



## Report of The Director of Audit



**On The Accounts of the  
Nevis Island Administration.  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**



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



**ST. KITTS AND NEVIS**

**NATIONAL AUDIT OFFICE**

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Honourable Mark Brantley  
Premier and Minister of Finance  
Nevis Island Administration  
Social Security Building  
Pinneys Estate  
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 year ending December 31, 2014.

Respectfully submitted,

Albert Edwards

On Behalf of the

Acting Director of Audit

January 31, 2018.

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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 for the period ended December 31, 2014.

### **1.2 AUDIT MANDATE:**

This Audit Report on the accounts of the Nevis Island Administration for the year ending December 31, 2014 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."

## **2. THE AUDIT OFFICE**

### **2.1 STAFFING:**

The fact that this Audit Report is almost 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.

The Office continued to deal with the staffing challenges during the year. The main issue was finding suitably qualified and committed staff for the senior management positions. Eventually in November, Ms. Seba Jones was appointed as Audit Manager, on transfer from the Ministry of Finance. As the Office still needed more staff, at that time, the addition of Ms. Jones was most welcomed.

### **2.2 BUDGET:**

The Nevis Audit Office had an approved Budget of \$298,287 for the fiscal year 2014. This budgeted allocation was a decrease of some \$90,125 or 23.2% from the 2013 allocation.

In 2013 the budget allocation was \$388,412 reflecting an increase of \$113,734 or 41.4% over the 2012 budget. 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 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 to compensate for the errors in 2012.

However in 2014, we are once again in the similar situation where the budget is cut by some \$90,125 to a level that is just \$3,713 more than the actual expenditure incurred in 2013. The actual expenditure of the Audit Office amounted to \$331,534 which resulted in over-spending by \$33,247 for 2014. Again the excess was due to inadequate funding to cover Salaries for the year.

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.

### **3. OVERVIEW OF THE PUBLIC ACCOUNTS**

#### **3.1 SUBMISSION OF ACCOUNTS:**

The Accounts of the Nevis Island Administration for the two years ending December 31, 2012 and 2013 along with the Audit Report on those accounts, were forwarded to the Honourable Premier on November 18, 2016. Those Accounts along with the Audit Report were tabled in the Nevis Island Assembly on December 18, 2016.

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.

The following statements in respect of the year 2014 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 done by the Administration.**

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 period January 1, to December 31, 2014.

### **Reporting Currency**

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

The accounts for the 2014 fiscal year were not prepared and submitted in the timeframe as allowed in the Finance and Administration Act. The Treasury department has been working to clear the arrears in the preparation of the Annual Accounts and is making good progress.

### **Comparative Information**

The 2014 financial statements have been prepared under the Cash Basis Standard of IPSAS and comparative information for the previous year, 2013, is included.

### **Appropriations**

The original budget was approved by legislative action in the Nevis Island Assembly by the passing of the Appropriation Act on December 18, 2013 for the 2014 budget. This action authorized the provision 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 these Annual Statements 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) require 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 year ending 2014 are for the operations of the NIA only. 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:

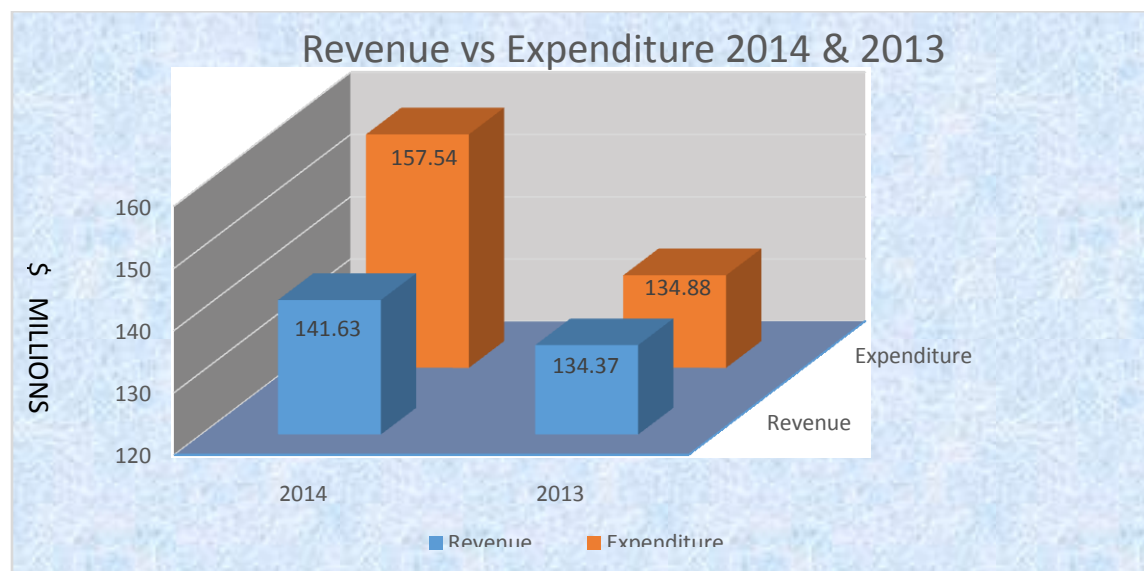
The accounts for the financial year ended December 31, 2014 disclose an overall deficit of **\$15.9 million** (\$15,912,720). This is a significant increase from the \$0.51 million deficit result in 2013.

Furthermore, the Estimated Deficit as presented in the 2014 Budget was stated at \$9.06 million (\$9,062,046). The current account was projected to have a deficit of \$1.05 million and the capital account's deficit was projected at \$8.01 million.

The Statement of Revenue and Expenditure, at page 4 of the Accounts, shows Grand total revenue of **\$141.63** million comprising Current Revenue of \$128,468,450 and Capital Revenue of \$13,163,251. Likewise, Current Expenditure for 2014 amounted to \$133,995,785 coupled with Capital Expenditure of \$23,548,636 for a Grand total expenditure of **\$157.54** million. Hence the resultant overall deficit.

In fact, total expenditure increased by some \$22.66 million; whereas total revenue increased by only \$7.26 million over the previous year's levels. This is reflected in the results that the current revenue increased by \$7.23 million, however the capital revenue decreased by \$0.15 million for the net increase in revenue as stated. On the other hand, current expenditure increased by \$8.75 million and capital expenditure increased by \$13.91 million over the 2013 levels.

Despite the improvement and increase in current revenues and the efforts at restrictions on the expenditure side, the **result on the current account was a deficit of \$5.71 million (\$5,712,417). The capital account also resulted in a deficit of \$10.38 million (\$10,385,385).** These results compare unfavourably with the Budgeted figures presented.



The following table presents the broad categories of the sources of Income and the areas of Expenditure during the reporting period, 2014, with comparative data for 2013:

NEVIS ISLAND ADMINISTRATION		
STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED		
DECEMBER 31, 2014		
REVENUE	2014 \$	2013 \$
Taxes on Income	13,006,276	11,555,725
Taxes on Property	2,561,142	2,217,448
Taxes on Domestic Goods and Consumption	21,814,113	36,248,321
Taxes on International Trade and Transactions	60,910,190	40,201,713
Non-Tax Revenue	30,176,730	30,832,353
Capital Revenue	13,163,251	13,314,836
Budgetary Grants	0	0
<b>Total Revenue</b>	<b>141,631,701</b>	<b>134,370,396</b>
<b>EXPENDITURE</b>		
Personal Emoluments and Wages	65,441,726	60,940,346
Goods and Services	30,658,391	23,489,185
Transfers and subsidies	12,005,153	12,077,338
Interest payments	16,686,875	18,058,143
Capital expenditure	23,548,636	9,634,700
Principal payments	9,203,639	10,685,218
<b>Total expenditure</b>	<b>157,544,421</b>	<b>134,884,930</b>
<b>Deficit</b>	<b>-15,912,720</b>	<b>-514,534</b>

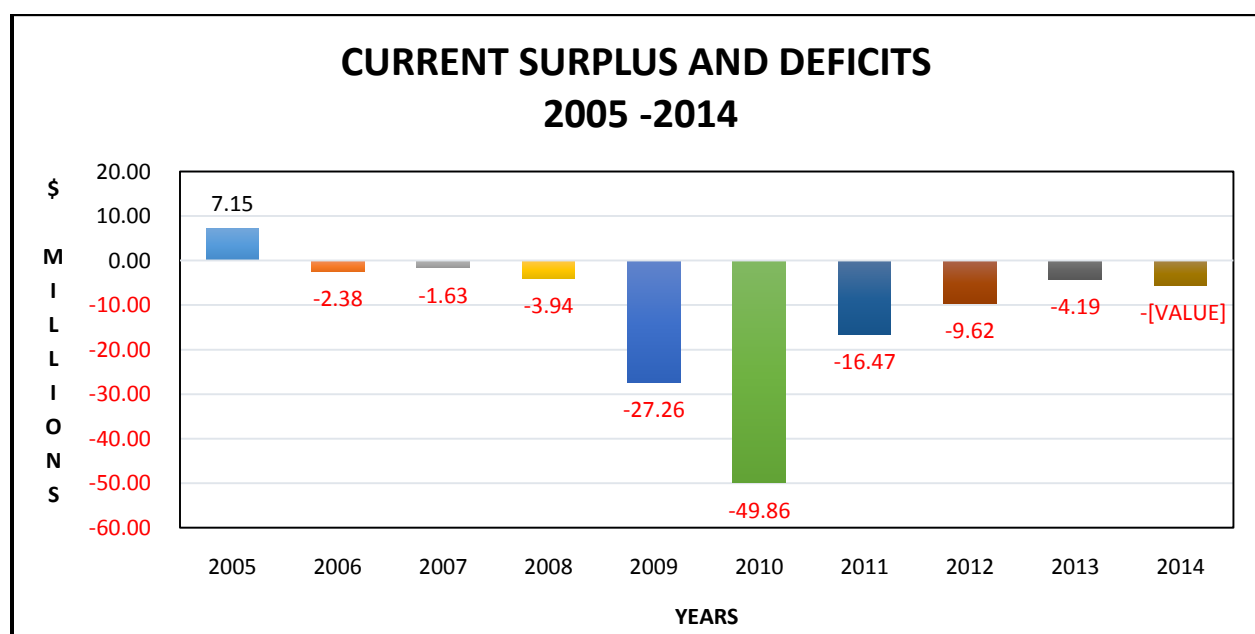
The Statement of Revenue and Expenditure presents the data by source of Revenue and by the classification of Expenditure. A cursory glance at the above table would reveal that the source of revenue classified as Taxes on International Trade and Transactions jumped by over \$20.7 million in one year. It has performed much better than it did in the past two years. In 2012, the amount collected was \$50.7 million, then it dropped in 2013 to \$40.2 million; and for the current year it is recorded at over \$60.9 million. However, Taxes on Domestic Goods and Consumption performed in the opposite manner. This source of revenue increased from \$21.6 million in 2012, to \$36.25 million in 2013, now it has fallen back down to \$21.8 million in 2014.

Taxes on Income and on Property had results showing very moderate increases in revenue as the variations were not as irregular. The Non-Tax revenue showed a reduction of \$655,623 from the amount collected in 2013.

On the Expenditure side it would be seen that more money was spent in 2014 on Personal Emoluments & Wages (\$65.44 million) and Goods & Services (\$30.66 million) as compared to spending level in 2013. On the other hand, reductions are noted in the Principal payments, the Interest payments and Transfers & Subsidies for the current year. Capital expenditure however amounted to \$23.55 million; whereas only \$9.6 million was spent in 2013.

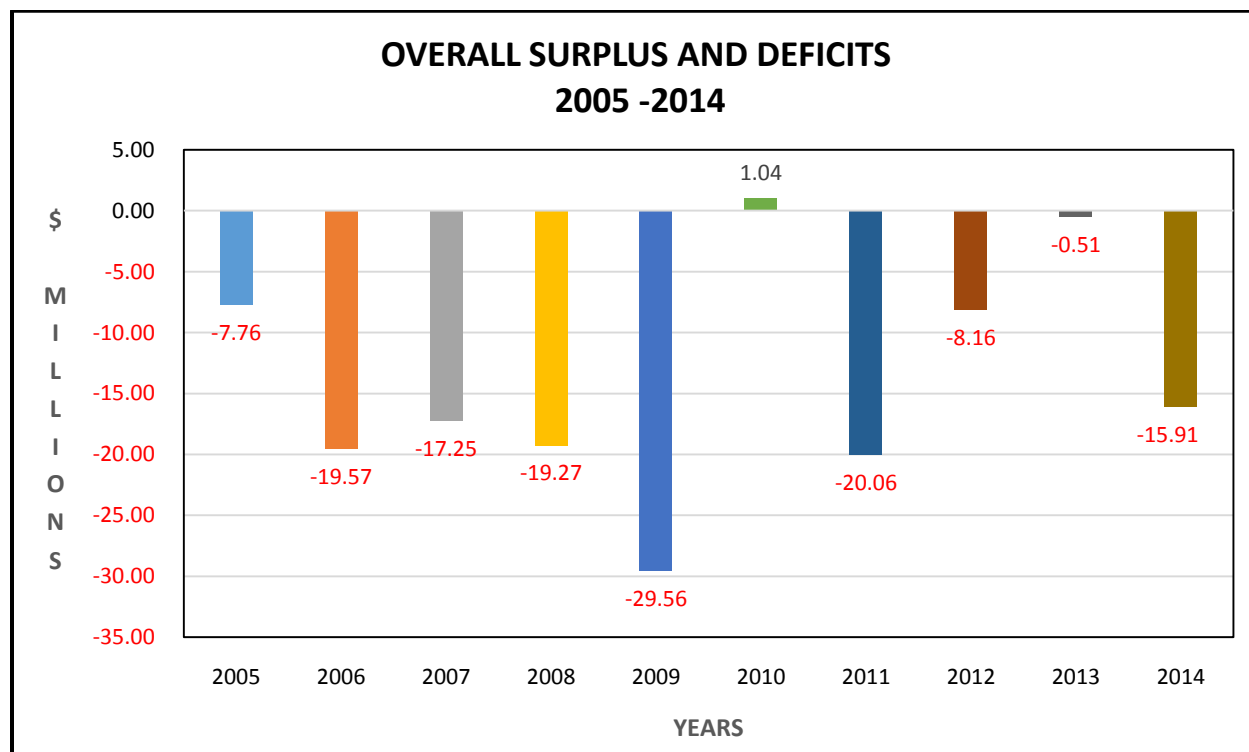
It is reasonable to conclude therefore that the Ministry of Finance was not able to exercise as much control over the spending, as it did in the previous year. Also, given the fact that 2014 was the first full year of operations of the new Administration, after Elections were held in January 2013. It is normal to expect that spending levels would be higher as new policies and programs get implemented.

The following graph shows the results on the Current account covering the ten years 2005 to 2014:



Unfortunately or otherwise, there was only one year in that ten year stretch when a surplus was realized; and that was in 2005. The string of Deficits on the current account for the period 2006 to 2014 exceed \$120 million.

The overall annual results of a surplus and deficits (Current and Capital accounts) during the period 2005 to 2014 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. Note however, that this was due to a huge surplus (\$50.9 million) on the capital account which wiped out the significant deficit (\$49.86 million) on the current account.

On the other hand, the nine (9) deficits shown, total in excess of \$148 million. **Later in the analysis it will be shown where the overall accumulated deficit now exceeds the \$217 million at the end of 2014.**

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 also 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 and the variances, 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.

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

	<b>2014</b>	<b>2013</b>
Net Cash Flow from <b>Operating</b> Activities	3,374,362	5,174,697
Net Cash Flows from <b>Investing</b> Activities	(17,009,593)	1,710,615
Net Cash Flows from <b>Financing</b> Activities	<u>(470,501)</u>	<u>(5,642,752)</u>
Net Increase / (Decrease) in Cash	<b>(14,105,731)</b>	<b>1,242,560</b>
Opening Cash Position	(66,916,646)	(68,159,206)
<b>Yearend Cash Position</b>	<b>(81,022,377)</b>	<b>(66,916,646)</b>

The Receipts from Operating Activities total \$128.47 million in 2014 and 121.16 million in 2013. Whereas the Payments total \$125.10 million and 115.98 million for 2014 and 2013 respectively, giving the net cash flows for Operating Activities as summarized.

However, the Receipts from Investing Activities only total \$47.48 million; whereas the Payments are \$64.49 million, giving that negative funds flow of \$17 million. As can be noted in the following table, the mismatch came in the flow of capital funds.

The following is the entire statement of Receipts and Payments for 2014, with comparative data for 2013:

<b>NEVIS ISLAND ADMINISTRATION</b>		
<b>STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31 2014</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>RECEIPTS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Taxes on Income	13,006,276	11,555,725
Taxes on Property	2,561,142	2,217,448
Taxes on Domestic Goods and Consumption	21,814,112	36,248,321
Taxes on International Trade and Transactions	60,910,190	40,201,713
Budgetary Grants		
Utilities	5,199,636	5,010,232
Fines, Fees & Forfeitures	1,773,104	15,938,995
Postal Services	551,857	538,892
Other Receipts	22,650,836	9,334,734
Repayment of Personal Advances	1,250	10,719
Repayment of Subsistence Advances	3,945	91,122
Repayment of Other Government Advances	2,002	7,600
<b>PAYMENTS</b>		
Personal Emoluments and Wages	(65,441,726)	(60,940,346)
Goods and Services	(30,658,391)	(23,489,185)
Transfers and Subsidies	(12,005,153)	(12,077,338)
Interest Payments	(16,686,875)	(18,058,143)
Issuance of Personal Advances	(95,610)	(10,500)
Issuance of Subsistence Advances	(58,887)	(190,230)
Issuance of Other Government Advances	(153,346)	(1,215,062)
<b>Net Cash Flows from Operating Activities</b>	<b>3,374,362</b>	<b>5,174,697</b>

<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>RECEIPTS</b>		
Proceeds from sale of land and properties	-	-
Interest, Dividend and Currency	1,297	9,501
Capital Grants	4,430,112	8,272,370
Repayment of Other Advances	-	-
Returns on Investments	-	-
Receipts from Trust Funds	3,266,767	3,727,385
Receipts from Other Public Funds	39,780,965	76,111,861
<b>PAYMENTS</b>		
Capital Expenditure	(23,548,636)	(9,634,700)
Net Lending		-
Issuance of Other Advances		-
Purchase of Investments		-
Outflows from Trust Funds	(2,551,238)	(5,012,321)
Outflows from Other Public Funds	(38,388,860)	(71,763,480)
<b>Net Cash Flows from Investing Activities</b>	<b>(17,009,593)</b>	<b>1,710,615</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Receipts</b>		
Proceeds from borrowings - Foreign	-	-
Proceeds from borrowings - Domestic	8,733,139	5,042,466
<b>Payments</b>		
Repayment of borrowings - Foreign	(3,203,806)	(2,750,157)
Repayment of borrowings - Domestic	(5,999,834)	(7,935,061)
<b>Net Cash Flows from Financing Activities</b>	<b>(470,501)</b>	<b>(5,642,752)</b>
<b>Net increase/(decrease) in cash</b>	<b>(14,105,731)</b>	<b>1,242,561</b>
Cash at the beginning of the period	(66,916,646)	(68,159,207)
<b>Cash at the end of the period</b>	<b>(81,022,377)</b>	<b>(66,916,646)</b>

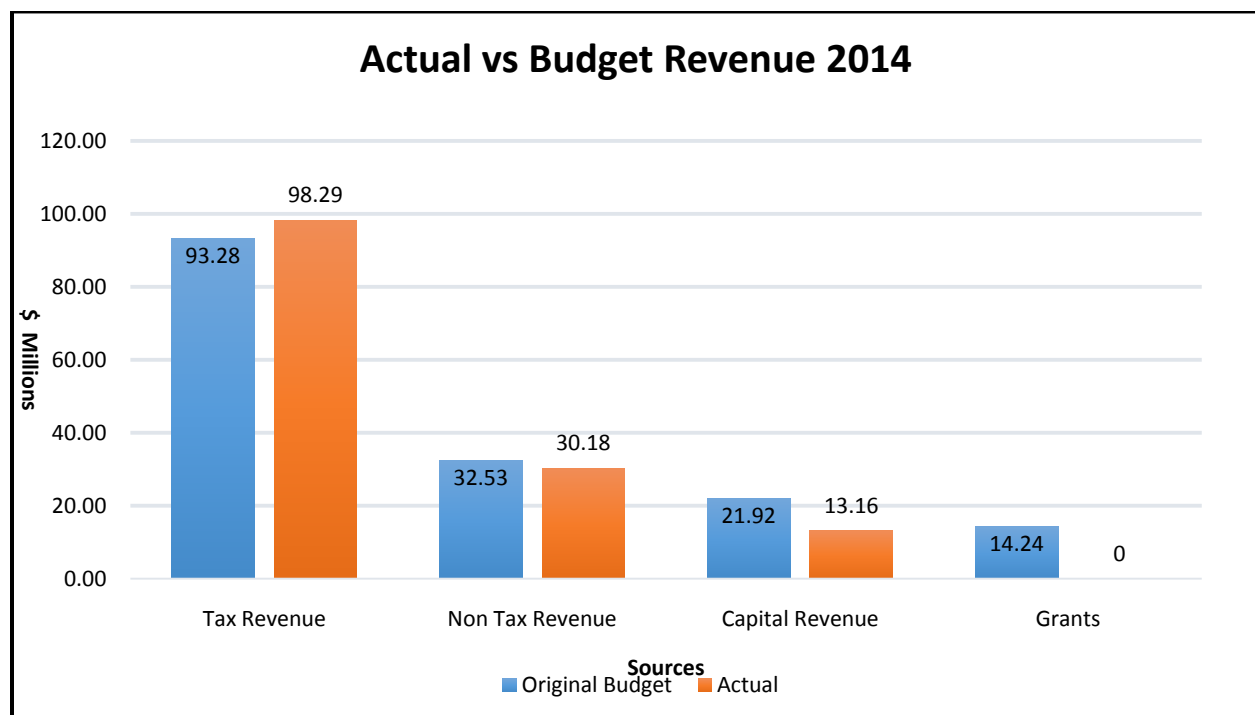


## 4.2 STATEMENT OF REVENUE

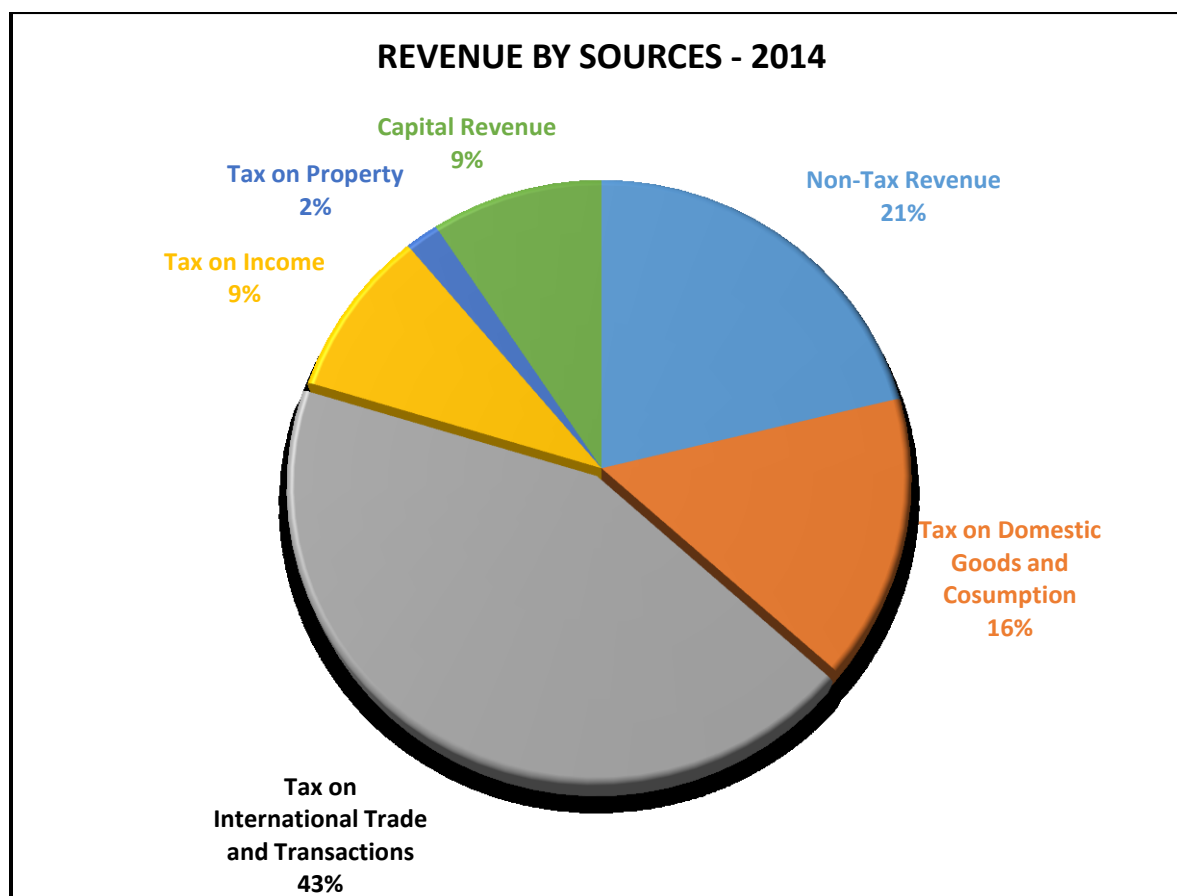
The total budgeted revenue for 2014 of \$161.96 million projected that \$125.81 million would be realized on the Current account and \$36.15 million on the Capital account would come from Grants and Loans. The revenue sources on the Current account generated \$128.47 million; and on Capital account it was only \$13.16 million, for a total of \$141.63 million.

The overall performance in revenue fell short of projections by \$20.51 million or a 12.7%; however the Current account showed a better than expected performance of 2.1% or \$2.66 million over the projected figures. Hence it would be seen that the overall shortfall in revenues was primarily due to the performance on the Capital account. Nevertheless, the NIA's revenue has shown a 5.3% increase when compared to the 2013 actual revenue of \$134.37 million.

The following graph depicts the actual revenue collections versus the original budgeted amount for 2014:



The following chart shows the broad categories of the sources of revenue and their contribution to the revenue pie for 2014:



As illustrated in the pie-chart, Taxes on Property account for the smallest contribution with 2%, while the largest contributor is Taxes on International Trade and Transactions with 43%. In 2013, that contribution to the pie was 30%.

Taxes on Domestic Goods and Consumption recorded the largest reduction in the contribution to revenue moving from 27% in 2013 to just 16% in 2014. Non-Tax Revenue also showed a decrease of 2%.

The table below represents the same data, but in more detail and by each Ministry responsible for revenue collections:

MINISTRY	BUDGET 2014	ACTUAL 2014	ACTUAL 2013
Legal	160,000	238,146	173,011
Premier	8,876,000	8,848,483	1,930,834
Finance	107,264,487	111,634,594	105,550,601
Min of Works	6,921,845	5,965,233	5,708,121
Min of Agriculture, Lands	601,900	417,619	241,219
Min of Health	1,875,530	1,267,586	1,338,831
Min of Tourism, Culture, Info	100,000	91,880	-
Min of Education and Library	5,600	4,910	7,131
Min of Social Development	-	-	40
Min of Trade, Industry etc.	-	0	6,105,772
<b>Total Current Account Revenue</b>	<b>125,805,362</b>	<b>128,468,450</b>	<b>121,055,560</b>
Capital Account Revenue	36,156,311	13,163,251	13,314,836
<b>Grand Total Revenue</b>	<b>161,961,673</b>	<b>141,631,701</b>	<b>134,370,396</b>

Amongst the eight (8) revenue heads for which estimates were prepared, only two sources recorded revenue as being “over the estimate” during the 2014 fiscal year. These were Legal and the Ministry of Finance.

The Ministry of Finance and its departments have not only collected revenue over their estimated budget, but it is the largest revenue collecting Ministry for the Nevis Island Administration.

## LEGAL SERVICES

The Legal Services has two programs where it was estimated that \$45,000 would be generated from Registration of Companies and \$115,000 would be from Unclassified revenue. The overall performance showed a 48.8% increase or \$78,146 more than the budget level.

The actual revenue was \$238,146 with Registration of Companies accounting for \$50,852 and the balance of \$187,294 recorded as Unclassified Revenue. As seen in the table above, Legal Services has increased revenue collections from the previous years by \$65,135 or 37.6% in 2013 and \$94,080 or 65.3% in 2012.

## **PREMIER'S MINISTRY**

This Ministry now has three major programs for revenue collections and as noted, was one that did not meet its target, falling short by just \$27,517 or 0.3%.

The Administration program which is responsible for Passports, Permits etc. and Work Permit ID fees, had a target of \$1.64 million and generated only \$1.30 million. The majority of this amount can be attributed to Passports, Permits etc. of \$1,239,410; Work Permit ID fees \$10,625 and Unclassified revenue \$51,345.

The Magistrate & Registrar's Program had a target of \$237,000 and its actual was \$205,923; recording a shortfall of \$31,077. Fines and Forfeitures for this year accounted for the majority of this program's revenue with \$195,485 and other revenues of \$10,438.

The addition of Supply Office into the Premier's Ministry, which relocated from the Ministry of Finance, would explain the drastic increase in the overall revenue level to \$8,848,483 for the Ministry, as compared to the 2013 level of \$1,930,834. The projected revenue was \$7 million for the Supply Office and it generated \$7.34 million, surpassing the target by \$341,090. This better than budgeted performance by the Supply Office helped reduce the other shortfalls to the net amount stated.

## **MINISTRY OF FINANCE**

There are five programs for revenue collection under this Ministry. The total budgeted revenue showed 85.3% of the revenue allocated to the departments within the Ministry of Finance. The actual collections of \$111.63 million represent over 86.9% of the recurrent revenue collected for the year. Overall, the Ministry exceeded its budget by \$4.37 million or 4.1%.

Over the past few years, the Ministry of Finance has projected a downturn in revenue collections. In fact, the overall budget projection for the Ministry moved from \$119.02 million in 2011 to \$112.39 million in 2012; \$112.62 million in 2013 and currently to \$107.26 million for 2014. The reductions have been spread across three of its main Programs: Inland Revenue; Customs and Regulation & Supervision.

### ***Customs Department:***

It was estimated that Customs would realize \$39.1 million for the year 2014, where this estimate reflected a decrease of \$527,091 from the 2013 estimate. The actual collections of \$40.8 million compares favourably against the \$39.1 million budgeted, resulting in an excess of \$1.7 million.

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:

	2014	2013	2012	2011	2010
<b>Consumption tax</b>	38,614	288,121	157,167	320,196	13,439,067
<b>Import Duties</b>	10,619,574	9,625,437	8,715,777	9,715,262	8,040,175
<b>Customs Service Charge</b>	6,252,989	7,280,256	6,328,776	6,970,547	6,558,744
<b>Environmental Levy</b>	755,478	682,265	446,528	496,241	545,659
<b>Excise Duty</b>	3,791,775	4,903,172	3,299,684	5,087,639	198,411
<b>Value Added Tax</b>	19,131,622	17,124,016	15,375,391	16,889,350	2,355,192

Over the five year period, Customs Service Charge has shown varying totals with an overall decrease of \$305,755 or 4.7%. Actual collection for 2014 was \$6.25 million compared to the \$7.28 million collected in 2013. This level of collection was also the lowest amount over the five year period. Interestingly and by coincidence, the difference in collections in 2010 and 2014 (\$305,755) is the same figure as the net variations over the five year period. This decrease in revenue could be justified by the continuing policies during the year which granted exemptions from Customs Service Charges and other duties on security systems, alternative energy resources and building resources for first-time home owners.

The Environmental Levy has shown some unfavourable performances over the years as reflected in the decreases in its revenue in 2010, 2011 and 2012 of \$102,691, \$496,241 and \$446,528 respectfully. However, some sign of recovery can be noted in the years 2013 and 2014. This revenue source has moved from \$545,659 in 2010 to just \$755,478 in 2014 reflecting an overall increase of \$209,819 or 38.5%.

Value Added Tax is the major revenue collection for the Customs Department in 2014, amounting to \$19.13 million. This was over its estimate by \$2.71 million. Value Added Tax has increased significantly by \$2.24 million or 13.3% since its first full year of operation in 2011. Just to make the point that Consumption tax has moved from a high of \$13.4 million in 2010 to now a mere trickle of \$0.038 million in 2014. The reason for this is that VAT has replaced the Consumption tax as well as a few other taxes. The construction market benefits from the continued use of the consumption tax on items such as Cement and Blocks.

Import Duties as the second largest revenue collection for the Customs Department amounted \$10.62 million for the year. Included in this amount are Duties on Articles other than Alcoholic Liquors \$10.58 million and Duties on Alcoholic Liquors of \$0.039 million.

### ***Inland Revenue Department:***

The Inland Revenue Department (IRD) projected revenue collections at \$54.39 million for 2014. This represented collections to be about 50.7% of the Ministry's responsibility. The IRD realized revenues amounting to \$57.71 million which surpassed the projected figure by \$3.32 million.

This was significantly more than the \$50.30 million collected in 2013 and also more than the \$53.13 million in 2012.

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

	Actual 2014 \$	Actual 2013 \$	Variance \$
<b>Stamp Duty – Property</b>	12,089,577	10,492,947	1,596,630
<b>Business &amp; Occupation Licenses</b>	486,047	463,502	22,545
<b>Social Services Levy</b>	8,475,642	8,324,117	151,525
<b>Wheel Tax</b>	1,959,109	1,927,576	31,533
<b>Hotel Rooms &amp; Restaurant Tax</b>	-	-	-
<b>Licenses – Drivers, Temporary</b>	288,936	312,263	-23,327
<b>Licenses – Drivers, Permanent</b>	357,373	360,824	-3,451
<b>Income Tax</b>	4,203,147	3,123,956	1,079,191
<b>House Tax</b>	2,347,120	1,892,783	454,337
<b>Land Tax</b>	214,022	322,660	-108,638
<b>Value Added Tax</b>	20,046,868	18,296,728	1,750,140

Further recovery is noted in the Value Added Tax. The budget was \$18.00 million and this was surpassed by \$2,046,868 for an overall total of \$20.05 million. The table above reflects that Value Added Tax increased by \$1.75 million or 9.6% when compared to 2013.

Similarly, Stamp Duty- Property collections continue to improve, where it exceeded its targeted amount of \$9 million, to collect \$12.09 million, resulting in an overage of \$3.09 million. Drivers licenses both temporary and permanent along with land tax, all showed decreases in revenue from the previous year. Actual collections were: Temporary Licenses of \$288,936; Permanent Licenses of \$357,373; and Land tax of \$214,022.

Income tax and House tax realized favourable variances as actual collections were more than 50% of their budgeted amounts. Actual revenues were \$4,203,147 for Income tax and \$2,347,120 for House tax.

The five year summary of some taxes collected by the Inland Revenue Department are presented in the following table:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Stamp Duty – Property</b>	12,089,577	10,492,947	12,576,696	10,521,912	7,264,406
<b>Business &amp; Occupations Lic.</b>	486,047	463,502	424,037	390,782	453,749
<b>Social Services Levy</b>	8,475,642	8,324,117	7,773,406	7,833,799	6,226,233
<b>Wheel Tax</b>	1,959,109	1,927,576	1,869,035	2,018,414	2,108,476
<b>Hotel Rooms &amp; Rest. Tax</b>	-	-	13,342	838	1,564,185
<b>Licenses – Drivers, Temp.</b>	288,936	312,263	312,398	322,558	317,765
<b>Licenses – Drivers, Perm.</b>	357,373	360,824	348,578	322,496	317,284
<b>Income Tax</b>	4,203,147	3,123,956	5,086,608	4,665,356	4,698,654
<b>House Tax</b>	2,347,120	1,892,783	634,482	2,119,421	1,628,165
<b>Land Tax</b>	214,022	322,660	1,499,773	41,584	167,412
<b>Travel Tax</b>	272,269	288,955	426,956	352,994	437,836
<b>Traders Tax</b>	4,756	12,597	11,655	486,331	294,626
<b>Value Added Tax</b>	20,046,868	18,296,728	15,939,884	18,624,272	720,102

### ***Regulation and Supervision:***

This area of revenue collection continues to perform well. Although the actual collection of \$12.85 million against a target of \$13.36 million is unfavourable, when compared to the actual revenue of \$12.64 million in the previous year, the performance has improved. In fact, the 2014 budget was increased almost 10% from the \$12.18 million set in 2013. The actual figure fell short of its budget by \$505,464 or 3.8%.

Revenue from the Registration of Offshore Companies has fallen short of the \$1 million target, as collections amounted to \$984,002. Annual Fees amounted to \$7.67 million and was still short of the projected budget of \$8 million. Also falling short of budget, were Registration Fees – Mutual Funds with only \$1,350 collected against its budgeted \$85,000. However, Penalties-Annual fees realized \$1.32 million versus its \$1.20 million target thereby recording an excess of \$122,839.

### **MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES**

This Ministry had an estimate \$6.92 million and its actual collections were only \$5.97 million recording a shortfall of \$956,612. The Ministry has five revenue Programs, two of which can be considered major; namely the Water department and the Post Office.



***Water Department:***

The targeted amount set for the Water program was \$6.27 million where Water Rates were to collect \$6.16 million and Repairs and Connections the remaining \$0.11 million.

These targets were not attained as only \$5.21 million was realized. Water rates accounted for \$5.14 million, and Repairs and Connections amounted to only \$0.07 million. The 2013 figures showed actual revenue of \$5.71 million, hence a resulting reduction in the level of the 2014 revenues by \$0.50 million or 8.8%

***Post Office:***

Revenue collection from the Post Office was targeted at \$347,000. Among this, Rent on private P.O. Boxes were \$55,000; Sale of Postage Stamps \$273,000; Express Mail Service \$12,000; and Unclassified \$8,000.

The actual revenue for 2014 amounted to \$420,023, resulting in an increase of \$73,023 from expectations. Sales of Postage Stamps amounted to \$341,599, EMS \$10,345, Rent on Private P.O. boxes \$63,775 and Unclassified \$4,304.

**MINISTRY OF HEALTH, GENDER AND SOCIAL AFFAIRS**

The Ministry of Health had a moderate increase in their target from the \$1.55 million in 2013 to \$1.88 million in 2014. The Ministry generated actual revenue of \$1.27 million reflecting a shortfall of \$0.61 million or 32.4%. A declining trend in collections is already noted as the amount realized in 2013 was \$1.34 million and \$1.38 million in 2012.

This Ministry's major collection comes from the Medical University fees, Hospital fees and Unclassified revenue. Medical University fees were estimated for \$756,000 and only amassed \$482,532 for the year.

At the Alexandra Hospital, the revenue was \$676,871 compared to a budgeted figure of \$1,020,000 falling short by \$343,129 or 33.6%. Despite not meeting its budget, the 2014 actual revenue performance increased over the 2013 revenue level by \$76,986 or 12.8%.

The other item of revenue for the Ministry of Health is Unclassified revenue and this amounted to \$108,184.

As a result of these Programs not meeting their targets, there was an overall shortfall in revenue for the Ministry.

### 4.3 STATEMENT OF EXPENDITURE

The adopted budget as of 18<sup>th</sup> December, 2013 authorized for Recurrent Expenditure of \$126,851,199 on thirteen (13) Program Heads and Capital Expenditure of \$44,172,520 for eight (8) of the thirteen Program Heads.

During the 2014 financial year, almost half (6) of the Program Heads exceeded their budgeted allocations. The other Heads kept their spending on the current account well within the budgeted amounts provided. The recurrent expenditure amounted to \$133,995,785 resulting in a net over expenditure of \$7,144,586.

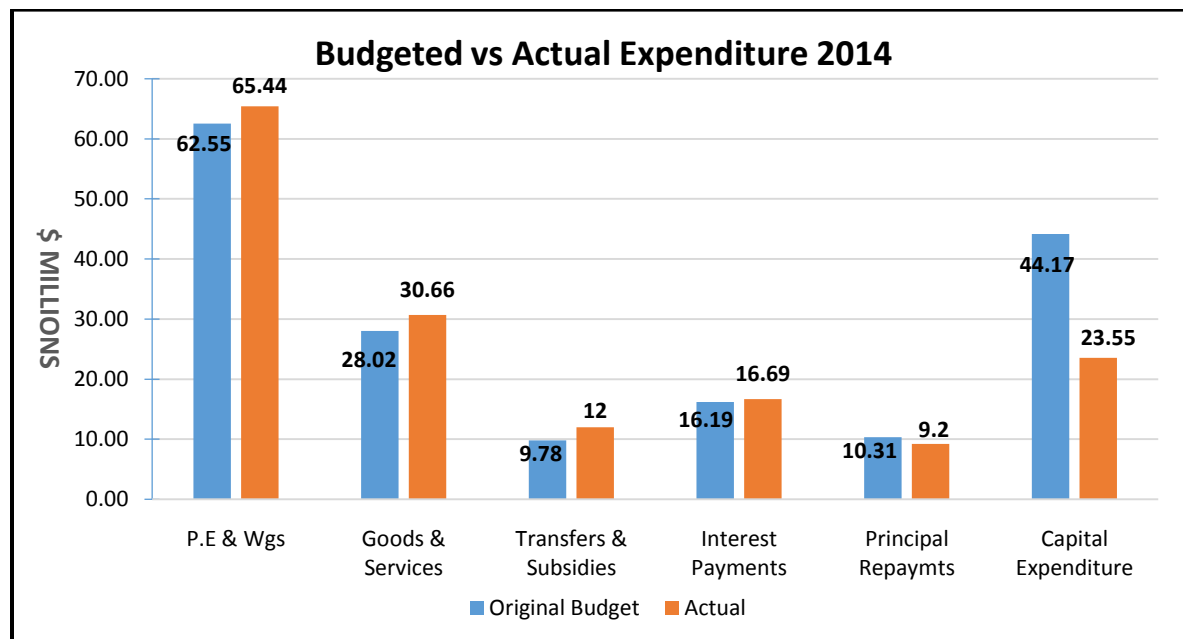
It is important to note that not all instances of the excess expenditure were covered by the requisite Appropriation Warrants, at the Program level.

The following tables show some of the savings and the excesses in both dollar amount and as a percentage of their budget allocation for 2014:

PROGRAM	Actual	Savings	
	\$	\$	%
Ministry of Communications, Works, et al.	9,551,318	570,551	5.6
Ministry of Health	12,766,912	1,340,901	9.5
Ministry of Education & Library Services	18,691,421	830,438	4.3
Human Resources	1,388,690	719,147	34.1

PROGRAM	Actual	Excess	
	\$	\$	%
Premier	12,718,771	1,525,417	13.6
Ministry of Finance, Statistics, & Economic Planning, Trade, Industry & Consumer Affairs	60,995,830	8,735,094	16.7
Ministry of Tourism	5,343,704	204,333	3.9
Ministry of Social Development, Youth, et al.	5,928,554	114,368	1.9
Legislature	654,532	76,538	13.2

In addition to the allocation among Ministries, the Budget is also allocated according to major expenditure classifications. On the current account these categories are: Personal Emoluments & Wages; Goods & Services; Transfers & Subsidies; and Interest and Principal Payments on Debt. The following chart highlights the comparison between the Budget and Actual expenditure figures in these categories for 2014.



As noted, Salaries and Wages (\$65.4 million) not only topped the spending by category, it also exceeded the budgeted amount. In comparison to the \$60.9 million incurred in 2013, this reflects an increase of \$4.5 million or 7.4%. Similarly, the amount spent on Goods and Services across government reflects a \$7.17 million or 30.5% increase over the 2013 level of spending.

Principal Repayments of \$9.19 million was less than the amount budgeted and also reflect a decrease of \$1.49 million or 13.9% from the \$10.68 million spent in 2013. This level of spending also highlights the overall reduction in debt servicing costs as the outstanding debt stock is reduced.

## DEPUTY GOVERNOR GENERAL

The Allocation to the Office of the Deputy Governor General for 2014 was \$328,700. A total of \$295,914 was spent, thereby realizing a saving of \$32,786.

Spending within all Object Code areas was well within budgeted amounts and resulted in savings as stated for the full allocation.

## LEGISLATURE

The budget set for this program was \$577,994 and Actual Expenditure amounted to \$654,532 thereby recording an excess of \$76,538.

Some of the over- expenditure on object codes were:

Travel and Subsistence in the amount of \$120,775. The budget allocation for this item was only \$150,000 and actual expenditure amounted to \$270,775 hence the overspending.

Allowance to Unofficial Members was over by \$2,897 despite a budget of \$160,000 and Constituency allowance to Elected Members recorded an excess of \$7,689 on its budgeted figure of \$120,000.

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". Absolutely no spending has taken place on this item during the period 2007 to 2013, despite the provisions to do so. For 2014, an expense of \$500 was incurred from the budget of \$26,000. The \$500 was a charged to Office and General Expenses. 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	-
2014	25,500	500

## **LEGAL**

A total of \$735,771 was allocated between the Two Expenditure Programs for the Legal Department namely Administration and Company Registry which received \$658,699 and \$77,072 respectively.

A total of \$706,869 was spent with the Administration incurring \$625,013 and the Registry \$821,856. The overall spending was within the total budget limits, however, Company Registry went over its budget by \$5,000.

## **PREMIER**

### ***Administration***

This Administration Program was allocated \$1.90 million and incurred \$1.85 million in 2014. There were three Object Codes that overspent, although the overspending was not enough to wipe out the overall savings on the Administration Program.

The major areas of over expenditure were: Personal Emoluments; Wages, and Office and General Expenses. The allocation for Personal Emoluments was \$0.865 million and the amount incurred was \$0.925 million. Wages had a budget of \$0.553 million and incurred \$0.586 million; Office and General Expenses incurred \$33,218 compared to its budgeted figure of \$25,000.

### ***Registrar***

A Total of \$771,020 was allocated for this Program in 2014 and its expenditure amounted to \$606,558 thereby realizing a saving of \$0.164 million. Spending in most of the areas was also within the budgeted total. Purchase of Tools, Instruments, etc. exceeded its budgeted amount of \$2,000 by a further \$2,914.

### ***Magistrate***

The Budget set for Magistrate Court was \$169,541 in 2014 and the Actual expenditure amounted to \$179,153 resulting in a net excess on the budget of \$9,612.

The main reason for the over-spending was the amount for Personal Emoluments. This had a budget of \$88,000 and incurred a total of \$107,808. The other areas of spending were within limits and so helped to reduce the excess to the net stated.

## ***Labour***

This Program was allocated \$346,694 and spending amounted to \$356,295. This expenditure was well over the budget allocated and hence provided a (net) excess of \$9,601. There was over- spending in two of the object codes for the Labour Department. Personal Emoluments was budgeted \$288,515 and incurred \$306,072; and Purchase of Tools, Instruments, etc. incurred a small excess of \$549 over its budget of \$1,000.

## ***Disaster Management***

The sum of \$286,598 was budgeted for this Activity and the expenditure amounted to \$353,613 resulting in an excess of \$67,015.

There was over expenditure on Personal Emoluments, where the budget allocation was \$250,252 but spending amounted to \$319,726. Wages incurred \$8,731 whereas its budgeted figure was \$8,346. Travel and Subsistence was budget for \$1,000 and incurred expenses of \$1,554. Purchase of Tools, Instruments, etc. incurred \$4,000 resulting in an excess of \$2,000 of its budget.

## ***Department of Trade***

The Department of Trade received an allocation of \$7,718,218 which was detailed as follows: Small Enterprise and Craft House \$836,555; Trade and Consumer Affairs of \$602,383 and Supply Office of \$6,279,280. Its total expenditure amounted to \$9,335,117 resulting in an excess of \$1,616,899.

Small Enterprise & Craft House and Trade & Consumer Affairs both recorded savings. Small Enterprise and Craft House incurred \$784,924 and realised a saving of \$51,631; Trade and Consumer Affairs on the other hand, incurred \$331,337 which resulted in savings of \$271,046 or 45% of its budget.

Supply Office incurred \$8,238,856 in expenses resulting in an excess of \$1.96 million. The major areas of over expenditure were: Wages and Supplies and Materials. The allocation for Wages was \$122,119 and the amount incurred was \$128,395. Supplies and Materials had a budget of \$6 million and incurred \$7,976,018 for the biggest share of excesses.

Overall, the Ministry and Programs of the Premier had a budget of \$11,193,354 and incurred expenditure of \$12,718,771; resulting in excess of \$1,525,417.

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

For the year 2014, this Ministry and its Programs had an allocation of \$52,260,736 and it incurred expenditure totalling \$60,995,830 for a net over-expenditure of \$8,735,094.

By comparison, in 2013 the Ministry was allotted \$58,899,695 and it spent a total of \$67,592,975 for a net over-expenditure of \$8,693,280.

It should be pointed out however, that in 2013, the Department of Trade, Industry, and Consumer Affairs was part of the Ministry of Finance, but is now under the Premier's Ministry in 2014. The \$7 million budget was moved from Finance to Premier.

### ***Administration:***

The Administration Program had actual expenditure of \$15,720,338 against a budget of \$13,552,210 recording an excess of \$2,168,128.

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 include: Telephone costs of \$762,907; Internet Services of \$164,895; Subvention to Statutory Bodies \$8,000; National Celebrations and Local Hosting and Entertainment amounted to \$113,168; Professional and Consultancy Services \$213,230; Medical Insurance \$1,022,700; Claims against Government amounted to \$308,018; and Electricity bills cost the government \$10.24 million.

### ***Treasury:***

The allocation to the Treasury in 2014 was \$32.98 million. Actual expenditure was \$39.04 million. Hence there was a net level of over-spending of \$6.06 million in 2014. However, this level of spending was \$2.35 million less than the \$41.39 million spent in 2013.

The key areas of common spending included Retiring Benefits of \$7.44 million; Domestic Debt Servicing of \$13.44 million; Overdraft interest of \$7.27 million; Treasury Bills interest of \$2.66 million; Foreign Debt servicing of \$5.18 million; and the cost of the Extra (Double) Salaries, Wages and Pensions \$5.01 million.

## **MINISTRY OF COMMUNICATIONS, WORKS & PUBLIC UTILITIES**

This Ministry was allocated \$10.12 million and had actual expenditure of \$9.55 million, compared to the \$8.58 million spent in 2013. All of the other four Programs in this Ministry realized net savings on their budget allocations, to provide the \$0.57 million savings recorded.



***Public Works:***

The Public Works Program was allocated a budget of \$4.63 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 \$4.46million.

***Water Department:***

This Department had an allocation of \$2.62 million and spent \$2.47 million, thereby realizing net savings of \$0.15M. The Administration and Billing Division incurred a total of \$573,013; For the Production Activity, total costs amounted to \$736,572; The Distribution Activity cost a total of \$1.08 million; and Quality Control cost was \$79,089.

**MINISTRY OF AGRICULTURE, LANDS HOUSING, CO-OPERATIVES & FISHERIES.**

The Programs under this Ministry had a total allocation of \$4,643,422. The allocations were: Administration \$413,418; Agriculture Department \$3.75 million; Cooperatives \$160,977; and Fisheries \$314,030.

Total expenditure incurred by the Ministry was \$4,621,736 resulting in a net savings of \$21,686.

The Administration program incurred a total of \$479,098 resulting in over-expenditure of \$65,680. This excess was however reduced by savings realised on the other programs.

Actual expenditure by the Agriculture Department amounted to \$3.70 million. This was a slight increase from the \$3.34 million spent in the previous year. However, the Department still operated within its budget and recorded savings of \$51,500.

The Department of Cooperatives went a bit over budget and incurred \$172,544 in its Activities. The Fisheries Program had a budget increase of \$71,000 from the \$243,000 in 2013. The actual expenditure by Fisheries amounted to \$266,597 and was well within its new budget, thereby contributing savings of \$47,433.

**MINISTRY OF HEALTH**

The allocation to this Ministry was \$14,107,813 and reflected an increase of \$1.45 million or 11.53% from the previous year's budget. Actual expenditure incurred in 2014 was \$12,766,912. This level of spending was slightly more than the \$12.43 million in 2013.

***Public Health:***

The allocation to this Program was \$3.06 million and a total of \$2.75 million was spent. There are six Activities under this Program with the major expenditure being incurred by the Community Nurse Services Activity where \$911,755 was spent from a budgeted \$1.04 million.

The key spending area within this Activity is on Supplies and Materials, but a dramatic reduction in spending is noted. In 2013, only \$46,000 was used and that was about half of the amount spent in 2011. For 2014, the budget remained at \$45,000 but again only about half (\$22,463) of that amount was spent.

Another major Activity, Environmental Health Services, was allocated \$965,630 from which it spent \$889,069. Personal Emoluments and Wages were the main expenses for these Activities with \$828,868 collectively being spent from a budget provision of \$967,626.

Other Activities under this Program are Oral Health Services (Dental Unit) which incurred \$423,268 from its budget of just \$346,643; and Patient Care Services also over-spending by \$10,800 from its allocation of \$98,180. The delivery of Psychiatric Services incurred \$157,239 of its budgeted \$296,917.

### ***Alexandra Hospital:***

The budgeted operating expenses for the Program Alexandra Hospital increased slightly by \$130,000 from the \$7.44 million budget in 2013 to \$7.57 million for 2014. The actual costs incurred amounted to \$6,959,080 thereby providing savings of \$615,248.

This program comprises four Activities with Patient Care consuming the biggest portion with a budget of \$4.44 million. The actual costs incurred for Patient Care amounted to \$4.13 million against its budget and included \$3.91 million for Personal Emoluments and Wages; Supplies & Materials cost \$163,430; and Repairs to Equipment was \$28,703.

The Administration and Maintenance costs amounted to \$1.23 million against its budget of \$1.31 million. Included in this level of spending are Salaries and Wages \$1.06 million; Supplies & Materials cost \$44,385 and Maintenance of Buildings was \$29,479.

Diagnostic Services amounted to \$564,023 and was within its budget of \$635,661. It should also be noted that the Activity, Domestic and Nutrition Services accumulated expenses of \$1.04 million against a budget of \$1.19 million, which was increased from the \$1.126 million in 2013. In this level of spending, Personal Emoluments and Wages accounted for \$795,792 while Supplies and Materials amounted to \$173,836.

## **MINISTRY OF EDUCATION AND LIBRARY SERVICES**

The allocation to the Ministry of Education and Library Services was reduced by a very miniscule amount of 0.15%, or \$29,980 and was set at \$19,521,859. Actual expenditure amounted to \$18,691,421 and provided net savings of \$830,438.

At the Ministry level, the Administration program incurred costs of \$924,734 whereas its budget was set at \$760,386. Despite this excess, there were sufficient savings on the other program activities which resulted in the net savings as stated earlier.

The Education Department Program, which includes Administration, Early Childhood, Special Education and the Teacher's Resource Centre, incurred a total of \$3.59 million from a budget of only \$3.64 million. Some of the costs were: Administration incurred \$2.32 million, which was slightly more than its \$2.24 million budget; Early Childhood costs were \$839,376 against its budget which was set at \$791,253; Special Education cost \$303,136; and the Teacher Research Centre incurred \$77,106.

Primary Education costs amounted to \$6,365,403 against a budget of \$6.94 million.

Secondary Education costs were \$7.17 million from an allocation of \$7.54 million. This included Charlestown Secondary with costs totalling \$3.99 million; Gingerland Secondary \$2.35 million; the Multi-Purpose Centre \$802,797; and the Sixth Form College costs were \$32,338.

The Public Library had a reduced allocation of \$645,528 and incurred costs of \$635,098 and was therefore well within its budget limit.

## **MINISTRY OF TOURISM, CULTURE & INFORMATION**

The Ministry of Tourism, Culture and Information had a budget allocation of \$5,139,371 which represented an almost doubling of the budget (\$2.79 million) for 2013. Actually the increased allocation was as the result of the addition of the Department of Information and the Nevis Cultural Foundation to the portfolio.

The allocations in 2014 were: Administration \$2.79 million; Nevis Cultural Foundation \$1.08 million; Research & Development \$450,866; and Information \$822,965.

The total expenditure by the Ministry amounted to \$5,343,704 which was in excess of its budget by \$204,333. The Administration incurred \$2.46 million thereby realising savings of \$330,429.

The Nevis Cultural Foundation incurred \$1.72 million which included \$1.58 as subventions. Research and Development costs were \$397,715 and the Information department spent \$765,917 from its budget of \$822,965.

## **MINISTRY OF SOCIAL DEVELOPMENT, YOUTH, SPORTS & COMMUNITY DEVELOPMENT**

This Ministry's budget was reduced by \$736,979 or 11.25% from \$6.55 million in 2013 to \$5.81 million in 2014. The actual expenditure incurred amounted to \$5,928,554 which, although over the budget by \$114,368 was \$152,961 less than the \$6.08 million spent in 2013.

The Administration program incurred a total of \$1,427,244 which included \$192,556 for the Basic Needs Trust Funds (BNTF).

The budget for Social Development was reduced from \$1,673,463 in 2013 to \$1,568,695 (and this excludes the Youth Development program). The four Activities in the Social Development program amounted to \$2,041,355. This included Administration \$495,421; Family Services cost \$487,384; Senior Citizens costs amounted to \$904,345 which included \$237,277 for Social Welfare expenses and Supplies & Materials \$69,627; and Gender Relations totalled \$154,204.

Youth and Sports Division had a budget of \$1,437,167 and incurred \$1,585,959 with Youth Development accounting for \$371,291 and Sports for \$1,214,667.

The budget for Community Development was increased from \$902,452 and set at \$1,062,371. The actual expenditure incurred amounted to \$873,996.

### **Conclusion:**

In reviewing the Detailed Statements of Expenditure it is clear that the efforts to control expenditure continued during the year. However the results still give cause for concern.

The fact that seven (7) of the expenditure Heads on the current account realised savings on their budget allocations, is indeed encouraging. Nevertheless those savings (\$3.543 million) were not enough to cover the excesses (\$10.688 million) incurred by the other six (6) Heads. Hence the resulting net over- expenditure of the Budget in the amount of \$7.145 million.

The Budget started off in a deficit position for the current account, but that was only to be in the region of \$1.045 million. On the revenue side of the equation, the results were quite good, better than expected. The failure was on the expenditure side, with the net excess as stated.

Attention must be focused on what keeps going wrong each year and where in the processes are the weak links. A quick analysis of just four (4) significant expenditure items and their budgets should give a fair indication:

1. Expenditure for Electricity across government amounted to \$10.3 million; yet its budget was only \$6.5 million. The explanation was that significant arrears were also being paid down along with the current monthly bills.

2. The Extra payment of Salaries, Wages and Pensions was \$5.01 million, but there was no amount budgeted for it. In fact, this item has never been expressly budgeted in all the years that payments have been made.
3. Debt-Servicing costs, both domestic and foreign, total \$30.9 million and the budgeted amount was \$26.5 million. The amortization schedules for the long term debt are known and are accurate. So the impact of uncertainty may come mostly from the interest on the Overdrafts and the extent of the roll-over of Treasury Bills.
4. The Supply Office had in its budget, an allocation of \$6 million for Supplies & Materials, the amount incurred on this item amounted to \$7.98 million. An excess of just about \$2 million.

The variances between the Budget and the Actual suggest that much work is required to close these gaps. These gaps may well result from reduced allotments and the Ministries and Departments are not making the required adjustments in time to avoid incurring excesses. In this case, the Ministries should return to the “drawing board” to fashion a different program that would fit the available funds provided.

Alternatively, the budget allocations may be seriously insufficient to carry the Programs as designed or intended, due to the economic constraints or the Policy changes advocated by the Administration. The same thing applies; it requires an adjustment to the spending on the program to reflect the constraints. This is particularly true in the event of natural calamities, when spending priorities have to be reassigned.

While it is acknowledged it is normal practice to temporarily exceed the budget allocation, it is still a breach of the Finance Administration Act. Ideally, the Supplementary Appropriations should be done at the time when it becomes clear the budget allocation is inadequate to meet the anticipated commitments to yearend. However, there is a tendency to wait until the end of the year to attempt to process these documents and unfortunately, ever so often, they are not completed.

The Appendix at the end of this Report details outstanding expenditure 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 any additional actual funds to address them.

#### **4.4 THE CAPITAL ACCOUNT**

The 2014 Budget provided for Capital expenditure of \$44.17 million. The source of this spending was anticipated to be from Revenue in the amount of \$20.02 million; Loans of \$21.92 million; and Grants or Development Aid of \$2.23 million.

The actual spent on capital projects amounted to \$23.55 million, which is only 53.3% of the budgeted amount. Of this amount, spending from Revenue amounted to \$14.557 million; Loans amounted to \$8.633 million; and Development Aid was \$0.359 million.

Actual capital revenue realized was \$13,163,251. The sources of this revenue were domestic borrowing (Loans) of \$8.733 million; and Local Revenue of \$4.43 million.

The following are some of the capital projects implemented by various Ministries:

The Premier's Ministry spent \$41,840 on the purchase of additional CCTVs and a further \$40,226 for a vehicle for the Police.

The Ministry of Finance acquired and upgraded computers (some were replacements after the Treasury fire) costing \$625,710; vehicles costing \$291,500; and other equipment purchases were \$205,500.

The Ministry of Communications, Works, Public Utilities and Posts accounted for \$18.18 million or 77.2% of the total capital spending. The Ministry of Health spent \$1.8 million; The Ministry of Social Development, Youth, Sports and Community & Gender Affairs incurred \$1.02 million on its projects and the Ministry of Education and Library Services accounted for \$0.33 million on capital projects.

The Ministry of Communications et al spent \$18.18 million on the Purchase of various assets including land for capital development, Hamilton road and other roads improvement (**cover pictures**) and various vehicles. As part of the Ministry's expenditure, the Public Works Department spent \$3.8 million on roads improvements and on renovation of buildings. The Water department and the Ministry incurred \$14.36 million on upgrades to the water system, drilling and other energy projects.

The Ministry of Agriculture, Lands, Cooperatives and Fisheries spent \$745,417 which included the purchase of supplies, materials and equipment for divers and fishermen in the amount of \$646,158. A vehicle was also acquired.

The Ministry of Health overall spent \$1.8 million on projects that included Medical Supplies totalling \$0.852 million; the Urology Centre accounted for \$0.065 million; and a total of \$0.085 million was spent towards phase 1 of the Diagnostic Wing at the Alexandra Hospital.

The Ministry of Education incurred \$0.33 million on various activities which included computers and furniture for schools \$0.118 million; Upgrade of Kitchens at schools \$0.124 million and \$87,000 on Supplies and Materials for the Ministry of Education.

The capital projects done by The Ministry of Social Development, Youth, Sports and Community Development included \$70,000 for upgrades to Community Centres; also upgrades to Sporting facilities for \$222,295; the St. James raceway used \$81,190; Community House Assistance used \$63,000; the Youth Empowerment program accounted for \$22,130 and New River grounds \$546,995 were all projects under this Ministry.

## 4.5 STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

The statement of Financial Assets and Liabilities as at December 31, 2014 is summarized as follows:

	2014	2013
<b>Financial Liabilities</b>		
Bank Overdraft (Net of Cash)	81,022,377	66,916,646
Net Deposits	52,588,671	51,196,566
Trust Funds	80,803,037	80,087,508
Advances	2,725,413	3,026,059
<b>Total Liabilities</b>	<b>217,139,499</b>	<b>201,226,779</b>
<b>Accumulated Deficit</b>	<b><u>217,139,499</u></b>	<b><u>201,226,779</u></b>

As noted, the **Deficit** for the current year is stated at \$15.912 million. Deficits have to be financed from some source and this year's deficit is manifested in the increase in the net Bank overdraft position by \$14.105 million as well as the increase in net Deposits.

The Bank Overdrafts at yearend are stated in excess of \$72.7 million. The National Bank overdraft was stated at \$65.97 million and was well over the agreed upon limit with the Bank, which was \$50 million.

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 2014 year end was \$83.51 million (\$83,512,417).



The summarized Statement of Receipts and Payments shows:

	<b>2014</b>	<b>2013</b>
Net Cash Flow from <b>Operating</b> Activities	3,374,362	5,174,697
Net Cash Flows from <b>Investing</b> Activities	(17,009,593)	1,710,615
Net Cash Flows from <b>Financing</b> Activities	(470,501)	(5,642,752)
Net Increase / (Decrease)	<b>(14,105,731)</b>	<b>1,242,560</b>
Opening Cash Position	(66,916,646)	(68,159,206)
Yearend Cash Position	<b>(81,022,377)</b>	<b>(66,916,646)</b>

#### **4.6 STATEMENT OF PUBLIC DEBT**

At the end of the period under review, December 31, 2014 the total Public Debt is disclosed as \$363,691,726 reflecting a decrease of \$8.34 million or just 2.24% from its previous level at the end of 2013. During this period, the Domestic portion decreased from \$296,592,462 to \$290,332,319 or by \$6.26 million and the foreign portion also decreased by \$2.08 million to \$73,359,407.

One loan from the IMF which started in 2009 at \$9.33 million was paid off during the period under review. The outstanding amount at the start of 2014 was \$2.31 million.

There were no new loans coming on stream during the year. However, there was a drawdown of a further \$8.63 million on the Nevis Water Enhancement project to bring that balance to \$14.71 million at yearend.

Both the Domestic and Foreign portions of the public debt include Government Guarantees which reflect an overall reduction. The Domestic Guarantees have increased slightly by \$740,027 and stated at \$14,751,696. On the other hand, the Foreign Guarantees have been reduced by \$3.85 million and stated at \$19,779,648. The domestic guarantees are in respect of some loans from institutions such as the Bank of Nevis, National Bank, FINCO and Social Security. The foreign debt guarantees cover some loans from the Unit Trust Corporation (Trinidad); and from the CDB.

Furthermore, the point must be made that many of the NIA debts are also covered by guarantees at the Federal level.

There is a loan from National Bank (SKNANB) in the amount of \$64 million in 2010. This was reduced to \$58.94 million by the end of 2013. During 2014, there was a Land-for-Debt swap to the value of \$29,016,630. This swap along with the year's Principal repayments (\$2.48 million) have reduced the outstanding debt to \$28,992,929 as at the end of 2014.

The outstanding Treasury Bills as at the end of 2014 is disclosed at \$83,512,417 and reflects a net increase of \$3.49 million or 4.4% over the period.

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 Debt position with comparative data:

<b>PUBLIC DEBT:</b>	2014	2013	2012	2011
	\$	\$	\$	\$
Domestic	290,332,319	296,592,462	278,022,777	285,217,435
Foreign	73,359,407	75,436,047	81,708,180	*114,684,177
Guaranteed – Domestic	14,751,696	14,011,669	15,641,789	15,265,150
Guaranteed - Foreign	19,779,648	23,632,146	25,354,379	40,174,969
<b>Total Debt</b>	<b>363,691,726</b>	<b>372,028,509</b>	<b>359,730,957</b>	<b>399,901,612</b>

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

## 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 period under review. 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.

My gratitude is also 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.

Audit recognises the extremely difficult conditions faced by the Treasury staff following the fire which destroyed the entire Treasury building in 2014. The efforts and commitment to rebuilding the financial record is deeply appreciated and we place on record our congratulations to the Treasurer and staff team for a great accomplishment. Without such ready and willing cooperation, the National Audit Office would not be able to fulfil its legislative mandate.



## **Opinion in the Financial Statements**

### **Audit Mandate**

In accordance with Section 76 (2) of the Constitution Order 1983 and Section 7 of the Audit Act No. 8 of 1990, we have audited the Public Accounts of the Nevis Island Administration for the year ended December 31, 2014. These Financial Statements are the responsibility of the Treasurer, Nevis Treasury.

### **Responsibility of the Treasurer**

The presentation of statements, accounts and schedules of the Public Accounts are the responsibility of the Treasurer in fulfilment of Section 57 (4) of the Finance Administration Act, 2007 and the requirements of the Cash Basis of the International Public Sector Accounting Standards (IPSAS).

The Treasurer is also responsible for maintaining a system of internal controls to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

### **Responsibility of the Auditor**

The National Audit Office's responsibility is to audit the financial statements and form an opinion based on the work conducted.

### **Basis for Opinion**

We conducted our audit in accordance with INTOSAI auditing standards. These standards require that we plan and perform the audit to obtain reasonable, rather than absolute assurance that the financial statements are free from material misstatement. It is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect misstatements arising from fraud or error.

We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the Financial Statements and Notes presented in the Public Accounts present fairly, in all material respects, the financial position of the Nevis Island Administration as at December 31, 2014.

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Albert Edwards

On Behalf of the

Acting Director of Audit

January 31, 2018

## APPENDIX 1

### UNAUTHORIZED EXPENDITURE 1988 - 2013

<u>HEAD</u>	<u>SUBHEAD</u>	<u>NAME</u>	<u>UNESTIMATED</u>
			\$
<b><u>1988:</u></b>			
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

**1989:**

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>
<b><u>1990:</u></b>			
Min. C.W. & P.U	529600	Computer Room – Customs	568.87
	529910	Repairs to Cultural Complex	793.78
<b><u>1991:</u></b>			
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
<b><u>1992:</u></b>			
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
<b>1998:</b>			
Premier	0509054	Computer Lab	2,528.87
<b>2000:</b>			
Min. of Finance			1,214,215.98
Min. of Education			239,630.06
<b>2001:</b>			
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>
<b>2009:</b>			
Min. of Finance	0601	Administration	6,959,131.20
<b>2010:</b>			
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
<b>2011:</b>			
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
2013: Total unauthorized expenditure was \$7,452,783.65 incurred on five (5) Programs.			
2014: Total unauthorized expenditure was \$5,504,800.51 incurred on four (4) Programs.			