



Report of The Director of Audit



On The Accounts of the
Nevis Island Administration
FOR THE YEAR ENDED
DECEMBER 31, 2016

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
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, 2016.

Respectfully submitted,

Tanisha Mills

On Behalf of the

Acting Director of Audit

August 08, 2019.

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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, 2016.

1.2 AUDIT MANDATE:

This Audit Report on the accounts of the Nevis Island Administration for the year ending December 31, 2016 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:

As this Audit Report focuses on the Financial Performance of the Nevis Island Administration for the year 2016; I must place on record my gratitude for the sterling contribution, throughout the period of audit, rendered by the Staff of the Nevis Audit Office

The Nevis Audit Office continued to deal with the challenges of recruiting and retaining qualified, competent employees who will engage in capacity building of the Office. Our gratitude is particularly expressed to those staff who have since left the Office, including Ms. Seba Jones for her period of service from November 2014 until July 2016 when she served as one of the Audit Managers. Ms. Jones was transferred to the Ministry of Communications, Public Utilities, etc with effect from July.

We also had the addition of Ms. Ramie Wilkenson, who took up duties as Audit Manager, effective September 2016 and continues in that capacity. As the Office was short staffed, at that time, the addition of Ms. Wilkenson was most welcomed.

2.2 BUDGET:

The fiscal year 2016 showed an approved Budget for the Nevis Audit Office of \$382,862. This budget allocation was a decrease of some \$23,316 or 5% from the 2015 allocation.

In 2015 the budget allocation was \$406,178 reflecting an increase of \$107,891 or 36.2% over the 2014 budget. This significant increase in the budget resulted in savings of some \$26,157 or 6.4%.

In this fiscal year, we are pleased that our actual expenditures of \$330,651 did not result as past excesses but realized savings of some \$52,211 or 13.6%.

3. OVERVIEW OF THE PUBLIC ACCOUNTS

3.1 SUBMISSION OF ACCOUNTS:

The Accounts of the Nevis Island Administration for the year ended December 31, 2015 along with the Audit Report on those accounts, were forwarded to the Honourable Premier on November 19, 2018. Those Accounts along with the Audit Report were tabled in the Nevis Island Assembly on December 05, 2018.

The following statements in respect of the financial year 2016 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, 2016.

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 2016 fiscal year were not prepared and submitted in the timeframe as allowed in the Finance and Administration Act. The Financial Statements were submitted to the National Audit Office to be audited by the Director of Audit in March 2019 with final adjustments in July 2019.

The Treasury department has been working to clear the arrears in the preparation of the Annual Accounts and is making good progress. In fact, efforts were made to complete both the 2016 and 2017 financials by March 2019. When it was evident this would not materialise, the decision was taken to focus on completing 2016 by itself.

Comparative Information

The 2016 financial statements have been prepared under the Cash Basis Standard of IPSAS and comparative information for the previous year, 2015, is included.

Appropriations

The original budget was approved by legislative action in the Nevis Island Assembly with the passing of the Appropriation Act on December 08, 2015 for the 2016 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 2016 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 financial accounts for the year ended December 31, 2016 disclose an overall deficit of **\$10.36 million** (\$10,356,699). This is a significant reversal from the \$4.08 million surplus result in 2015.

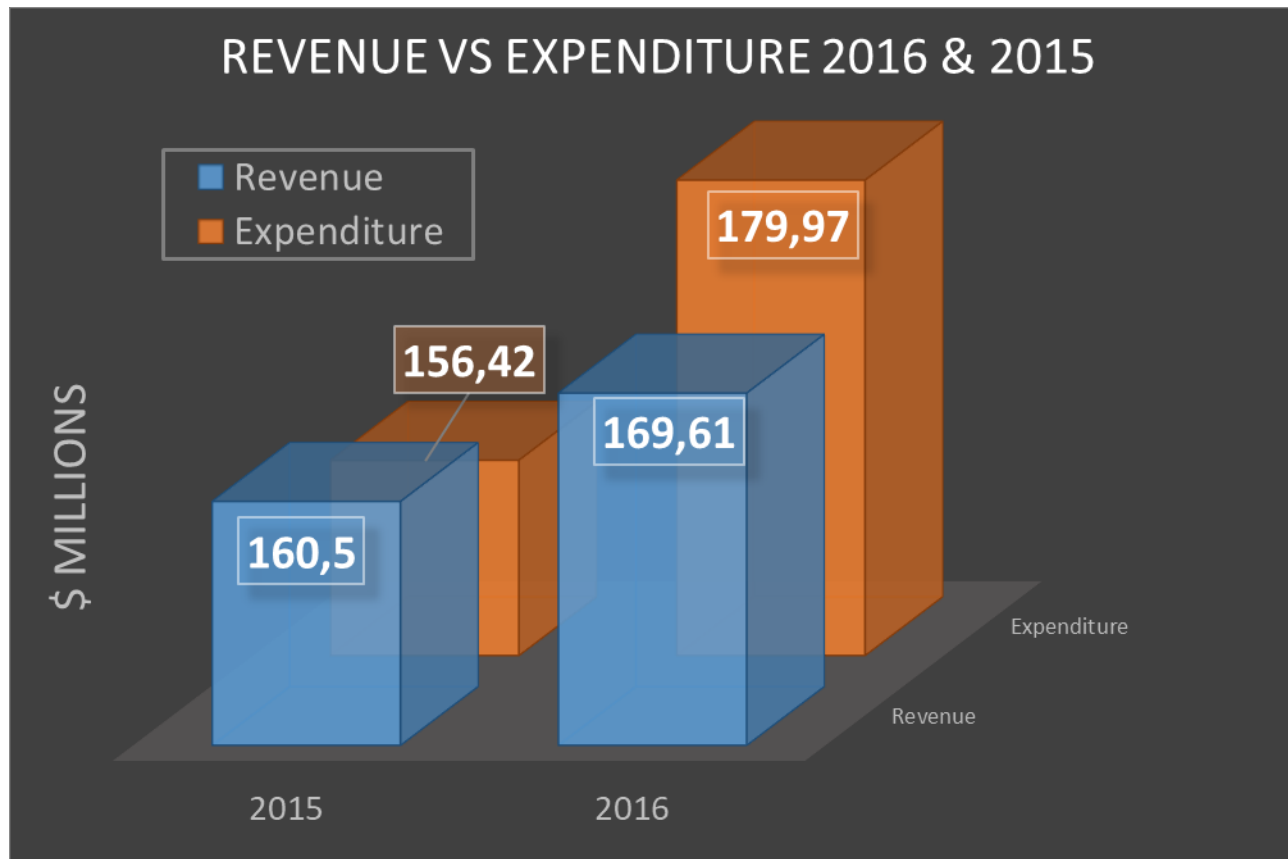
In fact, the Budget for 2016 presented an Estimated Overall Deficit of \$24.01 million (\$24,012,520). The current account was projected to have a surplus of \$1.64 million and the capital account's deficit was projected at \$25.65 million. Hence the outcome of only a \$10.36 million deficit is more favourable than forecasted.

The Statement of Revenue and Expenditure, at page 4 of the Accounts, shows Grand total revenue collections of **\$169.61** million comprising Current Revenue of \$132,903,777 and Capital Revenue of \$36,709,333. Likewise, Current Expenditure for 2016 amounted to \$143,669,182 coupled with Capital Expenditure of \$36,300,626 for a Grand total expenditure of **\$179.97** million. Hence the resultant overall Deficit for 2016, as stated.

Compared to the previous year's financials, total expenditure for 2016 increased by some \$23.55 million over the 2015 level; whereas total revenue increased by only \$9.11 million. It can be noted in the results that expenditure on the current account increased by \$13.18 million while the capital expenditure increased by \$10.37 million over the 2015 financial year levels. On the other hand, the current revenue decreased by \$0.95 million and capital revenue increased by \$10.07 million for the net increase in revenue as stated.

With the continued efforts of restrictions on the expenditure side and improvement in revenue collections for 2016, the actual results when compared to the Budgeted figures, were very

favourable. Although the current account result was a deficit of \$10.77 million the capital account realised a small surplus of \$0.41 million.



The following table, as extracted from the financial statements, presents the broad categories of the sources of Income and the areas of Expenditure during the reporting period, 2016, with comparative data for 2015:

NEVIS ISLAND ADMINISTRATION
STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED
DECEMBER 31 2016

REVENUE	2016	2015
	\$	\$
Taxes on Income	18,578,007	16,902,515
Taxes on Property	2,794,932	2,723,322
Taxes on Domestic Goods and Consumption	17,753,529	22,582,605
Taxes on International Trade and Transactions	60,128,258	58,456,240
Non-Tax Revenue	33,649,050	33,192,569
Capital Revenue	36,709,333	26,640,030
Budgetary Grants	0	0
Total Revenue	169,613,110	160,497,281
EXPENDITURE		
Personal Emoluments and Wages	-70,351,731	-65,358,478
Goods and Services	-28,231,499	-29,034,195
Transfers and subsidies	-21,402,706	-13,650,806
Interest payments	-15,270,698	-15,462,864
Capital expenditure	-36,300,626	-25,927,065
Principal payments	-8,412,548	-6,981,993
	-	
Total expenditure	179,969,808	-156,415,401
Surplus/(Deficit)	(10,356,699)	4,081,880

The Statement of Revenue and Expenditure presents the data by source of Revenue and by the classification of Expenditure. The overall revenue for 2016 is as noted \$169.61 million. Taxes on Income shown in the table above would reveal that this revenue source increased by \$1.7 million over the previous year. It also continued its upward trend where in 2013 the amount collected was \$11.56 million, then \$13 million in 2014, in 2015 it was \$16.90 million and now \$18.58 million.

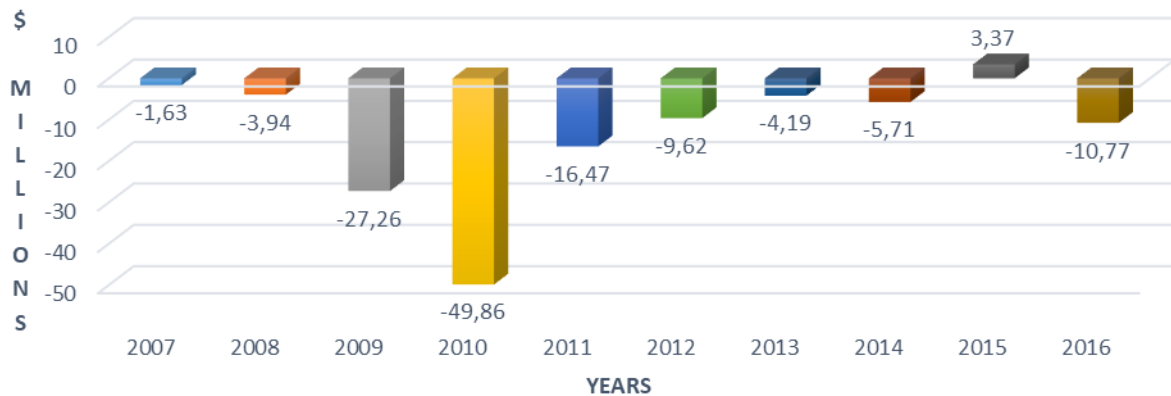
On the other hand, Taxes on Domestic Goods and Consumption recorded a steep drop off of \$4.83 million from the collections in 2015.

The actual expenditure in the current year increased by \$23.55 million or 15.1% over the previous financial year. It is shown that \$156,415,401 was spent in 2015 compared to the \$179,969,808 spent now. Personal Emoluments and Wages continues to be the highest area of expenditure and recorded an increase of \$4.99 million over the 2015 level of \$65.36 million. Also recording a significant increase in spending, was the classification Transfers and Subsidies. This area recorded an increase of \$7.75 million or 56.8% over the amount spent in 2015.

It can be concluded that the Ministry of Finance managed to regain some control over the spending of government funds, between 2013 and 2015, as compared to the previous deficit results in the years prior. However, the 2016 results on the current account should trigger some response from the Ministry aimed at more tightening during the implementation phase of the budget. Also, given the anticipated fall off in revenue collections, due to the revised VAT policy, other strategies may be worth considering.

The following graph shows the results on the Current account covering the ten years 2007 to 2016:

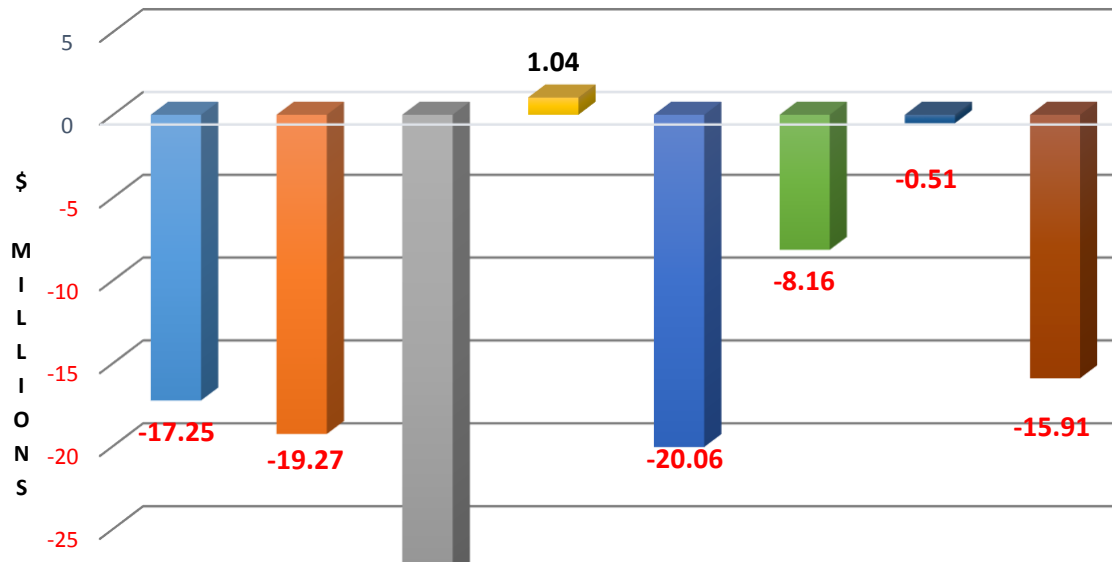
CURRENT ACCOUNT SURPLUS AND DEFICITS 2007-2016



It is noteworthy that in the ten-year stretch (2007 – 2016) there is only one year that realized a surplus on the current account and that's in 2015, with \$3.37 million. The other 9 years of deficits amount to \$129.45 million with the highest occurring in 2010 of \$49.86 million.

The overall annual results of a surpluses and deficits (Current and Capital accounts) during the period 2007 to 2016 are shown in the following graph:

OVERALL SURPLUS AND DEFICITS 2007-2016



In the period of ten years shown in the graph, there are only two (2) surplus results that managed barely over \$5 million. The surplus in 2010 realized \$1.04 million and \$4.08 million in 2015. On the other hand, the eight (8) deficits shown, total in excess of \$120 million.

4. ANALYSIS OF THE FINANCIAL STATEMENTS

4.1 THE STATEMENT OF RECEIPTS AND PAYMENTS

The financial statements produced do not bear any direct reference to the operations and outcomes for any Ministry or Department of Government. This is true for all four major statements viz: Statement of Receipts & Payments; Statement of Budget & Actuals; Statement of Revenue & Expenditure; and the Statement of Financial Assets & Liabilities.

In addition, there are three Summaries presented: the Summary of Recurrent Revenue; the Summary of Recurrent Expenditure; and the Summary of Capital Expenditure. These summaries present the data on the Budget allocations versus the Actuals incurred or realized and the variances, in respect of each Ministry and its Programs.

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 available, just that they are not presented in the usual format and with specific reference to the various Ministries and Programs.

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

	2016	2015
Net Cash Flow from Operating Activities	(14,622,024)	4,687,294
Net Cash Flows from Investing Activities	(28,058,301)	(24,461,911)
Net Cash Flows from Financing Activities	<u>28,296,784</u>	<u>19,658,037</u>
Net Increase / (Decrease) in Cash	(14,383,541)	(116,580)
Opening Cash Position	(81,138,957)	(81,022,377)
Yearend Cash Position	(95,522,498)	(81,138,957)

The Operating Activities resulted in a net outflow of funds of \$14.62 million, where \$133.38 million were receipts and \$148 million were payments. Operating Activities reflected a

significant increase in spending in areas such as Payroll, Transfers & Subsidies and Advances to Government Agencies.

The receipts from Investing Activities total \$40.31 million in 2016 and \$32.19 million in 2015; whereas the payments total \$68.37 million and \$56.65 million in 2016 and 2015 respectively, giving the net cash outflows from Financing Activities as summarized.

However, the Receipts from Financing Activities total \$36.71 million; whereas the Payments were only \$8.41 million, giving that lone positive inflow of funds of \$28.3 million.

The following is the entire statement of Receipts and Payments for 2016, with comparative data:

NEVIS ISLAND ADMINISTRATION				
STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31 2016				
RECEIPTS	Notes	2016		2015
		\$		\$
Taxes on Income		18,578,007		16,902,515
Taxes on Property		2,794,932		2,723,322
Taxes on Domestic Goods and Consumption		17,753,529		22,582,604
Taxes on International Trade and Transactions		60,128,258		58,456,240
Budgetary Grants				
Utilities		5,233,223		5,651,811
Fines, Fees & Forfeitures		3,194,117		3,142,487
Postal Services		879,032		515,731
Other Receipts		24,337,679		23,882,447
Repayment of Personal Advances		29,479		5,970
Repayment of Subsistence Advances		2,200		3,600
Repayment of Other Government Advances		451,507		300
PAYMENTS				
Personal Emoluments and Wages		-70,351,731		-65,358,478
Goods and Services		-28,231,499		-29,034,195
Transfers and Subsidies		-21,402,706		-13,650,806
Interest Payments		-15,270,698		-15,462,864
Issuance of Personal Advances		-47,570		-70,479
Issuance of Subsistence Advances		0		0
Issuance of Other Government Advances		-12,699,783		-5,602,911
Net Cash Flows from Operating Activities		-14,622,024		4,687,294

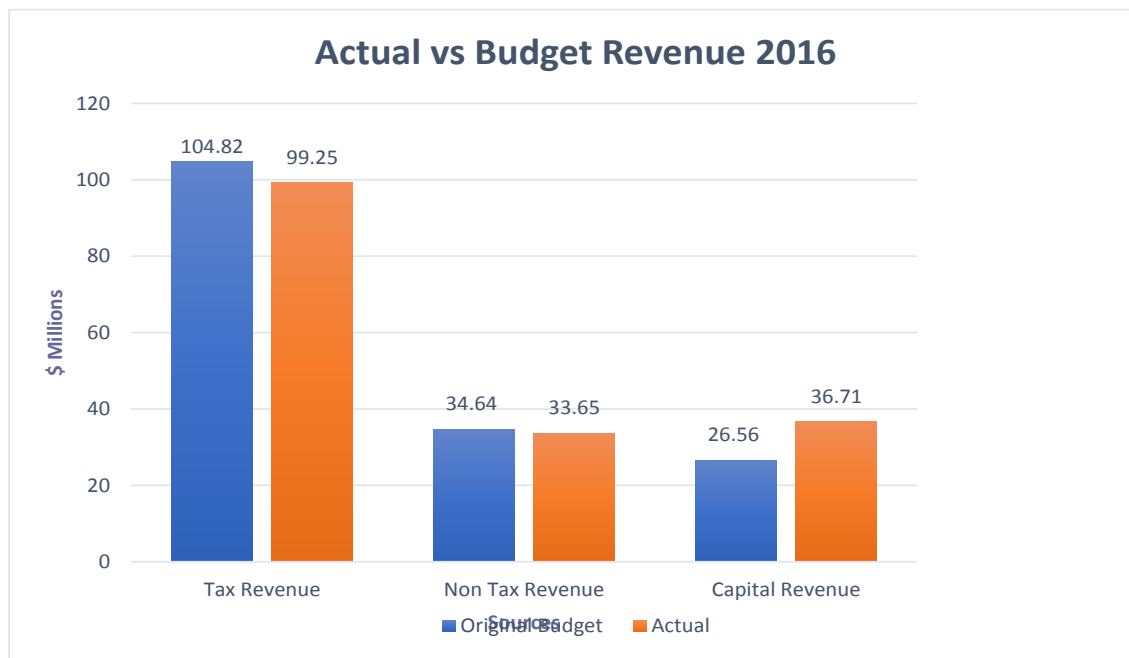
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of land and properties	5,000		0
Interest, Dividend and Currency	0		94
Capital Grants	0		0
Repayment of Other Advances	-		-
Returns on Investments	-		-
Receipts from Trust Funds	15,162,158		9,619,781
Receipts from Other Public Funds	25,139,988		22,567,680
Payments			
Capital Expenditure	-36,300,626		-25,927,065
Net Lending			
Issuance of Other Advances			
Purchase of Investments			
Outflows from Trust Funds	-7,294,182		-4,382,783
Outflows from Other Public Funds	-24,770,639		-26,339,618
Net Cash Flows from Investing Activities	-28,058,301		-24,461,911
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from borrowings - Foreign	0		0
Proceeds from borrowings - Domestic	36,709,333		26,640,030
Payments			
Repayment of borrowings - Foreign	-4,607,207		-4,020,204
Repayment of borrowings - Domestic	-3,805,342		-2,961,790
Net Cash Flows from Financing Activities	28,296,784		19,658,037
Net increase/(decrease) in cash	-14,383,541		-116,580
Cash at the beginning of the period	-81,138,957		-81,022,377
Cash at the end of the period	-95,522,498		-81,138,957

4.2 STATEMENT OF REVENUE

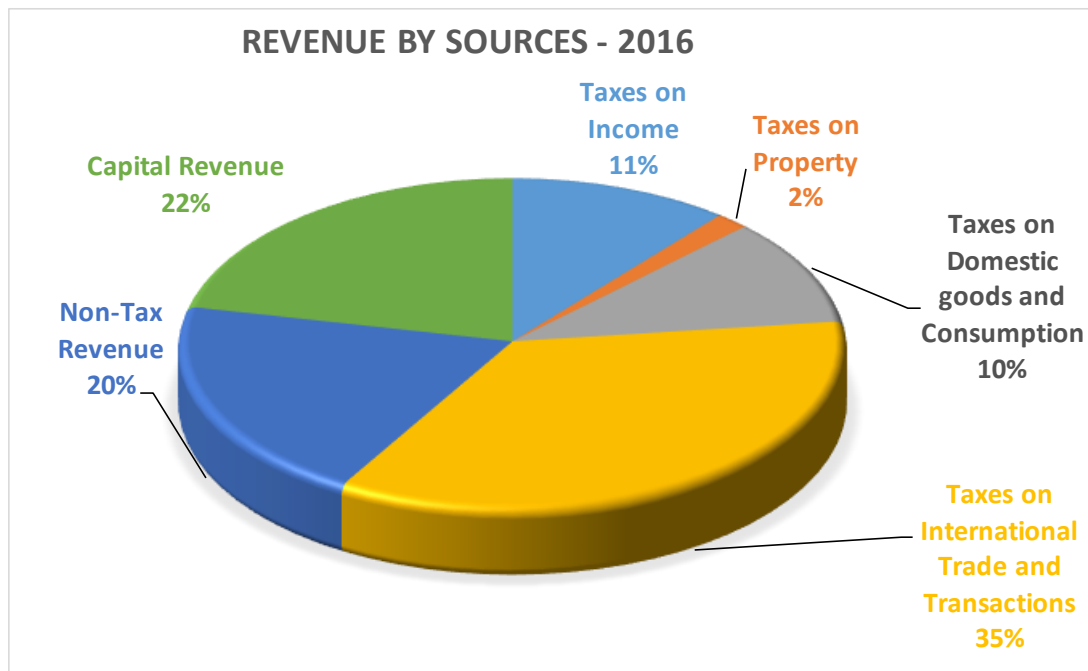
For the total budgeted revenue for 2016 of \$166.01 million, it was projected that \$139.46 million would be realized on the Current account and the \$26.56 million on the Capital account would come from Grants and Loans. The total actual revenue sources on the Current account generated \$132.90 million; and on Capital account it was \$36.71 million, for a total of \$169.61 million.

The overall performance in revenue surpassed that of projections by \$3.6 million; whereby the Current account fell short of the projected amount by (\$6.55) million and the Capital account exceeded projections by \$10.15 million. This highlights that the overall increase in revenues was primarily due to the very favourable performance on the Capital account.

The following graph depicts the actual revenue collections versus the original budgeted amount for 2016:



The following chart shows the broad categories of the sources of revenue and their contribution to the revenue pie for 2015.



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 35%. In 2014, that contribution to the pie was 43%, indicating a decrease of 8% in the past two years for Taxes on International Trade & Transactions.

Capital Revenue recorded the largest increase in contribution to overall revenues moving from 9% in 2014 to 17% in 2015, and further jumping to 22% in 2016. Much of this is reflected in the Federal Budgetary Support of \$24,161,000; and capital projects budget support from the SIDF of \$11,144,408. Loans and Grant Aid (from Taiwan) make up the difference of \$1.4 million.

The following table represents the same data, but providing more detail by each Ministry responsible for revenue collections:

MINISTRY	BUDGET 2016	ACTUAL 2016	ACTUAL 2015
	\$	\$	\$
Legal	185,000	280,605	216,130
Premier	1,630,000	1,902,726	10,002,343
Finance	127,982,430	122,391,716	115,026,357
Min. of Works	7,373,300	6,250,608	6,852,751
Min. of Agriculture, Lands	648,500	436,004	420,592
Min. of Health	1,510,000	1,545,751	1,249,317
Min. Tourism, Culture, Info.	120,000	87,940	83,630
Min. of Education & Library	6,750	4,278	6,130
Min of Soc. Dev. Youth, Sports	0	4,150	0
Total Current Account Revenue	139,455,980	132,903,777	133,857,250
Capital Account Revenue	26,558,050	36,709,333	26,640,030
Grand Total Revenue	166,014,030	169,613,110	160,497,281

The Nevis Island Administration prepared budgets for eight (8) revenue Heads, however, no revenue was estimated for Ministry of Social Development Youth and Sports. Nonetheless, the Ministry realized \$4,150 of actual revenue.

Of the Ministries noted, only three sources recorded revenue as being “over the estimate” during the 2016 fiscal year. These were Legal, Premier’s Ministry and the Ministry of Health.

The Ministry of Finance and its departments is the major revenue collector for the government but did not achieve its target and fell short by \$5.6 million.

LEGAL SERVICES

The Legal Services has two programs combined where it was estimated that \$185,000 would be generated from Registration of Companies (\$50,000) and Unclassified Revenue (\$135,000). The actual revenue was \$280,605 with Registration of Companies accounting for only \$23,550 and \$257,053 recorded as Unclassified Revenue.

Over the past two years, Legal Services has outperformed its budget. The overall performance outdid its budget by \$95,605. Compared to 2015, the actual revenue increased by \$64,475.

PREMIER'S MINISTRY

The Premier's Ministry has three major programs for revenue collections namely: Administration, Registrar, and Magistrate. However, only one program managed to attain its target. The Administration program exceeded its target by \$361,572.

The Administration program which is responsible for Passports, Permits etc. and Work Permit ID fees, had a target of \$1,364,000 and generated \$1,725,572. The majority of this amount can be attributed to Passports, Permits etc. of \$1,624,565; Work Permit ID fees \$13,375 and Unclassified revenue \$86,970. In comparison with 2015, the Administration program continued to perform exceedingly well and realized an increase in revenue of \$313,327 over 2015.

The Magistrate & Registrar's Program had a target of \$266,000 which was less than in 2015 when the budget was \$271,000. The Magistrate & Registrar's Program actual revenue was \$176,054 recording a shortfall of \$89,946. Fines and Forfeitures for this year accounted for 94% of this program's revenue collections with \$164,848.

The Magistrate & Registrar's Program records Court Fees, Fines and Forfeitures. The Magistrate Court fees for this year has only realized \$358 in comparison to \$7,583 in 2015. The Magistrate Court fees did not perform as expected and hence the decrease in revenue.

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

There are six (6) programs for revenue collection under the Ministry of Finance. The total budgeted revenue for this Ministry was \$127.98 million. The four (4) major revenue collectors for this Ministry are Customs Department, Inland Revenue, Regulation and Supervision and the Supply Office.

The actual collection was \$122.39 million recording a shortfall from the budgeted amount by \$5.59 million. However, the Ministry surpassed its actual revenue collected in 2015 by \$7.36 million.

Customs Department:

It was estimated that Customs would realize \$44.24 million for the year 2016, where this estimate reflected an increase of \$1.74 million from the 2015 estimate. The actual collections of \$43.61 million highlighted the department fell short by \$0.63 million. However, it surpassed the 2015 actual and estimated levels.

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

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Consumption Tax	99,764	206,962	38,614	288,121	157,167
Import Duties	11,423,642	11,580,483	10,619,574	9,625,437	8,715,777
Customs Service Charge	7,962,044	7,381,912	6,252,989	7,280,256	6,328,776
Environmental Levy	2,582,092	1,864,497	755,478	682,265	446,528
Excise Duty	5,167,480	3,947,773	3,791,775	4,903,172	3,299,684
Value Added Tax	16,214,542	15,498,979	19,131,622	17,124,016	15,375,391

In 2016, the Customs Department has surpassed its actual revenue from 2015, with the exception of Consumption Tax and Import Duties. Consumption Tax has been fluctuating annually due to its removal from designated goods and was substituted with VAT. Import Duties has shown a constant improvement in comparison to the previous years but its revenue was reduced by \$156,841 in 2016.

All the other taxes that have shown a constant improvement in comparison to the previous years.

The Excise Duty shows an increase over its 2015 revenue by \$1.22 million. Likewise, the Environmental Levy exceeded its 2015 revenue by \$717,595 in 2016. This tax has increased its actual revenue by 74% since 2013. Also, Value Added Tax (VAT) revenue for Customs Department has shown an increase in 2016 of \$715,563.

Inland Revenue Department:

The Inland Revenue Department (IRD) projected revenue collections at \$60.58 million for 2016, which represents the largest collections for the Ministry. The IRD realized revenues amounting to \$56.38 million which fell short of its projected figure by \$4.2 million. However, over the past three years, the results have been declining. In 2014, the actual revenue was \$57.71 million; \$56.74 million in 2015 and \$56.38 million in 2016.

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

	ACTUAL 2016	ACTUAL 2015	VARIANCE
	\$	\$	\$
Stamp Duty – Property	9,171,392	13,251,116	-4,079,724
Business & Occupation Licenses	700,077	578,428	121,649
Social Services Levy	11,468,064	9,130,008	2,338,056
Wheel Tax	2,455,427	2,191,958	263,469
Licenses – Drivers, Temporary	309,122	285,108	24,014
Licenses – Drivers, Permanent	458,621	395,319	63,302
Income Tax	6,715,560	4,110,073	2,605,487
Property Tax	2,794,932	2,726,278	68,654
Value Added Tax	16,670,044	17,795,606	-1,125,562

The majority of taxes exceeded the 2015 actual revenue with just the two taxes falling short. The taxes that significantly surpassed the 2015 revenue levels are Social Services Levy and Income Tax. The two taxes that decreased in revenue in 2016 are Stamp Duty - Property by \$4,079,724 and Value Added Tax by \$-1,125,562.

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

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Stamp Duty – Property	9,171,392	13,251,116	12,089,577	10,492,947	12,576,696
Business & Occupation Lic	700,077	578,428	486,047	463,502	424,037
Social Services Levy	11,468,064	9,130,008	8,475,642	8,324,117	7,773,406
Wheel Tax	2,455,427	2,191,958	1,959,109	1,927,576	1,869,035
Hotel Rooms & Rest. Tax	-	-	-	-	13,342
Licenses – Drivers, Temp.	309,122	285,108	288,936	312,263	312,398
Licenses – Drivers, Perm.	458,621	395,319	357,373	360,824	348,578
Income Tax	6,715,560	4,110,073	4,203,147	3,123,956	5,086,608
House & Land Tax	2,794,932	2,723,322	2,347,120	1,892,783	634,482
Land Tax	-	-	214,022	322,660	1,499,773
Travel Tax	248,653	264,078	272,269	288,955	426,956
Traders Tax	2,560	3,261	4756	12,597	11,655
Unincorporated Bus. Tax	1,447,511	1,339,280	1,135,743	980,355	986,754
Value Added Tax	16,415,892	17,703,737	20,046,868	18,296,728	15,939,884

Regulation and Supervision:

This area of revenue collection typically performs exceptionally well, however, it fell short of its budgeted amount this year. The actual collection was \$14.18 million compared to its budgeted amount of \$14.32 million. The actual revenue fell short by \$130,722 nevertheless, it surpassed the actual of \$13.9 million realised in 2015.

The table below shows the revenue Heads that exceeded their budgeted amounts for 2016.

AREAS OF REVENUE	BUDGET 2016	ACTUAL 2016	VARIANCE
	\$	\$	\$
Multiform Foundations Registration	60,000	90,945	30,945
Transfer of Domicile	25,000	52,650	27,650
Registration of Trusts - Foreign	3,000	6,750	3,750
Due Diligence Fees	215,000	342,900	127,900
Certificates Issued	350,000	363,415	13,415
Registration of Captive Insurance Co.	1,000,000	1,367,618	367,618
Unclassified	565,000	580,293	15,293
Reinstatement Fees – Financial Services	85,000	111,510	26,510

The other areas of revenue collection did not exceed budgeted levels, but the revenue collected was still significant in amount.

Supply Office

The Supply Office had a target of \$8.27 million and its actual collection was \$7.45 million. The Department fell short by \$0.82 million. Over the past three years, the Supply Office's actual revenue has been fluctuating from \$7.34 million in 2014, \$8.41 million in 2015 and \$7.45million in 2016.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry had a budget of \$7.37 million and its actual revenues were only \$6.25 million recording a shortfall of \$1.12 million. In comparison with 2015, the Ministry's actual revenue decreased by \$0.60 million. The Ministry has five (5) revenue Programs, two of which can be considered major; namely the Water Department and the Post Office.

Water Department:

The target amount set for the Water program was \$6.5 million where Water Rates were to realise \$6.3 million and Repairs and Connections the remaining \$0.2 million.

The Water Department did not manage to attain its target but realized \$5.24 million. Water Rates accounted for \$5,171,782 and Repairs and Connections amounted to only \$61,441. Water Rates revenue decreased by \$425,246 in comparison with 2015 where Water Rates recorded \$5,597,028. However, Repairs and Connections revenue increased by 13%.

Post Office:

Revenue collection from the Post Office was budgeted at \$627,800. Among the sources are: Receipt from Philatelic Operation \$175,000, Sale of Postage Stamps \$342,000; Rent of Private P.O. Boxes were \$65,900; P.O. Box Handling Fees \$16,000; Express Mail Service (EMS) \$10,900; Commission E Top-up Services \$3,500 and Unclassified \$14,500.

The actual revenue for 2016 amounted to \$879,032, recording an increase of \$251,232 or (40%) over expectations. Receipt from Philatelic Operation accounted for \$173,341; Sale of Postage Stamps \$510,218; Rent on Private P.O. boxes \$78,150; Post Office Insurance Fees \$41,426; P.O. Box Handling Fees \$12,270; EMS \$9,085; Commission E Top-up Service \$1,650 and Unclassified \$52,892.

Overall, the Post Office surpassed its target revenue, despite some areas including the receipts from Philatelic Operations falling short.

MINISTRY OF HEALTH, GENDER, AND SOCIAL AFFAIRS

The Ministry of Health had a moderate decrease in their target from \$1.85 million in 2015 to \$1.51 million in 2016. As a result of the decrease in the Ministry's budget, the Ministry met and surpassed its targets. The Ministry generated actual revenue of \$1,545,751 recording \$35,751 over its budget.

The Ministry's major collection comes from the Medical University fees, Hospital fees and Unclassified revenue where all three surpassed their budgeted targets. Medical University fees were estimated at \$550,000 and revenue collected was \$550,745.

At the Alexandra Hospital, the budget was \$850,000 and the revenue collected exceeded expectations by \$25,784 recording revenue of \$875,784.

The other item of revenue for the Ministry of Health is Unclassified revenue and this amounted to \$106,714 reflecting a decrease from 2015 by \$8,115. The Unclassified revenue also did not meet its budgeted level and fell short by \$3,286.

4.3 STATEMENT OF EXPENDITURE

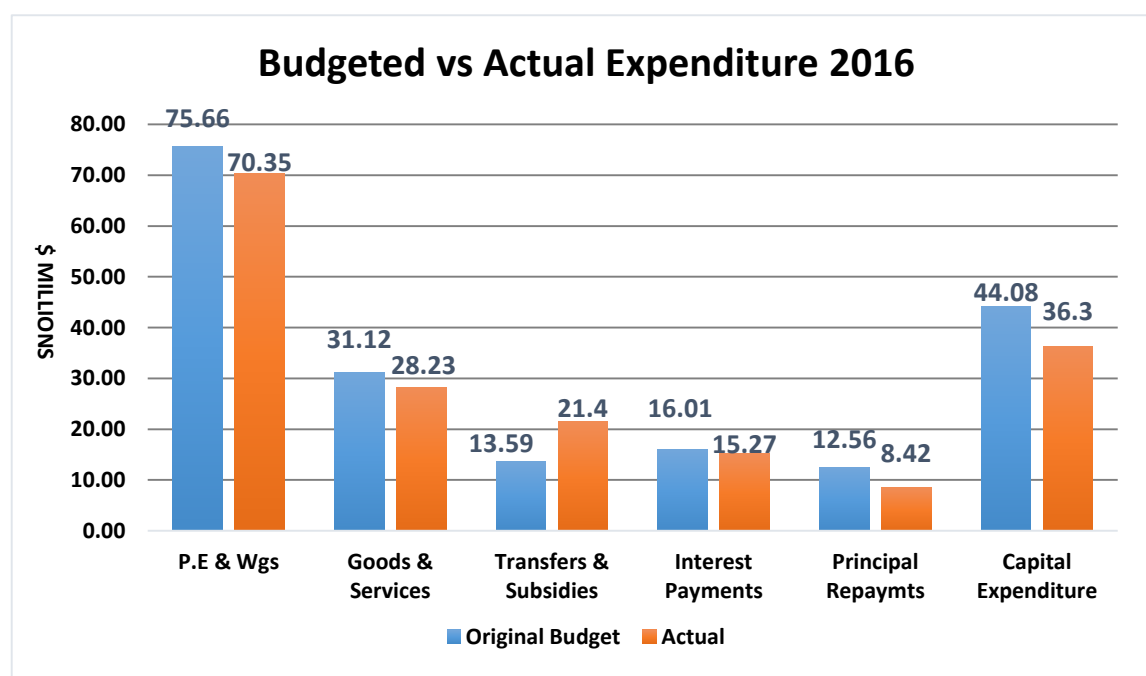
Thirteen (13) Ministries were allocated a collective budget for current expenditure for the 2016 financial year of \$148.94 million. Actual current expenditure for the same period amounted to \$143.67 million. Thus, the government was able to save \$5.27 million or approximately 3.5% of its budgeted funds.

Two (2) Ministries exceeded their budget while the other eleven (11) were within their allocated budgets. Those with the excesses were the Premier's Ministry and the Ministry of Tourism. Similarly, in 2015 these same two (2) Ministries along with the Ministry of Social Development et al, also exceeded their budgeted amounts. The following table shows the excesses incurred in 2016:

MINISTRY	BUDGET	ACTUAL	EXCESS
Premier's Ministry	\$4,732,925	\$4,870,317	(\$137,392)
Ministry of Tourism	\$6,228,403	\$7,162,939	(\$934,536)

Of the eleven (11) Ministries that didn't exceed their budget, the Ministry of Education and Library Services realized the most savings on budgeted funds of \$1.94 million. Compared to the previous fiscal period, the Ministry of Finance, Statistics and Economic Planning saved approximately \$3.09 million.

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 2016.



Personal Emoluments & Wages accounted for 48.97% of the actual expenditures for the financial year 2016. As 50.8% of the Budget was allocated towards this area of expenditure, the actual incurred and the savings realized is indeed commendable. Salaries amounted to \$44.69 million and the Wages were \$24.46 million or 55% of Salaries.

The amount spent on Goods and Services recorded a small decrease of \$0.8 million from the amount spent in 2015, despite its budget being increased by \$2.1 million for the current period. The major components for the amount (\$28.2 million) for Goods and Services were Supplies & Materials \$9.58 million and Electricity \$4.97 million.

It can also be highlighted that the Principal Repayments of \$8.42 million was slightly more than the \$6.98 million paid in 2015 but was less than the \$9.20 million spent in 2014. Interest payments were also a little less than in 2015 when \$15.46 million was incurred.

DEPUTY GOVERNOR GENERAL

The Office of the Deputy Governor General was within its budget for 2016 and saved \$23,018. The allocated budget was decreased from \$404,034 in 2015 to \$391,000 in 2016. The actual expenditure this year was \$367,982, thereby realizing a saving of 5.89% of the initial budget.

LEGISLATURE

The budget for this Programme was \$758,761, which reflected a 12.51% increase from 2015. During this fiscal year, the actual spending amounted to \$604,540 resulting in savings on budgeted funds of \$154,221.

Legislature had two programme heads being Administration and Office of the Opposition Leader. Although there was the overall savings on the Legislature Programme, the budget for the Office of the Opposition Leader was exceeded by \$34,289. This was more than twice its budgeted amount of \$34,010. Comparatively, the Office of the Opposition Leader utilized \$500 from its budget allocations on only one occasion over the last five (5) years; and that was in 2014.

LEGAL SERVICES

Legal services consist of two (2) expenditure programmes, viz Legal Department and Company Registry. The budgeted allocation for Legal Services was \$1.11 million; of which \$843,515 was actual total expenditure.

The Legal Department and Company Registry had individual budgets of \$1.01 million and \$98,252, respectively. Both programmes' expenditure was maintained within the stated budget, which resulted in an overall saving of \$267,356 or approximately 24.07% of the budget.

PREMIER'S MINISTRY

The collective expenditure budget for this Ministry was \$4.73 million and it incurred expenditure of \$4.87 million. This year, the Ministry exceeded its budget by only \$137,392 compared to the \$3.09 million overspent in 2015. Indeed, this reflects a significant improvement from the prior fiscal period. It is noted that the Department of Trade, including the Supply Office, was under the Premier's Ministry in 2015, and was subsequently moved to the Ministry of Finance et al in 2016. Additionally, the Department of Trade in 2015 recorded

an excess of \$3.06 million, which contributed to the overall excess of the Premier's Ministry for that period.

The expenditures for the Premier's Ministry are now subdivided into five (5) programmes, Office of the Premier, Registrar and High Court, Magistrate, Labour Department and Nevis Disaster Management Department.

Office of the Premier

The Office of the Premier was allotted a budget of \$2.71 million for Administration. However, the actual expenditure totalled \$2.97 million. Therefore, this programme exceeded its budget by \$264,052. It would appear that some object codes were grossly under-budgeted such as Supplies and Materials, Rental of Assets and Hosting and Entertainment, all which were over-spent by more than twice what was budgeted. Hosting and Entertainment is an area where the budget seems most inadequate. In 2015 there was \$8,000 allocated and \$37,339 was spent, which is approximately 366.74% more than the budgeted figure. This year, 2016, the budget was increased to \$20,000 and actual expenditure incurred totalled \$54,175 or 170.88% more.

Registrar and High Court

The actual expenditure for this programme was \$717,516, resulting in \$132,831 being returned as savings. Additionally, the actual expenditure for 2016 increased by 4% over the previous year, when \$690,654 was spent. However, the budget had an 8% increase moving from \$787,362 in 2015 to \$850,347 for the current period.

Magistrate

The budget set for the Magistrate Court was \$222,195 and the expenditure amounted to \$209,864 which reflected a slight decrease of \$1,265 from 2015. This programme kept within its budget for the fiscal year and saved \$12,331 compared to an over-expenditure in 2015 of \$31,338.

Labour Department

The Labour Department was given a budget of \$469,928 of which this programme utilized \$401,319. As a result, there was savings of \$68,609 or 15% of the budgeted amount.

Nevis Disaster Management Department

The Nevis Disaster Management Department was allocated \$484,380 reflecting a 29% increase from the previous financial period. The actual expenditure for the current period increased by

\$62,255 to \$427,916 compared with the previous period of \$365,661. The major object codes that significantly contributed to the increase were Salaries and Wages.

MINISTRY OF FINANCE, STATISTICS & ECONOMIC PLANNING

For the 2016 fiscal year, the Ministry of Finance and its programmes were allocated a budget of \$68.81 million, while actual expenditure was \$68.44 million. The Ministry was able to utilize approximately 99% of its budget with savings of only \$368,341. Comparatively, for the previous financial period, the Ministry was also able to save funds which approximated \$3.70 million. However, it must be noted that in 2016 the Department of Trade et al was transferred from the Premier's Ministry to this Ministry and the Supply Office was made a separate programme under the Ministry.

The programmes that were allotted more than 10% of the Ministry's budget were Administration, Treasury Department and Supply Office.

Administration

Administration was allocated a budget of \$14.16 million or approximately 21% of the total budget for recurrent expenditure. This programme utilized \$10.81 million thereby saving \$3.35 million. This budget was shared among Administration, Information Technology Division, Central Procurement Unit, Financial Systems Unit and the Budget and Fiscal Unit.

Some of the main areas of expenditure for government-wide services covered by the Ministry of Finance, reflected decreased costs from the prior period. These included: Internet Services, National Celebrations, Hosting and Entertainment, Professional and Consultancy Services, Medical Insurance, Claims Against Government and Electricity Bills. Collectively in 2015, these areas cost government \$9.21 million, whereas in the current year, they only amounted to \$6.57 million; reflecting a \$2.64 million decline in costs. On the other hand, Telephone costs increased by \$114,305 in the current period over the \$755,987 spent in 2015.

Treasury Department

The Treasury Department was allotted an expenditure budget of \$36.90 million; of which \$36.38 million went to Administration and Investment Operations; and \$525,454 to Accounting Operations. Total expenditure incurred by this department was \$40.37 million with \$39.91 million incurred by Administration and Investment Operations and \$454,842 from Accounting Operations. Administration and Investment Operations exceeded its budget by \$3.01 million.

The key areas of spending included Retiring Benefits of \$9.08 million; Domestic Debt servicing cost \$6.56 million; Overdraft Interest \$9.57 million; Treasury Bills Interest \$2.22 million; Foreign Debt servicing \$5.43 million; and Extra Salaries, Wages and Pensions \$5.83 million.

Supply Office

The expenditure for this department amounted to \$7.85 million, while the allocated budget was \$7.88 million. Conversely, during the previous fiscal period, the expenditure for this department totalled \$9.74 million exceeding its budget of \$6.74 million by \$2.99 million.

An area worthy of note was the expenditure on Supplies and Materials. During 2015, expenditure on these items amounted to \$9.43 million, whereas during the current year, expenditure was significantly curtailed and totalled only \$7.52 million. It is noted that the budget for Supplies and Materials increased from \$6.40 million in 2015 to \$7.50 million in 2016.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES, ET AL

The Ministry of Communications et al was apportioned a budget of \$12.19 million, of which total expenditure amounted to \$10.98 million. Therefore, approximately 9.98% of the budget was saved.

Public Works

The Public Works Programme was allocated the largest portion of the budget; \$5.73 million to cover the activities of Road, Bridges and Minor Works; Buildings; Repair Shop; and the Asphalt Plant. This program recorded expenditure of \$5.33 million and retained \$408,749 of its budgeted funds.

Water Department

The Water Department is subdivided into activities for Administration and Billing; Production; Distribution; and Quality Control. Collectively, the department was allotted a budget of \$2.93 million of which actual expenditure incurred was \$2.76 million. Administration and Billing costs were \$657,993; Production costs \$851,720; Distribution \$1.18 million; and Quality Control \$73,008.

Post Office

The Post Office was allotted an expenditure budget of \$1.21 million for Administration and Revenue Control; and Postal Deliveries and Dispatch. The Administration and Revenue Control activity generated \$520,006 in expenditures compared to \$458,949 in 2015, a \$61,057 increase. Whereas, the Postal Deliveries and Dispatch activity incurred \$576,476 in expenditures compared with \$563,972 in 2015, a \$12,504 increase. Total expenditure for this department amounted to \$1.10 million.

MINISTRY OF AGRICULTURE, LANDS, COOPERATIVES AND FISHERIES

The actual expenditure incurred by this Ministry amounted to \$5.12 million or approximately 90.62% of its assigned budget of \$5.65 million.

The Ministry of Agriculture et al is divided in four (4) programmes, Administration; Department of Agriculture; Department of Cooperatives; and Fisheries Department. Each programme saved on the funds that were budgeted. The actual expenditure for each programme was: Administration \$491,052; Department of Agriculture \$4.18 million; Department of Cooperatives \$155,555; and Fisheries Department \$299,159.

Additionally, all programmes had a budget increase excluding the Department of Cooperatives, which had a budget decrease from \$203,420 in 2015 to \$181,524 in 2016.

MINISTRY OF HEALTH

The Ministry of Health's budget for 2016 was \$16.20 million, a \$1.35 million increase from 2015. The actual expenditure incurred was \$14.71 million, resulting in approximately 9.19% of the budget being saved. However, this level of spending was \$1.3 million more than that of 2015.

The two programmes that were allocated more than 20% of the budget for the Ministry, were the Public Health Department and the Alexandra Hospital.

Public Health Department

The Public Health Department activities are subdivided into Administration and Information Unit, Dental Unit, Community Health Services, Environmental Health, Patient Care, Psychiatric Services, and Health Promotion & HIV/AIDS Unit. The budgeted portion allotted to this department represents approximately 25% of the budget for the Ministry of Health. The expenses incurred for 2016 were \$3.59 million from a budget of \$3.99 million. Comparatively, the actual expenses incurred in 2015 amounted to \$3.33 million.

Additionally, it is noted that the Dental Unit over-spent in 2015 and again in 2016 with a budget of \$443,453 and expenses of \$455,404.

Alexandra Hospital

The Alexandra Hospital's budgeted expenditure for 2016 was \$8.80 million which was allocated among four (4) activities, Administration and Maintenance \$1.59 million; Patient Care \$5.30 million; Diagnostic Services \$756,366; and Domestic and Nutrition Services \$1.15 million.

The actual expenditure associated with each activity were: Administration and Maintenance \$1.24 million; Patient Care \$4.64 million; Diagnostic Services \$774,598 and Domestic and Nutrition Services \$1.18 million. Although there were over-expenditures in both Diagnostic Services and Domestic and Nutrition Services of \$18,232 and \$25,889, respectively, the overall expenses of the programme were within the budget.

MINISTRY OF TOURISM

This Ministry had a budget allocation of \$6.23 million, an increase of 15.95% from the 2015 financial period. Total actual expenditure incurred amounted to \$7.16 million, resulting in over-spending of \$934,536. Similarly, during the previous fiscal year there was over-spending of \$675,259.

Similar to the 2015 fiscal year, the Department of Information's expenditure fell within its budget with savings of \$94,436 for 2016. However, Administration and the Department of Culture recorded over-expenditures of \$627,752 and \$400,842, respectively.

MINISTRY OF EDUCATION AND LIBRARY SERVICES

The 2016 actual expenditure for the Ministry of Education and Library Services was \$20.48 million. This Ministry had savings of \$1.94 million from a budget of \$22.42 million.

The Ministry of Education and Library Services is subdivided into six (6) programmes: Administration; Education Department; Primary Education; Secondary Education; Public Library; and Department of Higher and Continuing Education. All these programmes maintained spending within their budget for 2016, unlike in 2015 where the Education Department exceeded its budget by \$545,172.

HUMAN RESOURCES

The budget allotted to this programme was \$1.55 million to be shared between Administration and Training, \$444,713 and \$1.11 million, respectively. During 2016, the combined expenditure

incurred was \$1.25 million with \$432,690 from Administration and \$816,231 from Training. There was \$301,580 returned as a result of savings. Similarly, in the previous financial period, \$260,858 was recorded as savings

MINISTRY OF SOCIAL DEVELOPMENT, YOUTH, SPORTS, ET AL

This Ministry's budget was \$8.51 million, a 22.12% increase from the prior fiscal period and the largest percentage increase of all the Ministries. The actual expenditure incurred amounted to \$8.50 million, resulting in savings of \$6,367. Of all the Ministries that maintained expenditure within their budgets, this Ministry utilized the most of its budget, thus saving the least amount of funds. Conversely, in 2015 this Ministry exceeded its budget by \$16,866.

CONCLUSION

In reviewing the Detailed Statement of Expenditure, it can be deduced that continuous efforts were made to keep expenditure in check, throughout most Ministries and their programmes. This is apparent from the overall results in the 2015 financial year where three (3) Ministries recorded over expenditures, while in the current fiscal year only two (2) Ministries had excesses.

Additionally, the total expenditure for 2015 was \$130,488,336 resulting in 2.5% of the budget being saved. Comparatively, the total expenditure for the current year was \$143,669,182 which allowed for 3.5% of the budget to be returned as savings. However, despite what seems to be just 1% more being saved on the budget in 2016, total current expenditure increased by \$13.18 million or 10.1% over the previous fiscal period.

Moreover, attention must still be focused on significant expenditure items within the different Ministries. Some of the items would include:

1. Supplies and Materials where the amount being spent on these items may now be at a critical point and in need of review. In 2016, the amount spent on Supplies and Materials was \$9.58 million, of which the Supply Office accounted for \$7.5 million. The following table may be helpful for comparative purposes:

Supplies & Materials	2016	2015	2014
	\$ Million	\$ Million	\$ Million
Government Wide	9.58	11.44	9.73
Supply Office	7.52	9.43	7.98

The data also highlights that for the past 3 years there is at least \$2 million of goods being sourced outside of the Supply Office.

2. Expenditure for Electricity across government amounted to \$4.97 million and this was down from the \$5.52 million in 2015. The arrears from years prior have been cleaned up and efforts to remain current are effective. However, consumption can always be improved with the reduction of wastage and it may be timely to roll out some new strategies to raise awareness and generate some economies.
3. Audit also notes the tendency of making monthly salary payments from Wages for persons who should really be paid from the Personal Emoluments of a substantive post. This has the effect of distorting the Wages component of Personal Emoluments. Wages, as a percentage of Salaries, have increased from 49.85% in 2014 to 52.66% in 2015 and now to 54.78% in 2016. The Salaries figure has likewise steadily increased from \$39.68 million to \$42.14 million and now \$44.69 million over the same period.
4. Finally, we are noting an increasing number of instances of misclassification of expenditure. The good thing about Program Budgeting is that all the Object Codes are available for expenditure to be charged whether or not the item was budgeted. Hence, there is little excuse for expenditure not to be appropriately charged. Additionally, we have encountered, what we consider, unreasonable delays in getting source documents for examination from a couple departments (which shall remain nameless for now). Of course, that raises “red flags” for any auditor. We noted a few missing documents, but the dollar amounts are immaterial for the purposes of the audit. As a reminder to all Ministries and Departments: the responsibility for the safe custody and storage of all financial records and assets remains with the Heads. Retrieval of the same for inspection, should not be so arduous and delayed, that it raises the levels of suspicion.

4.4 THE CAPITAL ACCOUNT

The 2016 Budget provided for Capital expenditure of \$44.08 million that anticipated sources to be from Revenue in the amount of \$25.65 million; Loans of \$3 million; and Grants or Development Aid of \$15.43 million to support a total of 57 projects.

The actual spent on capital projects amounted to \$36.30 million representing 82.4% of the budgeted amount. Of this amount, spending from Revenue amounted to \$30.37 million; Loans amounted to \$1.21 million; and Grants or Development Aid was \$4.73 million. This covered expenditure on 50 budgeted projects and 1 project that was not budgeted for 2016.

Actual capital revenue realized was \$36.71 million. The sources of this revenue were Loans of \$1.21 million and Grant Aid and Budgetary Support of \$35.50 million.

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

The eight projects that were budgeted by the Ministry of Finance incurred a total of \$2.94 million in capital expenditure. Some of the major projects were Computerization of Government Offices amounted to \$443,006; Purchases of Vehicles of \$479,154; and Equipment and Furniture of \$417,727.

The Ministry of Communications, Works, Public Utilities and Posts had capital expenditure amounting to \$20.08 million or 55.3% of the total capital spending. The Ministry spent a total of \$12.71 million on Road Improvement, Purchase of various assets and energy projects. The Public Works Department spent \$6.23 million on Renovation of Government Buildings, Maintenance of schools, and Secondary Village Roads (**see cover page**). The Water Department incurred a total of \$1.14 million on the continuing project for Water Service Upgrade.

The Ministry of Agriculture, Lands, Cooperatives and Fisheries spent \$1.42 million which included the purchase of supplies, materials and equipment, Upgrade of Veterinary Clinic and Abattoir.

The Ministry of Health overall spent \$3.08 million on projects that included Medical Supplies of \$845,722; Environmental Work Program of \$941,808; Improvement to Alexandra Hospital of \$1.09 million and Improvement of Health Facilities amounted to \$204,686.

The Ministry of Tourism, Culture and Information incurred a total expenditure of \$2.31 million on various tourism developments projects. The Ministry of Education spent \$590,950 on its programs which included Upgrade of Schools.

The capital projects done by The Ministry of Social Development, Youth, Sports and Community Development incurred an overall of \$5.22 million. Some of their major projects included \$180,747 for Upgrades to Community Centres; also upgrades to Sporting facilities for \$1.77 million; the St. James raceway maintenance used \$808,928; Community House Assistance used \$926,308; the Youth Empowerment program accounted for \$199,829 and Social Development Complex of \$734,920. There was \$155,000 spent on the acquisition of a Coaster Bus, which was not budgeted for in this financial year.

4.5 STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

The statement of Financial Assets and Liabilities as at December 31, 2016 is summarized with comparative data as follows:

	2016	2015
Financial Liabilities		
Bank Overdraft (Net of Cash)	95,522,498	81,138,957
Net Deposits	49,186,082	48,816,733
Trust Funds	93,908,011	86,040,035
Advances	(15,202,273)	(2,938,106)
Total Liabilities/ Net Assets	223,414,318	213,057,619
Deficit B/fwd	<u>213,057,619</u>	<u>217,139,499</u>
Surplus/ (Deficit) for year	(10,356,699)	4,081,880
Accumulated Deficit	<u>223,414,318</u>	<u>213,057,619</u>

As noted, the Deficit for the current year is stated at \$10.36 million and the Accumulated Deficit at \$223.41 million. The Bank Overdrafts at yearend amounted to \$95.52 million and increased from the previous financial year by \$14.38 million, as the cash position worsened due to the net outflow of such funds during the year.

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 2016 year end was \$101.43 million (\$101,428,462).

The summarized Statement of Receipts and Payments shows:

	2016	2015
Net Cash Flow from Operating Activities	(14,622,024)	4,687,294
Net Cash Flows from Investing Activities	(28,058,301)	(24,461,911)
Net Cash Flows from Financing Activities	<u>28,296,784</u>	<u>19,658,037</u>
Net Increase / (Decrease) in Cash	(14,383,541)	(116,580)
Opening Cash Position	(81,138,957)	(81,022,377)
Yearend Cash Position	(95,522,498)	(81,138,957)

Although the deficit for the year is \$10.36 million, the cash position of the Administration worsened with the net (outflow) decrease in cash of \$14.38 million.

4.6 STATEMENT OF PUBLIC DEBT

At the end of the 2016 financial year review, the total Public Debt is disclosed as \$383,889,119 reflecting an increase of \$7.29 million or 1.94% over the previous year.

During this period, the Domestic portion increased from \$306.27 million to \$319.26 million or by \$12.99 million while the foreign portion decreased by \$5.7 million to \$64.63 million.

Both the Domestic and Foreign portions of the public debt include Government Guarantees which reflect an overall reduction. The Domestic Guarantees have decreased by \$1.2 million and is stated at \$13,086,593. On the other hand, the Foreign Guarantees have been reduced by \$2 million and stated at \$15,367,707. 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. It must be noted that guaranteed debt accounts for 7.4% of the total public sector debt and many of the NIA debts are also covered by guarantees at the Federal level.

There were no loans that were paid off during the year. However total payments on the principal for 20 loans amounted to \$9.09 million. Further drawdowns on 3 SKNA National Bank loans amounted to \$2.49 million. This increased their combined total to \$38.66 million.

An additional disbursement of \$1.2 million along with a repayment on principal of \$768,499 was made to the Nevis Water Enhancement project loan which brought the outstanding balance to \$17.16 million at yearend.

The outstanding Treasury Bills as at the end of the financial year was disclosed at \$101.43 million and reflects a net increase of \$7.24 million or 7.7% over the period.

The following statement provides the current Debt position with comparative data:

PUBLIC DEBT:	2016 \$	2015 \$	2014 \$	2013 \$
Domestic	319,264,013	306,269,192	290,332,319	296,592,462
Foreign	64,625,106	70,326,736	73,359,407	75,436,047
Guaranteed –Domestic	13,086,593	14,289,922	14,751,696	14,011,669
Guaranteed - Foreign	15,367,707	17,366,732	19,779,648	23,632,146
Total Debt	383,889,119	376,595,928	363,691,726	372,028,509

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 groundwork, 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.

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.

My gratitude is also expressed to the staff of other Ministries and Departments in Nevis, for their valuable and timely assistance. 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, 2016. 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, 2016.

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Tanisha Mills

On behalf of the

Acting Director of Audit

August 08, 2019.

APPENDIX 1

UNAUTHORIZED EXPENDITURE 1988 - 2014

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

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

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

<u>PROGRAM</u>	<u>ACTIVITY</u>	<u>NAME</u>	<u>UNESTIMATED</u>
2006:			
Min. of Finance	0602	Treasury	2,078,764.44
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

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.