure for the Ministry of Trade, Industry and Consumer Affairs is **NOT** an oversight or error. Trade, Industry and Consumer Affairs is now part of the Ministry of Finance and their budget is now included at that point.

I can point out that the 2012 revenue budget for the Ministry of Trade and Consumer Affairs was \$7.19 million and the actual is as shown at \$6.34 million. The planned revenue for 2013 was \$7.12 million and the actual fell short by a full \$1.0 million.

Amongst the seven (7) major revenue heads for which estimates are prepared, three sources recorded revenue as being “over the estimate” during the 2013 fiscal year. These were Legal; Premier; and the Ministry of Education and Library.

LEGAL SERVICES

The Legal Services program was estimated realize \$145,000 in 2012 and as seen in the table above the actual amounted \$144,066; hence falling short by just \$934. These funds were generated from the Registration of Companies, \$43,350 and Unclassified revenues of \$100,716.

In 2013 the actual collections totalled \$173,011 against a reduced budget of \$135,000. The funds were generated from: Registration of Companies \$45,450 and Unclassified revenue of \$127,561.

It must be noted that revenues from the Registration of Companies has once again increased by more than double. They have recovered from the 2011 low figure of \$21,750 to the new levels shown in 2012 and 2013. The overall performance of the Legal Services shows a recovery 28.2% or \$38,011 over the budgeted 2013 figures.

PREMIER'S MINISTRY

This Ministry has two major programs for revenue collections and as noted, was one of the Ministries that surpassed its target, by \$508,851 or 35.8% in 2013. In 2012 the budget was also surpassed by \$954,332 or 71.8%.

The Administration program, which is responsible for Passports, Permits etc. and Work Permit ID fees, had a target of \$1.10 million and generated \$1.56 million. This amount is to the credit of Passports, Permits etc. which realized \$1,483,126; Work Permit ID fees were \$14,925 and Unclassified revenue was \$60,204.

The Magistrate & Registrar's Program had a target of \$232,000 and its actual was \$240,508 recording an excess of \$8,508. Fines and Forfeitures for 2013 accounted for the majority of this program's revenue with \$239,900.

In 2012 the Sale of Passports, Permits etc. amounted to \$1.52 million in contributing to the \$2.28 million collected by the Ministry. Also, Fees, Fines and Forfeitures amounted to \$325,100 and Unclassified was \$382,827.

The Government Press and Public Relations program collected \$112,472 towards the total revenues for the Ministry in 2013. Their performance in 2012 was slightly better, as the revenue reported amounted to \$117,888.

MINISTRY OF FINANCE

There are now six Programs for revenue collection under this Ministry with the addition of Trade, Industry & Consumer Affairs. For the most recent year in the period under review over 91.5% of the budgeted recurrent revenue is allocated to the Departments within the Ministry of Finance. The actual collections of \$105.6 million represent over 87.2% of the recurrent revenue collected for the year.

The Ministry of Finance projected a downturn in revenue collections from all of its collections departments in 2013. In fact the overall budget projection for the Ministry was reduced by

\$6.96 million. This was spread across four of the six Programs identified to be Inland Revenue; Customs; Regulation & Supervision; and the Supply Office.

Customs:

The decrease in the Customs revenue budget was \$1.88 million in 2013. It was estimated that Customs would realize \$38.56 million for the year 2013. The actual collections of \$40.15 million compares favourably against the budgeted figure. It also did much better than the \$34.56M collected in 2012.

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:

	2013	2012	2011	2010	2009
Consumption tax	288,121	157,167	320,196	13,439,067	15,598,383
Import Duties	9,625,437	8,715,777	9,715,262	8,040,175	7,609,223
Customs Service Charge	7,280,256	6,328,776	6,970,547	6,558,744	5,645,356
Environmental Levy	682,265	446,528	496,241	545,659	648,350
Excise Duty	4,903,172	3,299,684	5,087,639	198,411	182,219
Value Added Tax	17,124,016	15,375,391	16,889,350	2,355,192	-

Just to make the point that Consumption tax has moved from a high of \$15.6 million in 2009 to now a mere trickle of \$288K in 2013. On the other hand, VAT in its first full year of operation in 2011 realized \$16.89M, then dipped in 2012 and recovered in 2013 to realize \$17.1 million.

Import Duties amounted \$9.6M for the year 2013. Included in this amount are Duties on Articles other than Alcoholic Liquors \$9.52 million and Duties on Alcoholic Liquors of \$106,017. Customs Officers Fees only amounted to \$62,694 and Unclassified revenue was \$167,237.

Inland Revenue:

The Inland Revenue Department projected revenue collection were set at \$54.32M in 2013. This represented collections to be about 48.2% of the Ministry's responsibility. The IRD realized revenue amounting to \$50,296,779. This was less than the \$53.13M collected in 2012 and also less than the \$52.13M of 2011. The anticipated falloff in revenues was indeed realized as the IRD failed to meet the reduced target that was set.

Notable among the variations in performances between the two years were:

	Actual 2013 \$	Actual 2012 \$	Variance \$
Stamp Duty – Property	10,492,947	12,576,696	-2,083,749
Business & Occupation Licenses	463,502	424,037	39,465
Social Services Levy	8,324,117	7,773,406	550,771
Wheel Tax	1,927,576	1,869,035	58,541
Hotel Rooms & Restaurant Tax	-	13,342	-13,342
Licenses – Drivers, Temporary	312,263	312,398	-135
Licenses – Drivers, Permanent	360,824	348,578	12,246
Income Tax	3,123,956	5,086,608	-1,962,652
House Tax	1,892,783	634,482	1,258,301
Land Tax	322,660	1,499,773	-1,177,113
Value Added Tax	18,296,728	15,939,884	2,356,844

Further recovery is noted in the Value Added Tax and House Tax. However the House tax is still short of the \$2.1M collected in 2011. The concern about the falloff in House tax triggers questions about property values, or if indeed the tax net needs mending as too many persons fell through in 2012, when barely over half a million dollars was collected. Coupled with that are two more indicators in Stamp Duty on Property and Income Tax also down by \$2M each.

Stamp Duty- Property collections did show signs of improvement from 2010 through to 2012. It recovered from a slump to \$5.8M in 2009, to reach a new high in 2012 of the \$12.5M shown.

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. However the point must be made that these figures are in fact misleading from what is the reality of the situation. With the introduction of VAT in 2010, the Hotel Rooms and Restaurant tax have been replaced with a VAT rate of 10%. The collection of this tax from the hotels is not separately reported in the IRD or the Treasury. Hence a different indicator may have to be developed, or more data mining done.

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 downward trend continued until 2011 when the revenues were almost the same, with Temporary \$322,558 and Permanent \$322,496. The 2012 and 2013 results show a slight reversal in the income.

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

	2013	2012	2011	2010	2009
Stamp Duty – Property	10,492,947	12,576,696	10,521,912	7,264,406	5,867,655
Business & Occu. Licenses	463,502	424,037	390,782	453,749	434,070
Social Services Levy	8,324,117	7,773,406	7,833,799	6,226,233	7,758,178
Wheel Tax	1,927,576	1,869,035	2,018,414	2,108,476	2,196,187
Hotel Rooms & Rest. Tax	-	13,342	838	1,564,185	1,631,514
Licenses – Drivers, Temp.	312,263	312,398	322,558	317,765	360,401
Licenses – Drivers, Perm.	360,824	348,578	322,496	317,284	290,156
Income Tax	3,123,956	5,086,608	4,665,356	4,698,654	5,008,729
House Tax	1,892,783	634,482	2,119,421	1,628,165	1,960,668
Land Tax	322,660	1,499,773	41,584	167,412	1,880
Travel Tax	288,955	426,956	352,994	437,836	329,032
Traders Tax	12,597	11,655	486,331	294,626	405,068
Value Added Tax	18,296,728	15,939,884	18,624,272	720,102	-

Regulation and Supervision:

This area of revenue collections continues to perform well. A budget of \$12.18 million was set for 2013 and actual collection was \$12.64 million. The 2013 budget was in fact reduced from the \$13.11 million set in 2012. The actual collection of \$11.74 million in 2012 was somewhat short of the projection and the recovery in 2013 is noted especially after considering the \$11.42 million realized in 2011.

Revenue from most of the key areas showed improved performances in 2013 as compared with the 2012 results. In particular, the Registration of Offshore Companies amounted to \$953,802 in 2013 compared to the \$897,440 collected in 2012 and was also much better than the \$908,726 collected in 2011. Likewise the Annual Fees in 2013 amounted to \$7.52 million versus the 2012 amount of \$7.13 million. Penalties accounted for \$1.27 million and \$1.09 million in 2013 and 2012 respectively. Registration - Captive Insurance Companies realised \$868,526 in 2013 which was an improvement on the \$736,398 in 2012 and also the \$604,206 in 2011.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry had a projection of \$6.87 million for revenue in 2013. Collections amounted to only \$5.71 million, resulting in a shortfall of \$1.16M. The majority of the revenue for this Ministry was expected to flow from the Water Services Department, which had a budget of \$6.18 million or 90% of the total. Actual collections from the Water department was only \$5.01M with Water Rates accounting for \$4.94M and New Connections providing \$0.066M.

The Post Office contribution of \$0.372M comprised P.O. Box rentals of \$0.042M; Sale of Postage Stamps \$0.313M and Express Mail \$0.013M. The Philatelic Operations also contributed \$0.167M towards the 2013 revenues and \$0.143M in respect of 2012.

MINISTRY OF HEALTH, GENDER AND SOCIAL AFFAIRS

The Ministry of Health had a moderate budget increase from the \$1.36 million in 2012 to \$1.55 million in 2013. It should be pointed out that the 2012 budget was also a decrease from the \$1.48 million that was set in 2011. Back in 2011 the targeted revenue was attained and surpassed as the Ministry generated actual revenue of \$1.52 million, which was \$41,055 or 2.8% over the budget.

In 2012, the actual collections amounted to \$1,381,957 reflecting a slight increase over the budget. However, the 2013 collections only amounted to \$1,338,831 thus falling short of the \$1.55 million projection.

The Ministry's major sources of revenues come from the Medical University fees and Hospital fees. Medical University fees were estimated for \$0.76 million for both years (2012 and 2013). The 2013 collections amounted to \$641,471 and these were less than the \$715,733 collected in 2012. Already a declining trend in collections is noted as the amount realized in 2011 was \$744,295.

At the Alexandra Hospital, the budget was increased from \$500K in 2012 to \$700 for 2013. The target for 2012 was attained as collections totalled \$569,551. However, collections in 2013 only amounted to \$599,885. Although this was an increased performance over 2012, the 2013 actual revenue fell short of the target set. Again, the revenue level attained in 2011 was much higher, at \$682,519.

The other item of revenue for the Ministry of Health is Unclassified and this amounted to \$97,474 and \$96,650 in 2013 and 2012 respectively.

Now under the Ministry of Finance, the Supply Office had its revenue budget slightly decreased from \$7.19 million in 2012 to \$7.12 million in 2013. The actual collections reflected this downward trend with amounts of \$6.11M and \$6.34M in 2013 and 2012 respectively.

4.3 STATEMENT OF EXPENDITURE

The Nevis Island Assembly passed the 2013 Appropriation Act on April 26, 2013 and this authorized Recurrent Expenditure of \$124,690,941 on thirteen (13) Program Heads and Capital Expenditure of \$24,191,783 for eight (8) of the thirteen Programs Heads.

The 2012 Appropriation Act was passed on December 16, 2011 and authorized spending of \$127,342,368 on the current account and \$51,800,741 on the capital account.

During the 2013 financial year, with the exception one (1) Program Head, all other Heads kept their spending on the current account well within the budgeted amounts provided. The recurrent expenditure amounted to \$125,250,230 resulting in a net over-expenditure of \$559,289.

The one Program to exceed its spending limit was the Ministry of Finance, Statistics, Economic Planning, Trade, Industry & Consumer Affairs. This Ministry overspent its \$58.9 million budget by \$8.69 million. As a result of savings from the other Program Heads, the net excess was as stated only \$0.56 million.

The results in 2012 were somewhat different. There were five (5) Program Heads with excess spending on their allocations. However, their excesses were not enough to wipe out the savings accumulated by the others. Hence there was a net savings on the overall budget of \$1.21 million, as total expenditure amounted to \$126,131,653.

The following tables show some of the savings and the excess in both dollar amount and as a percentage of the budget allocation for 2013.

PROGRAM	Actual	Savings	
	\$	\$	%
Ministry of Communications, Works, etc.	8,576,224	1,772,843	17.1
Ministry of Agriculture, Lands, Housing, etc.	4,185,553	426,910	9.3
Ministry of Health	12,426,920	222,358	1.7
Ministry of Tourism	2,113,386	180,950	7.9
Ministry of Education & Library Services	17,307,918	2,098,921	10.8
Human Resources	950,116	1,175,135	55.3

PROGRAM	Actual	Excess	
		\$	%
Ministry of Finance, Stats., & Econ. Planning, Trade, Industry & Consumer Affairs	67,592,975	8,693,280	14.8

In 2012 was one of the few years that the Ministry of Finance did not overspend its budget. Its actual expenditure was only \$54.82 million against its budget of \$58.34 million, thereby realising savings of \$3.52 million. The Ministry of Communications et al. also realized savings of \$1.78 million as its expenditure of \$8.09M was well within its allocation of \$9.9M.

Another significant saving of \$0.7M was realized by the Ministry of Health, where spending was \$12.5M from a budget allocation of \$13.2M.

Some of the bigger over-spenders in 2012 were the Premier's Ministry with an excess of \$0.31M; the Ministry of Education was over its budget by \$1.04M; the Ministry of Trade, Industry and Consumer Affairs spent \$3M more than it was given and the Ministry of Social Development provided \$0.68M towards the excesses in that year.

DEPUTY GOVERNOR GENERAL

The Allocation to the Office of the Deputy Governor General for 2013 was \$318,921. A total of \$289,897 was spent, thereby realizing a saving of \$29,024.

In 2012 the allocation to the Deputy Governor was \$314,890 and the actual spending was \$291,467. All amounts were kept within budgeted levels and the savings realized were \$23,443.

LEGISLATURE

The budget set for this program was \$637,481 and Actual Expenditure amounted to \$431,621 thereby recording savings of \$165,860. All the charges incurred were within budget limits for 2013.

The allocation for 2012 was \$612,134 and the actual incurred was \$604,454. Although this was within spending limits there was over- expenditure on one object code, Purchase of Furniture and Tools in the amount of \$19,855. The budget allocation for this item was only \$3,077 and actual expenditure amounted to \$22,932 hence the overspending. However, savings in the other areas of the budget allowed for a reallocation of funds to cover the excess and the net savings is as stated.

The observation must be made that there is a second Program that was budgeted under Legislature in the name of "Office of the Opposition Leader". In 2013 and in 2012, there was \$25,300 allocated to this area. No spending was recorded for these years. The following budgeted allocations have been made during the periods stated in the table:

YEAR	BUDGET \$	EXPENDITURE \$
2007	56,500	-
2008	57,000	-
2009	54,000	-
2010	31,050	-
2011	Removed	
2012	25,000	-
2013	25,000	-

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 2013, despite the provisions to do so.

LEGAL

A total of \$724,914 was allocated between the Two Expenditure Programs for the Legal Department namely Administration and Company Registry which received \$0.649M and \$0.076M respectively.

A total of \$662,415 was spent with the Administration incurring \$0.589M and the Registry \$0.073M. The overall spending was within the budget limits. However Travel expenses went over its budget by \$1,620 and Office & General Expenses was over by \$4,200.

Similarly, although spending in the previous year, 2012, amounted to \$0.744M it was kept well constrained to budget limits, with \$0.67M being incurred by Administration and \$0.073M by the Registry.

PREMIER

Administration

This Activity was allocated \$2.08M and incurred \$1.91M in 2013. There were just two instances where the budget was overspent. The Operations and Maintenance vote was allotted \$0.020M and it incurred \$0.051M. The main contributor to this was Building maintenance which totalled \$0.036M during the year. The other instance was in relation to Subventions to Statutory Bodies. This exceeded its budget of \$0.15M, by a further \$3,400.

In 2012 the Admin Program was provided with \$2,077,058 and it spent \$2,523,138. The excesses can be attributed to at least nine of the Object codes which went overboard. Excesses were incurred on Personal Emoluments; Wages; Allowances; Travel Expenses; Subvention to Statutory Bodies; Repairs & Maintenance of Equipment / Vehicles; Rental of Assets; Professional & Consultancy Services. As can be seen, the net result is an excess of \$0.5M or 21.5% of the budget allocation.

The major areas of over expenditure were: Personal Emoluments, Travel & Subsistence, Rental of Assets and Production & Marketing Expenses. The allocation for Personal Emoluments was \$985,928 the amount incurred was \$1,011,085. Wages had a budget of \$565,575 and incurred \$626,364; The Travel & Subsistence had \$0.075M budget yet a total of \$126,846 was expended. Rental of Assets had a nominal budget \$1,000 yet a total of \$122,943 was charged to it. Production and Marketing Expenses received a budget of \$0.059M and yet incurred more than 3 times that amount to total \$180,742.

Registrar

A Total of \$767,837 was allocated for this Program in 2013 and the expenditure amounted to \$770,740 thereby resulting in a small excess of \$2,903. Spending in most of the areas was also within the budgeted total. In 2012 the budget was \$728,566 and a total of \$676,910 was incurred against it.

Magistrate

The Budget set for Magistrate Court was \$162,548 in 2013 and the Actual expenditure amounted to \$163,273 resulting in a small net excess on the budget of \$725.

The main culprit for the over-spending was Wages. This had a budget of \$58,203 and incurred a total of \$65,403. The other areas of spending were within limits and so reduced the excess to the net stated.

The 2012 allocation was \$157,052 and spending amounted to \$162,929. Again overspending by \$5.8K. In this instance both the Personal Emoluments and the Wages were in excess of their budget allocations. PE was budgeted \$87,641 and incurred \$93,948 against it and Wages had \$56,561 and incurred \$58,229. These combined for an excess of \$7,975 and was reduced to the net amount as a result of savings on the other object codes.

Labour

This Program was allocated \$392,572 and spending amounted to \$346,547. This expenditure was well within the budget allocated and hence provided a (net) saving of \$46,025. There was no over- spending on any of the object codes for Labour.

Disaster Management

The sum of \$277,039 was budgeted for this Activity and the expenditure amounted to \$265,514 resulting in a saving of \$11,525.

There was over expenditure on Personal Emoluments, where the budget allocation was \$195,297 but spending amounted to \$206,334. 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 \$806,516 and its expenditure amounted to \$763,546 resulting in a saving of \$42,970. Spending in 2012 was \$807,697 against a budget of \$844,434.

Overall, the Ministry and Departments of the Premier had a budget of \$4,486,456 and incurred expenditure of \$4,337,116; resulting in net savings of \$149,340. Despite the excesses recorded in some areas, there was enough savings to cover them

MINISTRY OF FINANCE, STATISTICS, ECONOMIC PLANNING, TRADE & INDUSTRY

The allocation to this Ministry and all its Departments in 2013 was \$58,899,695 and it incurred expenditure totalling \$67,592,975 for a net over-expenditure of \$8,693,280.

By comparison, in 2012 the Ministry was allotted \$58,339,767 and it spent a total of \$54,822,263 from its budget. The net saving was \$3,517,504.

It should be pointed out however, that in 2012, the Ministry of Trade, Industry, and Consumer Affairs was on its own and NOT part of the Ministry of Finance. The join came in 2013.

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 of \$10,937,727 against a budget of \$12,648,294. The spending in 2012 amounted to \$10.51 million against a budgeted \$12.4 million.

The Ministry of Finance takes on the servicing of a number of common costs across government, in an effort to gain some control over the level of spending. Some of these main items of expenditure were: Telephone costs of \$554,846; Internet Services of \$164,072; Subvention to Statutory Bodies \$31,484. In 2012, the Subvention total was \$631,710; National Celebrations and Local Hosting and Entertainment amounted to \$306,728; Professional and Consultancy Services \$433,405; Medical Insurance \$1,024,720; Claims against Government amounted to \$995,664; and Electricity bills total \$5.08 million.

Treasury:

The allocation to the Treasury in 2013 was \$32.55 million. Actual expenditure was \$41.39 million. This level of spending was \$2.09 million more than the \$39.3 million incurred in 2012. Hence there was a net level of overspending of \$8.84 million in 2013.

The key areas of common spending included Retiring Benefits, which amounted to \$7.46 million; the amount for retiring benefits shows a slight reduction from the \$7.58 million paid out in 2012. The other significant areas of expenditure were in respect of Domestic Debt Servicing, which cost \$12.32 million; Overdraft interest of \$7.04 million; Treasury Bills interest of \$5.66 million; Foreign Debt servicing of \$3.79 million; and the cost of extra Salaries and Wages \$4.2 million.

Trade, Industry and Consumer Affairs:

With the passing of the 2013 Budget in April, the Activities of this Ministry of Trade are included in the Ministry of Finance budgeted figures as a Program of the Ministry of Finance. As the Budget came in April 2013, the Ministry of Trade was already functioning as a Program Head at the start of the year. This adjustment was made in the Treasury accounts, but some expenditure remained in the old account until yearend and had to be tidied.

The Program Trade, Industry and Consumer Affairs incurred expenditure of \$7.08 million, against a budget of \$8.417 million.

The Ministry of Finance has maintained the structure that the Ministry of Trade had and provide budget allocations accordingly. The Admin program received an allocation of \$0.446M; Trade and Consumer Affairs received \$0.874M; and the Supply Office a total of \$7.097 million.

The Actual expenditure charged against these allocations were: Administration \$0.24M; Trade and Consumer Affairs \$0.288M; and the Supply Office incurred \$6.56 million. The total spending of \$7.09 million is already included in the Ministry Finance total mentioned earlier.

MINISTRY OF COMMUNICATIONS, WORKS & PUBLIC UTILITIES

This Ministry was allocated \$10.35 million, which represented a slight increase of \$0.49 million over what it received in 2012. Actual expenditure this year was \$8.58 million, compared to the \$8.09 million spent in 2012. Except for the Physical Planning department, all of the other four Programs in this Ministry realized net savings on their budget allocations, to provide the \$1.77 million savings recorded. Physical Planning spent \$737,180 against its budget of \$661,034.

Public Works:

The Public Works Program was allocated a reduced budget of \$4.64 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 \$3.83million.

Water Department:

This Department had an allocation of \$2.86 million and spent \$2.19 million, thereby realizing net savings of \$0.67M. The Administration and Billing Division incurred a total of \$427,519; For the Production Activity, total costs amounted to \$692,440; The Distribution Activity cost a total of \$1.03 million; and Quality Control cost was \$42,811.

MINISTRY OF AGRICULTURE, LANDS HOUSING & CO-OPERATIVES.

The Programs under this Ministry had a total allocation of \$4,612,463. The allocation was shared to: Administration \$405K; Agriculture Department \$3.7 million; Cooperatives \$241K; and Fisheries \$243K. The major share of this increase went to the Agriculture department, which received an increase of just over \$357,000.

Total expenditure incurred by the Ministry was \$4,185,553 resulting in net savings of \$0.427M.

Actual expenditure by the Agriculture Department amounted to \$3.34M. The department therefore had net savings of \$448,565. The Department of Cooperatives had actual expenditure totalling \$0.191M, which was less than the budgeted \$0.241M; The Fisheries Program incurred \$0.235M of its \$0.243M budget.

MINISTRY OF HEALTH

The allocation to this Ministry was \$12,649,278 and reflected a decrease from the \$13,202,831 provided in the 2012 budget. Actual expenditure incurred was \$12,426,920, which was some \$0.074M less than the \$12.5 million spent in 2012. Nevertheless, the spending by the respective programs under the Ministry was well within their budgeted amounts and hence provided overall savings of over \$0.222M.

Public Health:

The allocation to this Program was \$2.82 million and a total of \$2.63 million was spent. There are six Activities under this Program with the major expenditure being incurred by the District (formerly Community Nurse Services) Activity where \$0.853M was spent from a budgeted \$0.961M.

The key spending area within this Activity was on Supplies and Materials which totalled \$0.046M which reflects a significant reduction by half of what was spent 2 years earlier. Another major Activity, Environmental Health Services, was allocated \$0.914M from which it spent \$0.878M. Personal Emoluments and Wages were the main expenses for these Activities with \$834,971 collectively being spent from a budget provision of \$858,000.

Other Activities under this Program are Oral Health Services (Dental Unit) which incurred \$0.365M from its budget of \$0.376M; and Patient Care Services spending an excess of \$11,000 over its allocation of \$99,000. Also, the delivery of Psychiatric Services incurred \$0.16M of its budgeted \$0.2M.

Alexandra Hospital:

The budgeted operating expenses for the Program Alexandra Hospital increased slightly to \$7.44 million from the budget in 2012 when it was \$7.18 million. However, the 2012 budget was decreased sharply from the 2011 level of \$9.4 million.

The actual costs incurred amounted to \$6.74 million thereby providing savings of \$0.7M. This program now comprises four Activities with Patient Care consuming the most significant portion of \$3.9M.

Personal Emoluments, Wages and Allowances expenses of this Activity amounted to \$3.3 million out of the budgeted \$4.3 million. Another noteworthy expense is Supplies and Materials which incurred costs of \$0.231M. Despite the need to cut expenditure, the Ministry was very intent on 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.

It should also be noted that the Activity, Domestic and Nutrition Services accumulated expenses of \$1.17 million against a budget of \$1.126M. In this level of spending, Salaries and Wages accounted for \$0.944M while Supplies and Materials amounted to \$0.195M.

MINISTRY OF EDUCATION AND LIBRARY SERVICES

The allocation to the Ministry of Education and Library Services was \$19,551,839. This was a fairly moderate increase of only \$3.46 million over the previous year 2012. Actually, the budget for 2012 reflected a decrease of \$1.33 million or 7.4% from 2011. So the Education budgets also show significant variations 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.

For these two years under review the Actual incurred in 2012 was \$17.13M and in 2013 it is \$17.31M and well within the budgeted parameters.

The Education Department Program, which includes Administration, Early Childhood, Special Education and the Teacher's Resource Centre, incurred a total of \$3.14 million from a budget of only \$3.17 million. Some of the costs were: Early Childhood cost of \$0.72M; Special Education cost \$0.276M; and the Teacher Research Centre incurred \$86,000. There were a few instances of overspending on some Activities of the various sub- programs.

Primary Education costs amounted to \$6.2 million against a budget of \$7.34 million.

Secondary Education costs were \$6.66 million from an allocation of \$7.8 million. This included Charlestown Secondary with costs totalling \$3.7 million; Gingerland Secondary \$2.2 million and the Multi-Purpose Centre \$0.72 million.

The Public Library had an allocation of \$0.711M and incurred costs of \$0.614M.

Conclusion:

In reviewing the Detailed Statements of Expenditure it is clear that there is continued 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. These gaps may well result from reduced allotments and the Ministries and Departments are not making the required adjustments in time.

Alternatively, the budget allocations may be seriously insufficient to carry the Programs as designed or intended, due to the economic constraints or the Policy advocated by the Administration. In this case, the Ministries have to return to the “drawing board” to fashion a different program that would fit the available funds. In the meantime nothing substantial changes and the status quo continues.

Earlier in this report I indicated that the funds allocated to Personal Emoluments for the Audit staff were woefully inadequate to pay the existing staff in 2012. The reality of the situation was that no one was going to take the decision to send home anybody. But the situation dictated that was the course of action to take. Given that a budget submission would have been made by the Office, outlining the requirements, it makes it very awkward when changes are made that clearly cannot work. What came back as approved, couldn’t fund the Office to yearend. This was in reference to two Known costs:- monthly rental for the office and salaries for each staff. (no guesses or pie in the sky figures) Yet the allotment was all wrong.

Ministries have to get better at costing their programs and the Budget Office has to get better at not chopping in any fashion and at any costs.

The country has come through a very testing period with 2013 being no exception. It was an election year for the island and a new Administration came to Office. The results at the end of 2013 highlight the challenges. Negative cash flows from Financing Activities in both years. Negative cash flow from Investing activities in 2012, but positive in 2013. Then more important one, the positive cash flows from Operating activities in both years with a much better result \$5.17M in 2013 compared with \$0.64M for 2012.

While much progress is made with keeping expenditure in check, there are yet pockets of wastage and inefficiencies to combat. There are also issues concerning the control, care and custody of government funds (cash).

In the Audit Office we are not seeing enough timely deposits being made to the banks and reconciliations of cash and receipt books. This is an area that the Ministry of Finance may have to take the lead on in reviewing its cash management practices and policies for the entire Service. The Audit Office anticipates helping to make this happen sooner and perhaps early in 2017.

While it is acknowledged it 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”.

4.4 THE CAPITAL ACCOUNT

The 2013 Budget provided for Capital expenditure of \$24.19 million. The source of this spending was anticipated to be from Revenue in the amount of \$20.32M; Loans of \$1.08M; and Grants or Development Aid of \$2.79M.

Actual capital revenue realized in 2013 was \$13,314,836. The source of this revenue was domestic borrowing of \$5.04 million and Grants of \$8.27 million.

The following are some of the projects by various Ministries:

The Ministry of Communications, Works, Public Utilities and Posts accounted for \$5.77 million or 59.9% of the total capital spending. The Ministry of Health spent \$1.339 million; The Ministry of Social Development, Youth, Sports and Community & Gender Affairs incurred \$0.967 million on its projects and the Ministry of Tourism accounted for \$0.436 million on capital projects.

The Ministry of Communications spent \$2.34 million on the Purchase of various assets including land for capital development and various vehicles. The Public Works Department spent \$2.601 million including work on Hamilton road and other minor roads as well as \$118K on renovation of buildings. The Water department incurred \$0.827 million on upgrades to the water system.

The Ministry of Social Development, Youth, Sports and Community Development spent \$35,000 on various Community Centres; Sporting facilities accounted for \$0.19M; the St. James raceway used \$99,300; TriStar \$50,000; and New River \$0.365 million were all projects under this Ministry.

The Ministry of Tourism incurred \$0.436 million on various tourism development projects. The Ministry of Education spent \$0.173M on its programs.

The Ministry of Health overall spent \$1.339 million on projects that included Medical Supplies totalling \$0.997 million; the Urology Centre accounted for \$0.233 million; and a total of \$36,000 was spent on the Alexandra Hospital.

4.5 STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

The statements of Financial Assets and Liabilities as at December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Financial Liabilities		
Bank Overdraft (Net of Cash)	66,916,646	68,159,206
Net Deposits	51,196,566	46,848,186
Trust Funds	80,087,508	81,372,444
Advances	3,026,059	4,332,409
Total Liabilities	201,226,779	200,712,245
Accumulated Deficit	<u>201,226,779</u>	<u>200,712,245</u>

As noted, the **Accumulated Deficit** has now topped the \$200 million level, as at the end of the 2012 financial year. The Bank Overdraft at that time is stated in excess of \$68 million and was well over the agreed upon limit with the Bank, which was \$50 million.

By the end of 2013, the cash position had improved by a net amount of \$1.24 million. This resulted from the Overdraft balances being reduced by some \$4.38 million, even though the cash balances had worsened by \$3.14 million. As noted, the net cash & bank position was an Overdraft in the region of \$66.9 million at the end of 2013.

Audit noted requests from the Ministry of Finance to the bank for the Overdraft limit to be increased to \$60 million; and later another request for it to be extended to \$65 million. However, Audit does not note any formal response from the bank acknowledging any of these requests.

Although it would seem there was no formal agreement to increase the facility, a de facto \$60m Overdraft was allowed to exist until April 23, 2014 when **the Administration's payroll cheques were temporarily denied clearance.**

The series of events leading up to the denial, need to be properly documented with timelines, requests, responses, minutes of meetings and authorities or lack thereof; along with all credible bits of evidence for the story to be impartially told and then archived. There should never be a

repetition of circumstances where the arrangements for so vital an operation, could be so lax, that it renders the Administration paralyzed.

The summarized Statements of Receipts and Payments shows:

	2013	2012
Net Cash Flow from Operating Activities	5,174,697	639,645
Net Cash Flows from Investing Activities	1,710,615	(3,277,093)
Net Cash Flows from Financing Activities	(5,642,752)	(1,455,442)
Net Increase / (Decrease)	1,242,560	(4,092,890)
Opening Cash Position	(68,159,206)	(64,066,316)
Yearend Cash Position	(66,916,646)	(68,159,206)

The Trust Funds comprise primarily the outstanding Treasury Bills as at year end. The value of Treasury Bills as disclosed in the Public Debt statement at the 2013 year end was \$80.02 million (\$80,022,289).

4.6 STATEMENT OF PUBLIC DEBT

At the end of the period under review, December 31, 2013 the total Public Debt is disclosed as \$372,028,509 reflecting a decrease of \$27.87 million or just 6.98% from its previous level at the end of 2011. During this period, the Domestic portion increased to \$296,592,462 or by \$11.38 million or 3.98% and the foreign portion actually **decreased** to \$75,436,047 or by \$39.25 million or 34.2%.

The outstanding Treasury Bills as at the end of 2013 is disclosed at \$80,022,289 and reflects a net decrease of \$6.5 million or 7.5% over the two year period.

Both the Domestic and Foreign portions of the public debt include Government Guarantees which have been reduced over time. The Domestic Guarantees have moved slightly from \$15.26 million in 2011, to \$14.01 million at the end of 2013. The statement does not disclose to which institution(s) the guarantees relate. The Foreign Guarantees show much more of a decline, moving from \$40.17 million in 2011 to \$23.63 million in 2013.

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 the current position with comparative data:

PUBLIC DEBT:	2013	2012	2011
	\$	\$	\$
Domestic	296,592,462	278,022,777	285,217,435
Foreign	75,436,047	81,708,180	*114,684,177
Guaranteed – Domestic	14,011,669	15,641,789	15,265,150
Guaranteed - Foreign	23,632,146	25,354,379	40,174,969
Total Debt	372,028,509	359,730,957	399,901,612

****Revised Foreign debt figure from 2011, was \$113,859,308.***



5 AUDIT OPINION

In accordance with Section 76 (2) of the Constitution Order 1983 and Section 7 of the Audit Act No. 8 of 1990, I have audited the Public Accounts of the Nevis Island Administration for the years ended December 31, 2012 and 2013. These Financial Statements are the responsibility of the Treasurer, Nevis Treasury.

My Responsibility is to express an opinion on these Statements based on my audit.

The Financial Statements include the Receipts and Payments Accounts of the Nevis Consolidated Fund; Statements of Budget and Actuals; Statements of Revenue and Expenditure; Statements of Public Debt and the Statements of Financial Assets and Liabilities.

The Audit has been conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Standards.

These Standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. Audit procedures including examining on a test basis, evidence supporting the amounts and other disclosures in the accounts and the evaluation of accounting policies used as well as evaluating the overall the financial statements presentation.

In my opinion, the Financial Statements of the Nevis Island Administration represent the receipts and payments of the Treasury for the years ended December 31, 2012 and 2013.

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Antonette R Hodge (Ms)

For

Director of Audit

November 18, 2016.

5.2 ACKNOWLEDGMENTS

In conclusion, I express my sincere appreciation to the staff of the Nevis Audit Office who completed the audit assignments on the accounts for the two 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 dedication and commitment to the tasks and particularly to the Motto of working Towards Greater Accountability.

Indeed it is hoped that as these audit reports become more current and relevant and the backlog is cleared, there would renewed enthusiasm among the general public for the output of the Office.

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 building capacity in the Nevis Audit Office and for 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.

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Antonette R Hodge (Ms)

For

Director of Audit.

November 18, 2016

APPENDIX 1

UNAUTHORIZED EXPENDITURE 1988 - 2013

<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

1996:

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
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2002:

Min. of Finance	06020119	Debt Servicing	1,323,799.23
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2003:

Min. of Finance	06020119	Debt Servicing	1,199,238.57
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2005:

Legislature	020101	Administration	21,687.06
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Min. of Finance	0602	Treasury	2,550,831.58
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2006:

Min. of Finance	0602	Treasury	2,078,764.44
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<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.