



Report of The Director of Audit



On The Accounts of the
Nevis Island Administration
FOR THE YEAR ENDED
DECEMBER 31, 2017 and 2018



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, 2017 and 2018.

Respectfully submitted,

Tanisha Mills

On Behalf of the

Acting Director of Audit

November 20, 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 covering the two years 2017 and 2018.

1.2 AUDIT MANDATE:

This Audit Report on the accounts of the Nevis Island Administration for each of the years ending December 31, 2017 and 2018 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:

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.

Our gratitude is particularly expressed to those staff who have since left the Office, including Ms. Daniella Kelly for her period of service from November 2016 until August 2018 when she served as an Audit Assistant. Ms. Kelly has left to further pursue her studies abroad.

We also had the addition of Mr. Devonte Jones, who replaced Ms. Kelly as an Audit Assistant effective September 2018 and continues in that capacity. As the Office still needed more staff, at that time, the addition of Mr. Jones was most welcomed.

2.2 BUDGET:

The Nevis Audit Office had an approved Budget of \$417,650 for the fiscal year 2017. This budgeted allocation was an increase of some \$34,788 or 9.09% from the 2016 allocation.

In 2018 the budget allocation was then increased to \$490,400 reflecting an increase of \$72,750 or 17.4% from the 2017 allocation.

We are pleased that our 2017 actual expenditures of \$413,049 did not surpass the budgeted allocation and realized savings of \$4,601 or 1.1%. Two of the major spending areas were Personal Emoluments of \$273,697 and Rental of Property of \$64,800.

The 2018 Actual expenditure totalled \$453,725 and this was \$40,676 more than the amount spent in 2017. Compared to the budget provision of \$490,400 this returned savings of some \$36,675 or 7.5%. This savings can be attributed to some training activities which had to be postponed until the following year.

3. OVERVIEW OF THE PUBLIC ACCOUNTS

3.1 SUBMISSION OF ACCOUNTS:

The Accounts of the Nevis Island Administration for the year ended December 31, 2016 along with the Audit Report on those accounts, were forwarded to the Honourable Premier on August 08, 2019. Those Accounts along with the Audit Report are scheduled to be tabled in the Nevis Island Assembly during the Budget Session in December 2019.

The following statements in respect of the financial years 2017 and 2018 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 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, 2017 and January 1, 2018 to December 31, 2018.

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 Treasury department has been working to clear the arrears in the preparation of the Annual Accounts and has made good progress. In fact, efforts were made to complete both the 2017 and 2018 financials by October 2019.

Comparative Information

The 2017 and 2018 financial statements have been prepared under the Cash Basis Standard of IPSAS and comparative information for the previous years, is included.

Appropriations

The original budget was approved by legislative action in the Nevis Island Assembly with the passing of the Appropriation Act on November 30, 2016 for the 2017 budget. The 2018 budget was passed on February 12, 2018. These actions 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 years ending 2017 and 2018 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:

As this report covers a two-year period, focus would be primarily on the most current year, 2018, but results of the other year will be provided and quoted for comparative purposes and to highlight whatever trend may be noted.

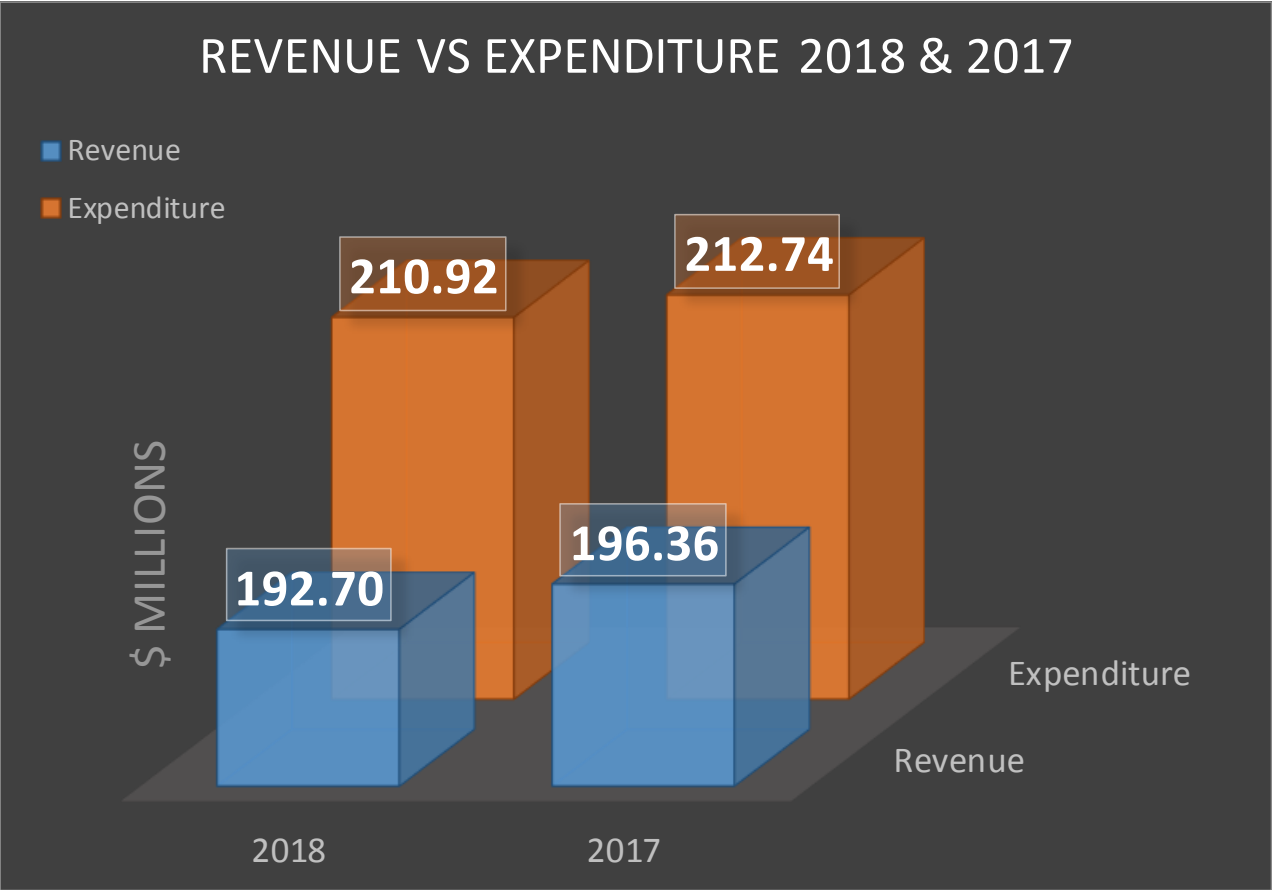
The financial accounts for the year ended December 31, 2018 disclose an overall deficit of **\$18.22 million** (\$18,217,468). This is a significant increase from the \$16.37 million deficit result in 2017 and the \$10.36 million deficit in 2016.

In fact, the Budget for 2018 presented an Estimated Overall Deficit of \$26.02 million (\$26,018,650). The current account was projected to have a surplus of \$5.31 million and the capital account's deficit was projected at \$31.33 million.

The Statement of Revenue and Expenditure shows a Grand total revenue collection of **\$192.70 million** comprising Current Revenue of \$138,440,812 and Capital Revenue of \$54,262,582. Likewise, the Grand total Expenditure amounted to **\$210.92 million** comprising Current Expenditure of \$160,108,540 and Capital Expenditure of \$50,812,322.

Compared to the previous year's financials, total expenditure for 2018 decreased by only \$1.81 million from the 2017 level. It is noted that total revenue also decreased by some \$3.67 million.

The results for 2017 show revenue collections of **\$196.36 million** comprising Current Revenue of \$129,064,593 and Capital Revenue of \$67,298,729. The Expenditure Grand total was **\$212.74 million** which can be broken down into Current Expenditure of \$149,216,904 and Capital Expenditure of \$63,518,734.



The following table presents the broad categories of the sources of Income and the areas of Expenditure during the reporting periods, 2018 and 2017:

**NEVIS ISLAND ADMINISTRATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31 2018**

	2018	2017
REVENUE	\$	\$
Taxes on Income	17,608,922	17,679,211
Taxes on Property	3,852,772	3,219,059
Taxes on Domestic Goods and Consumption	17,878,826	15,257,971
Taxes on International Trade and Transactions	62,724,477	60,542,125
Non-Tax Revenue	35,674,940	32,366,040
Interest, Dividends & Currency	700,875	188
Capital Revenue	54,262,582	67,298,729
Budgetary Grants	0	0
Total Revenue	192,703,395	196,363,322
EXPENDITURE		
Personal Emoluments and Wages	-72,655,070	-72,415,442
Goods and Services	-35,048,849	-31,149,595
Transfers and subsidies	-22,650,043	-21,222,316
Interest payments	69,632,764	-19,616,586
Capital expenditure	-50,812,322	-63,518,734
Principal payments	-99,387,343	-4,813,966
Total expenditure	-210,920,863	-212,735,638
Deficit	<u>(18,217,468)</u>	<u>(16,372,316)</u>

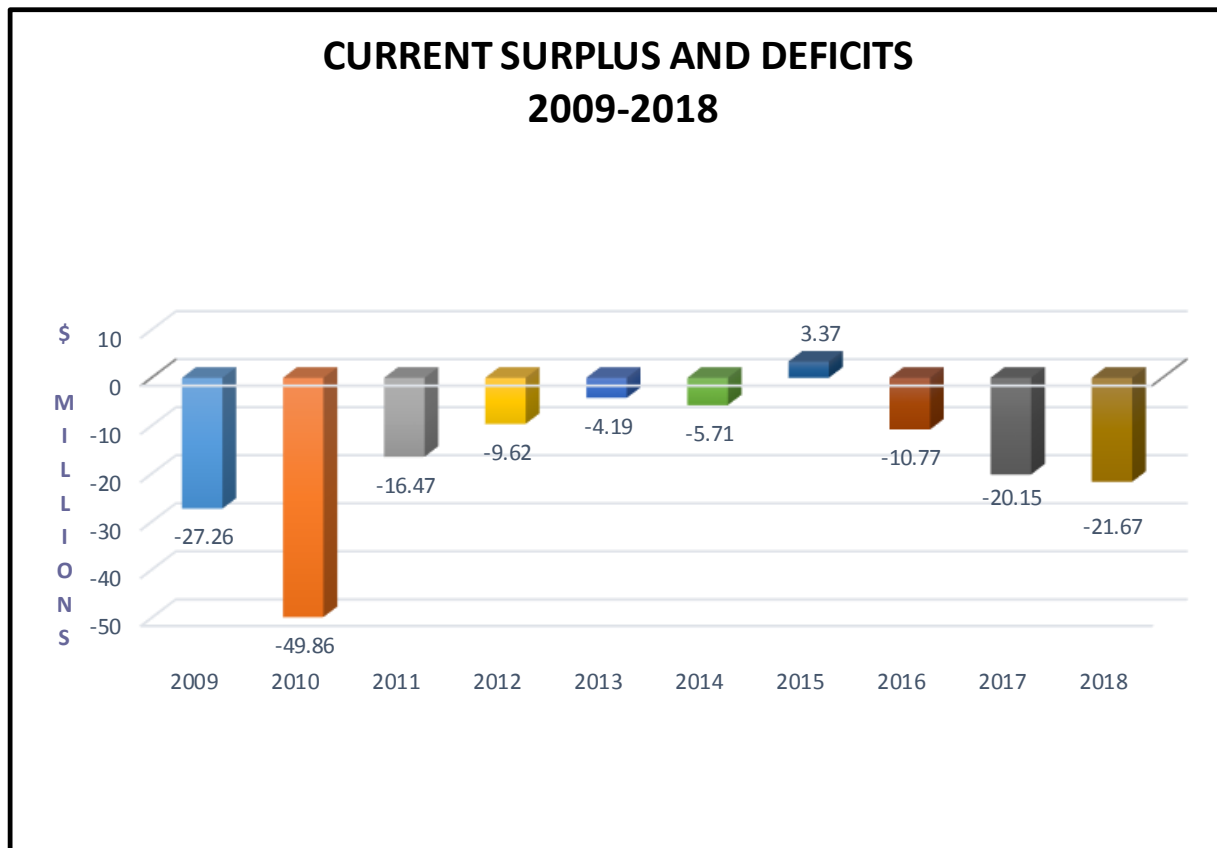
The Statement of Revenue and Expenditure presents the data by source of Revenue and by the classification of Expenditure. Taxes on International Trade and Transactions shown in the table above would reveal that this revenue source increased by \$2.18 million over the previous year. Attention can also be drawn to Taxes on Domestic Goods and Consumption that performed better in 2018, with \$17.8 million compared with the \$15.26 million realized in 2017.

On the Expenditure side it would be seen that less money was spent in 2018 with a decrease of \$1.81 million or 0.85% from the previous financial year. It can be shown that expenditure on Goods and Services has increased by some \$3.90 million or 12.52% from the 2017 amount of \$31.15 million. Also recording a significant increase in spending, was Principal payments. This area recorded an increase of \$94.57 million over the 2017 amount of \$4.81 million. This

increase in Principal Payment is as a result of the restructuring combined loan taken in July, 2018 that incurred a major reduction in the SKNA National Bank Overdraft that was last stated at \$93.69 million on the Public Debt Statement as of 31st December, 2017.

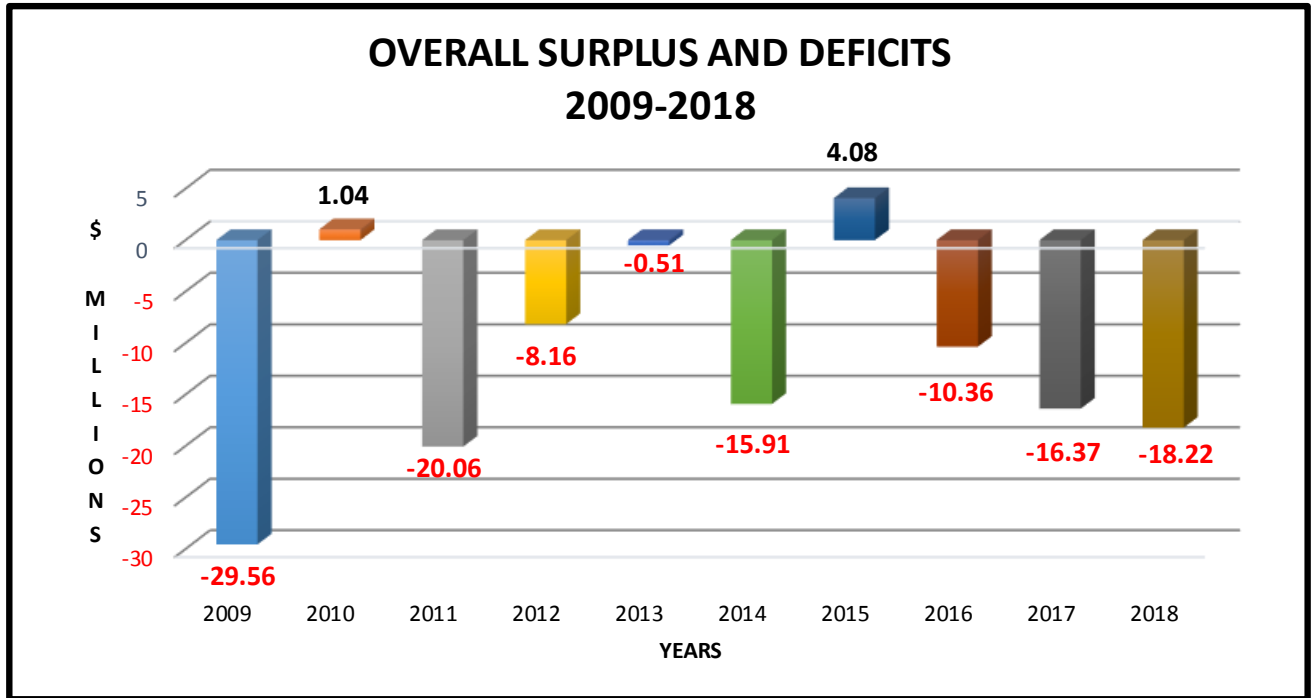
It is reasonable to conclude therefore that the Ministry of Finance was able to exercise some control over the spending of Government funds. However, given that fact that Elections were held in December 2017, it is normal to expect that spending levels would have been elevated during the current year, as well as in the previous year.

The following graph shows the results on the Current account covering the ten years 2009 to 2018:



Unfortunately, there was only one year in the ten-year stretch (2009 -2018) that realized a surplus on the current account and that was in 2015, with \$3.37 million. The previous time the current account realized a surplus was in 2005 with \$7.15 million. The accumulated Deficits on the current account for this period exceed \$165.7 million.

The overall annual results of a surpluses and deficits (Current and Capital accounts) during the period 2009 to 2018 are shown in the following graph:



The historical data shows several years of Deficit results and only two years of surplus results. The surpluses are shown in 2010 of \$1.04 million and 2015 of \$4.08 million that barely managed a total of over \$5million. The remaining eight (8) year period in the chart accumulated a total Grand Deficit of \$119.15 million, with the highest being in 2009 of \$29.56 million.

4. ANALYSIS OF THE FINANCIAL STATEMENTS

4.1 THE STATEMENT OF RECEIPTS AND PAYMENTS

There are no direct references to the operations and outcomes for any Ministry or Department of Government in these financial statements. 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:

	2018	2017
Net Cash Flow from Operating Activities	75,152,615	(26,065,074)
Net Cash Flows from Investing Activities	(48,031,016)	(60,047,635)
Net Cash Flows from Financing Activities	<u>(45,124,760)</u>	<u>62,484,763</u>
Net Increase / (Decrease) in Cash	(18,003,161)	(23,627,946)
Opening Cash Position	(119,150,444)	(95,522,498)
Yearend Cash Position	(137,153,605)	(119,150,444)

Receipts from Operating Activities total \$137.37 million in 2018 and \$129.88 million in 2017. Whereas the Payments total \$62.22 million and \$155.94 million for 2018 and 2017 respectively, giving the net cash flows for Operating Activities summarized above.

The Investing Activities resulted in a net cash flow of \$48.03 million, where \$9.40 million were receipts and \$57.43 million were payments for 2018. The 2017 receipts totalled \$32.33 million and \$92.37 million in payments for a total cash flow of \$60.05 million.

However, the 2018 Receipts from Financing Activities total \$54.26 million; whereas the Payments was \$99.39 million, giving the outflow of funds of \$45.12 million. Compared with 2017, the receipts totalled \$67.30 million and payments was \$4.81 million which gave the positive inflow of funds of \$62.48 million.

The following is the entire statement of Receipts and Payments for 2018, with comparative data for 2017:

**NEVIS ISLAND ADMINISTRATION
STATEMENT OF RECEIPTS AND PAYMENTS
AS AT 31 DECEMBER 2018**

RECEIPTS	Notes	2018	2017
		\$	\$
Taxes on Income		17,608,922	17,679,211
Taxes on Property		3,852,772	3,219,059
Taxes on Domestic Goods and Consumption		17,878,826	15,257,971
Taxes on International Trade and Transactions		62,724,477	60,542,125
Budgetary Grants			
Utilities		5,680,162	4,747,462
Fines, Fees & Forfeitures		1,501,007	1,333,888
Postal Services		833,352	859,400
Other Receipts		27,213,167	25,422,774
Repayment of Personal Advances		24,952	27,862
Repayment of Subsistence Advances		50,000	0
Repayment of Other Government Advances		200	788,177
PAYMENTS			
Personal Emoluments and Wages		-72,655,070	-72,415,442
Goods and Services		-35,048,849	-31,148,595
Transfers and Subsidies		-22,650,043	-21,222,316
Interest Payments		69,632,764	-19,616,586
Issuance of Personal Advances		-800	-153,145
Issuance of Subsistence Advances		0	0
Issuance of Other Government Advances		-1,493,224	-11,386,921

Net Cash Flows from Operating Activities		75,152,615	-26,065,074
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of land and properties		447,252	2,515
Interest, Dividend and Currency		700,875	188
Capital Grants		0	0
Repayment of Other Advances		-	-
Returns on Investments		-	-
Receipts from Trust Funds		105,631	7,399,446
Receipts from Other Public Funds		8,147,327	24,923,952
Payments			
Capital Expenditure		-50,812,322	-63,518,734
Net Lending			
Issuance of Other Advances			
Purchase of Investments			
Outflows from Trust Funds		-1,533,786	-5,639,335
Outflows from Other Public Funds		-5,085,993	-23,215,667
Net Cash Flows from Investing Activities		-48,031,016	-60,047,635
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from borrowings - Foreign		0	630,711
Proceeds from borrowings - Domestic		54,262,582	66,668,018
Payments			
Repayment of borrowings - Foreign		-3,935,026	-2,490,074
Repayment of borrowings - Domestic		-95,452,316	-2,323,891
Net Cash Flows from Financing Activities		-45,124,760	62,484,763
Net increase/(decrease) in cash		(18,003,161)	(23,627,946)
Cash at the beginning of the period		(119,150,444)	(95,522,498)
Cash at the end of the period		(137,153,605)	(119,150,444)

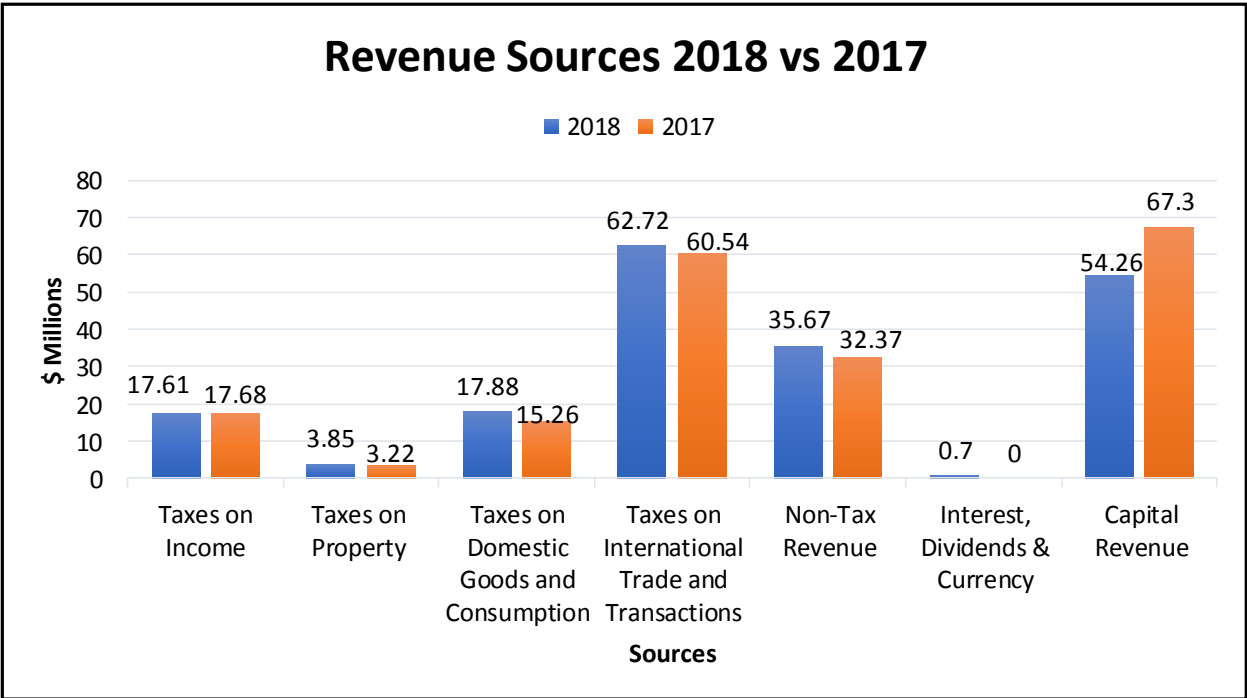
4.2 STATEMENT OF REVENUE

The total budgeted revenue for 2017 of \$191.37 million projected that \$140.26 million would be realized on the current account and the \$51.11 million on the Capital account would come from grants and loans. The actual results for 2017 reveal that only \$129.06 million was raised on the current account and \$67.30 million on the capital account.

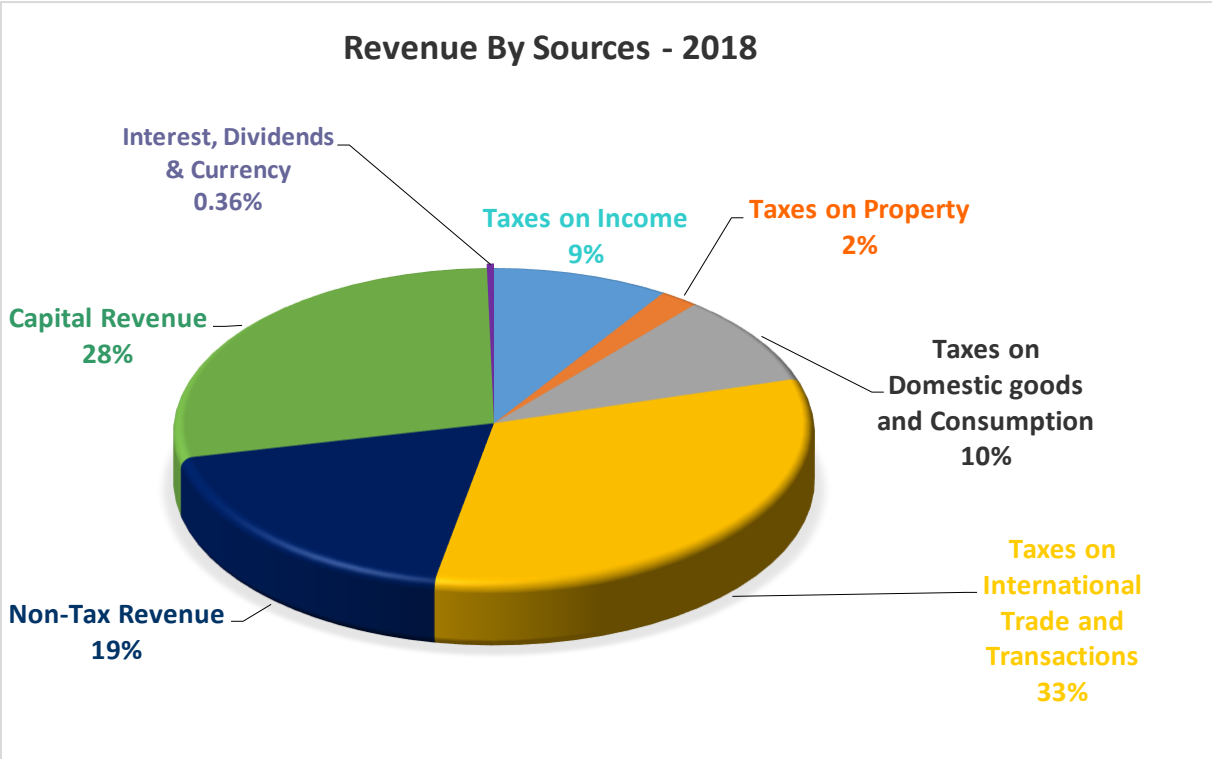
Turning to the 2018 performance, the projected revenue was \$171.31 million with the current account of \$137.92 million and capital account of \$33.39 million. The projected revenue was projected at \$2.34 million or 1.67% less than the 2017 budget of \$140.26 million. Also, on the capital account, the revenue projections were reduced by \$17.72 million or 34.67% from that of 2017.

The actual outturn in revenue for 2018 surpasses that of the projections by \$21.39 million; whereby the Current account exceeded the projections by \$0.52 million and the Capital account exceeded projections by \$33.91 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 for 2018 vs 2017:



The following chart shows the broad categories of the sources of revenue and their contribution to the revenue pie for 2018.



As can be seen in the graph above, Taxes on International Trade and Transactions account for 33% and the largest contributor to the revenue in 2018. Likewise, in 2017, its contribution was 31%. Taxes on Domestic Goods and Consumption accounted for 10% of the revenue for 2018 and increased by 2% from that of the 2017 revenue collection.

Capital Revenue recorded as the second largest contributor with 28% in 2018 and 34% in the previous year and recorded the largest shift, by 6%, in contributions. This Capital Revenue comprises the Federal Budgetary Support of \$37,110,077; SIDF Capital Budget Support of \$12,099,307 and Loans and Grant Aid of \$5,053,196.

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

MINISTRY	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
	\$	\$	\$
Legal	290,000	245,353	301,992
Premier's Ministry	2,026,700	1,602,587	1,834,425
Min. of Finance	125,821,500	127,695,437	119,138,452
Min. of Works	7,499,000	6,725,194	5,740,040
Min. of Agriculture, Lands	579,500	409,451	357,548
Min. of Health	1,595,000	1,660,258	1,590,135
Min. Tourism, Culture, Info.	100,000	0	95,680
Min. of Education & Library	7,200	17,663	5,821
Min of Soc. Dev. Youth, Sports	0	84,870	500
Total Current Account Revenue	137,918,900	138,440,813	129,064,593
Capital Account Revenue	33,386,700	54,262,582	67,298,729
Grand Total Revenue	171,305,600	192,703,395	196,363,322

The Ministry of Social Development Youth and Sports has once again not been given any estimated revenue for the year but nonetheless, the Ministry realised \$84,870 of actual revenue in 2018 and \$500 in 2017. Amongst the eight (8) revenue Heads that were prepared with a budget, only three sources recorded revenue as being 'Over the Estimate' during the fiscal year 2018. These were: Ministry of Finance, Ministry of Health and Ministry of Education.

LEGAL SERVICES

The Legal Services program was estimated to realize \$260,000 in 2017 and as seen in the table above, the actual amounted to \$301,992; hence exceeding the budget by \$41,992. These funds were generated by Registration of Companies \$28,950 and Unclassified revenues of \$273,041.

In 2018 the actual collections totalled \$245,353 against the budgeted amount of \$290,000. The funds were generated from Registration of Companies of \$31,800 and Unclassified Revenue of \$213,553. The overall revenue collection fell short of the budgeted amount by \$44,647. Compared to 2017, the actual revenue decreased by \$56,639.

PREMIER'S MINISTRY

This Ministry has three major programs for revenue collections and as noted, was one of the Ministries that fell short of its target, by \$424,113 or 20.93% in 2018. In 2017 the budget was surpassed by \$136,225 or 8.02%.

The Administration Program which is responsible for Passports, Permits, etc and Work Permit ID fees, had a target of \$1.76 million and generated \$1.41 million. This amount is to the credit of Passports, Permits, etc which realized \$1,370,436; Work Permit ID fees were \$13,100 and Unclassified Revenue was \$30,564.

The Registrar Program had a target of \$11,000 and its actual was \$7,678 recording a shortfall of \$3,322. The Registrar Program generated \$8,314 in 2017 and performed slightly better, \$636, than the 2018 result.

The Magistrate Court Program's actual revenue was \$180,781 recording a shortfall of \$74,219 from the budgeted amount of \$255,000. Fines and Forfeitures for this year accounted for 99% of this program's revenue collections with \$179,775.

In 2017 the sale of Passports, Permits etc amounted to \$1.59 million that contributed to the overall \$1.83 million collected by the Ministry. Also, Fines and Forfeitures amounted to \$122,400. This overall performance of the Ministry was better in 2017 when they collected \$1.84 million compared to the 2018 amount of \$1.60 million.

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

There are six (6) programs for revenue collection under the Ministry of Finance and as noted, this was one of the Ministries that surpassed its target, by \$1.87 million or 1.49% in 2018. The four (4) major revenue collectors for this Ministry are Customs Department, Inland Revenue, Regulation and Supervision and the Supply Office.

The actual collection in 2018 was \$127.70 million which is an increase of \$8.56 million over the \$119.14 million collected in 2017. However, the Ministry fell short of its budget in 2017 by \$9.25 million.

Customs Department:

The increase in the Customs revenue budget was \$339,000 in 2018 and was estimated that it would realize \$44.37 million for the fiscal year. The actual collections of \$46.23 million compares favourably against the budgeted figure. It also did much better than the \$43.49 million collected in 2017.

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:

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Consumption Tax	326,167	49,705	99,764	206,962	38,614
Import Duties	11,751,122	11,741,073	11,423,642	11,580,483	10,619,574
Customs Service Charge	8,858,547	8,137,624	7,962,044	7,381,912	6,252,989
Environmental Levy	1,853,164	2,388,845	2,582,092	1,864,497	755,478
Excise Duty	6,644,679	5,383,818	5,167,480	3,947,773	3,791,775
Value Added Tax	16,108,503	15,558,612	16,214,542	15,498,979	19,131,622

The Customs Department had surpassed its actual revenue from 2017, with the exception of Environmental Levy. Environmental Levy shows a decrease from its 2017 revenue by \$535,681 and a decrease of \$193,247 from the 2016 with an overall decrease of \$728,928 for the two year period..

Excise Duty shows an increase over its 2017 revenue by \$1.26 million. Likewise, the Customs Service Charge exceeded its 2017 revenue by \$720,923 in 2018. This tax has increased its actual revenue by 42% since 2014. Also, Value Added Tax (VAT) revenue for Customs has shown an increase over 2017 of \$549,891.

Inland Revenue Department:

The Inland Revenue Department (IRD) projected revenue collections were set at \$58.30 million in 2018. This represented collections to be about 46.34% of the Ministry's responsibility. The IRD realized revenue amounting to \$57,308,927 and was more than the \$54.25 million collected in 2017 and also more than the \$56.38 million of 2016.

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

	ACTUAL 2018	ACTUAL 2017	VARIANCE
	\$	\$	\$
Stamp Duty – Property	8,273,225	6,125,354	2,147,871
Business & Occupation Licenses	739,030	683,820	55,210
Social Services Levy	10,489,135	9,633,791	855,344
Wheel Tax	2,736,536	2,652,125	84,411
Licenses – Drivers, Temporary	290,127	272,400	17,727
Licenses – Drivers, Permanent	572,381	547,481	24,900
Income Tax	6,199,265	7,635,709	-1,436,444
Property Tax	3,852,771	3,219,058	633,713
Value Added Tax	16,926,295	17,053,883	-127,588

The taxes that significantly surpassed the 2017 revenue levels are Stamp Duty – Property by \$2.15 million; Social Services Levy by \$855,344 and Property Tax by \$633,713. There were two taxes that decreased in revenue from 2017: Income Tax by \$1.44 million and Value Added Tax by \$127,588.

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

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Stamp Duty – Property	8,273,225	6,125,354	9,171,392	13,251,116	12,089,577
Business & Occupation Lic	739,030	683,820	700,077	578,428	486,047
Social Services Levy	10,489,135	9,633,791	11,468,064	9,130,008	8,475,642
Wheel Tax	2,736,536	2,652,125	2,455,427	2,191,958	1,959,109
Licenses – Drivers, Temp.	290,127	272,400	309,122	285,108	288,936
Licenses – Drivers, Perm.	572,381	547,481	458,621	395,319	357,373
Income Tax	6,199,265	7,635,709	6,715,560	4,110,073	4,203,147
House & Land Tax	9,852,271	3,219,058	2,794,932	2,723,322	2,347,120
Land Tax	-	-	-	-	214,022
Travel Tax	123,763	219,176	248,653	264,078	272,269
Traders Tax	-	-	2,560	3,261	4756
Unincorporated Bus. Tax	2,095,642	1,996,414	1,447,511	1,339,280	1,135,743
Value Added Tax	16,926,295	17,053,883	16,415,892	17,703,737	20,046,868

Regulation and Supervision:

A budget of \$14.92 million was set for 2018 and actual collection was \$13.89 million. The 2018 budget was in fact increased from the \$14.78 million set in 2017. The actual collection of \$13.30 million in 2017 was somewhat short of the projection by \$1.48 million.

Revenue from most of the key areas showed improved performances in 2018 as compared with the 2017 results. In particular, Due Diligence Fees amounted to \$338,023 in 2018 compared to the \$63,023 collected in 2017.

The table below shows the revenue Heads that exceeded their budgeted amounts for 2018.

AREAS OF REVENUE	BUDGET 2018	ACTUAL 2018	VARIANCE
	\$	\$	\$
Multiform Foundations Registration	70,000	67,678	-2,322
Transfer of Domicile	27,000	38,610	11,610
Registration of Trusts – Foreign	4,500	3,375	-1,125
Due Diligence Fees	275,000	338,023	63,023
Certificates Issued	360,000	360,000	0
Registration of Captive Insurance Co.	1,100,000	690,997	-409,003
Unclassified	600,000	708,151	108,151
Reinstatement Fees – Financial Services	86,000	124,855	38,855

Supply Office

The Supply Office had a target of \$7.50 million and its actual collection was \$7.06 million. The Department fell short by \$435,190. Over the past three years, the Supply Office's actual revenue has been fluctuating from \$8.41 million in 2015, \$7.45 million in 2016, \$6.94 million in 2017 and \$7.50 million in 2018.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry had a projection of \$7.49 million and its actual revenues were only \$6.73 million recording a shortfall of \$0.76 million. The major portion of the revenue for this Ministry was expected to flow from the Water Department, which had a budget of \$6.35 million or 84.78% of the total. Actual collections from the Water Department was only \$5.68 million with Water rates accounting for \$5.61 million and Water Connections providing \$68,127.

The second major revenue collection for the Ministry is the Post Office. The Post Office had a budgeted amount of \$728,500 and realized \$629,497. This revenue collection comprises P.O. Box rentals of \$91,078; Sale of Postage Stamps of \$442,614 and Unclassified revenue of \$54,250.

MINISTRY OF HEALTH, GENDER, AND SOCIAL AFFAIRS

The Ministry of Health had a moderate budget increase from the \$1.57million in 2017 to \$1.60 million in 2018. The 2017 budget was also increased from the \$1.51 million that was set in 2016. Back in 2016, the targeted revenue was attained and surpassed as the Ministry generated actual revenue of \$1.54 million, which was \$35,751 or 2.37% over the budget.

In 2017, the actual collections amounted to \$1,590,135 reflecting a slight increase over the budget. However, the 2018 collections amounted to \$1,660,257 thus exceeding the budget by \$65,257.

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 \$600,000 and revenue collected was \$649,872.

At the Alexandra Hospital, the budget was \$875,000 and the revenue collected exceeded expectations by \$35,775 recording revenue of \$910,775.

The other item of revenue for the Ministry of Health is Unclassified revenue and this amounted to \$86,205 reflecting a decrease from 2017 by \$4,512. The Unclassified revenue also did not meet its budgeted level and fell short by \$33,795.

4.3 STATEMENT OF EXPENDITURE

The Nevis Island Assembly passed the 2018 Appropriation Act on February 12, 2018 and this authorized Recurrent Expenditure of \$162,611,550 on thirteen (13) Program Heads and Capital Expenditure of \$64,712,700 for eight (8) of the thirteen Programs Heads.

The 2017 Appropriation Act was passed on November 30, 2016 and authorized spending of \$157,294,950 on the current account and \$79,007,100 on the Capital account.

During the 2018 financial year, with the exception of two (2) Program Heads, all other Heads kept their spending on the current account well within the budgeted amounts provided. The recurrent expenditure amounted to \$160,108,540 resulting in a net saving of \$2.55 million.

The two Programs to exceed their spending limits were the Premier's Ministry and Ministry of Finance. Premier's Ministry overspent its \$4.76 million budget by \$547,953 while the Ministry of Finance overspent its \$73.29 million budget by \$6.69 million.

The following tables show some of the savings and the excess of the budget allocation for 2018:

MINISTRY	BUDGET	ACTUAL	EXCESS
Premier's Ministry	\$4,761,600	\$5,309,553	(\$547,953)
Ministry of Finance, Statistics, etc	\$73,295,600	\$79,989,203	(\$6,693,603)

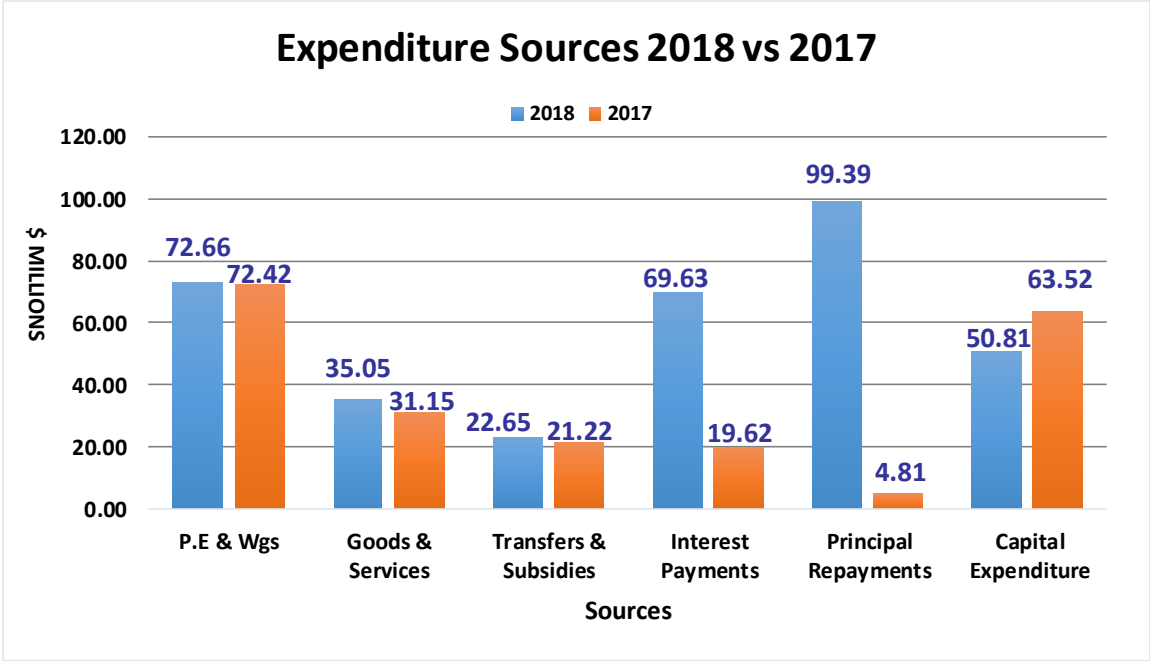
MINISTRY	BUDGET	ACTUAL	SAVINGS
Deputy Governor General	\$374,000	\$328,823	\$45,176
Legislature	\$896,200	\$612,759	\$283,441
Nevis Audit Office	\$490,400	\$453,725	\$36,675
Legal Services	\$1,130,300	\$877,552	\$252,748
Ministry of Communication, Works, etc	\$13,422,500	\$12,130,029	\$1,292,471
Ministry of Agriculture, Lands, etc	\$6,842,600	\$5,902,752	\$939,848
Ministry of Health	\$18,549,300	\$16,555,511	\$1,993,789
Ministry of Tourism	\$4,642,350	\$3,853,456	\$788,894
Ministry of Education, etc	\$24,623,200	\$21,178,672	\$3,444,528
Human Resources	\$1,602,100	\$1,092,112	\$509,988
Ministry of Social Development, etc	\$11,981,400	\$11,824,390	\$157,010

The results in 2017 were somewhat different since there were NO Programs Heads with excess spending on their allocations. The overall recurrent expenditure amounted to \$149,216,904 resulting in a net saving of \$8.08 million from the budgeted amount of \$157,294,950.

Major savings in 2017 were from the Ministry of Education that realized savings of \$2.06 million as its expenditure of \$20.88 million was well within its allocation of \$22.93 million. Ministry of Health also realized savings of \$1.91 million where spending was \$15.10 million from a budget allocation of \$17.01 million.

Another significant savings of \$1.56 million was realized by the Ministry of Finance, where spending amounted to \$72.19 million from its budgeted allocation of \$73.75 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 2018 and 2017 expenditure figures in these categories.



The amount on Goods and Services recorded an increase of some \$3.90 million from the 2017 actual of \$31.15 million but still kept under its budget allocation for 2018 of \$37.15 million. It can also be highlighted that the Principal Repayments of \$99.39 million was significantly over the \$4.81 million paid in 2017.

DEPUTY GOVERNOR GENERAL

The allocation to the Office of the Deputy Governor General for 2018 was \$374,000. A total of \$328,823 was spent, thereby realizing a saving of \$45,177. The budgeted amount was decreased by some \$28,000 from the 2017 allocation.

In 2017, the allocation to the Deputy Governor General was \$402,000 and the actual spending was \$290,746. All amounts spent were kept within budgeted levels and the savings realized were \$111,254 or 27.68%.

LEGISLATURE

During this fiscal year 2018, this program was given a budget of \$896,000 and Actual Expenditure amounted to \$612,759 thereby recording savings of \$283,441. This budgeted allocation reflects a 0.92% decrease from 2017 budget.

The allocation for 2017 was \$888,000 and the actual incurred was \$713,704. Although this was within spending limits there was over-expenditure on one object code, Rental of Assets, in the amount of \$24,000. The budget allocation for this item was only \$12,000 and actual expenditure amounted to \$36,000 hence the overspending.

LEGAL SERVICES

There was a total of \$1.13 million allocated between the two Expenditure Programs for the Legal Department namely Administration and Company Registry which received \$1.03 million and \$0.103 million respectively.

An overall total of \$877,552 was spent where the Administration incurred \$788,388 and the Company Registry incurred \$89,164, which resulted in an overall saving of \$252,748 or approximately 22.36% of the budget.

Similarly, spending in the previous year 2017, amounted to \$768,350 and was kept well within the budgeted limits, with \$681,537 being incurred by Administration and \$86,813 by the Company Registry.

PREMIER'S MINISTRY

The Ministry's expenditure budget was \$4.76 million and incurred expenditure of \$5.31 million. This year, the Ministry exceeded its budget by \$547,954 compared to the \$170,051 savings generated in 2017. The expenditures for the Premier's Ministry are now subdivided into three (3) programmes; Office of the Premier, Registrar and High Court, and Magistrate.

Office of the Premier

This Program was allocated \$3.65 million and incurred \$4.18 million in 2018 with an overspending of \$ 0.53 million. There were a few instances where the budget was overspent. The Purchase of Tools, Instruments, etc vote was allocated \$15,000 and it incurred \$25,620. The main contributor of this was Furniture which totalled \$17,920 during the year. Another instance was in relation to Production and Marketing Expenses that exceeded its budget of \$100,000, by a further \$17,070.

In 2017, the program was provided with \$3.23 million and it spent \$3.32 million. The excesses can be attributed to at least five of the Object codes which went overboard. The major areas of over expenditure were: Wages of \$910,150 from the allocated amount of \$248,500; Office and General Expenses had a budget of \$30,500 and incurred \$45,613; and Hosting and Entertainment had \$40,000 budgeted yet a total of \$90,098 was expended. Rental of Assets received a budget of \$250,000 and incurred \$282,229.

Registrar and High Court

A total of \$871,000 was allocated for this Program in 2018 and the actual expenditure amounted to \$741,539 thereby resulting in a savings of \$129,461. The actual expenditure for 2018 increased by 3.47% over the previous year, when \$716,645 was spent. In 2017 the budget was \$840,000 and resulted in a net savings of \$123,355.

Magistrate

The budget set for the Magistrate Court was \$238,900 and the expenditure amounted to \$262,217 which reflected an excess of \$23,317. The main contributor for the over-spending was Personal Emoluments and Wages. Personal Emoluments had a budget of \$142,000 and incurred a total of \$166,784; and Wages had a budget of \$ 70,000 and a total of \$79,704 was incurred.

The 2017 allocation was \$277,200 and spending amounted to \$242,699 that resulted in a savings of \$34,501.

MINISTRY OF FINANCE, STATISTICS & ECONOMIC PLANNING

The Ministry of Finance and its ten (10) programmes were allocated a budget of \$73.30 million and had actual expenditure of \$79.99 million for a net over-expenditure of \$6.69 million.

By comparison, in 2017 the Ministry was allotted \$73.75 million and it spent a total of \$72.19 million from its budget with a net saving of \$1.56 million.

Administration

The Administration Program had actual expenditure of \$13.75 million against a budget of \$13.71 million. This program comprises of Five (5) activities namely; Administration, Central Procurement Unit, Internal Audit, Budget Division and Economic Policy Division. The spending in 2017 amounted to \$13.34 million against a budget of \$15.09 million.

The Ministry of Finance takes on some of the main areas of expenditure for government-wide services which include: Telephone costs of \$1.64 million; Internet Services of \$234,351; Medical Insurance of \$2.39 million and Electricity of \$6.23 million. In 2017, Hosting and Entertainment amounted to \$208,371; Medical Insurance of \$3.36 million and Internet Services of \$204,157.

Treasury Department

The Treasury Department was allotted an expenditure budget of \$39.94 million; of which \$39.41 million went to Administration and Investment Operations; and \$534,500 to Accounting Operations. Actual expenditure incurred by this department was \$47.47 million with \$47.03 million incurred by Administration and Investment Operations and \$439,784 from Accounting Operations. Treasury Department exceeded its overall budget by \$7.53 million. Actual expenditure incurred in 2017 of \$41.07 million over its budgeted amount of \$39.55 million.

The key areas of common spending included Retiring Benefits of \$11.09 million; Domestic Debt servicing cost \$9.96 million; Overdraft Interest \$7.08 million; Treasury Bills Interest \$2.03 million; Foreign Debt servicing \$10.65 million; and Extra Salaries, Wages and Pensions \$5.85 million.

Supply Office

The budget set for the Supply Office was \$8.68 million and the expenditure amounted to \$8.84 million which reflected an excess of \$159,251. Compared with the previous financial year, the expenditure for this department totalled \$8.16 million generating a savings of \$256,800 from its budget of \$8.42 million.

An area worth mentioning is the Supplies and Material that incurs more than 90% of the expenditure for this department. It can be shown that in 2015, Supplies and Materials totalled \$9.43 million, \$7.52 million in 2016; \$7.77 million within 2017 and \$8.44 million during the current financial year.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES, ET AL

The Ministry of Communications et al was apportioned a budget of \$13.42 million, which represented an increase of \$1.05 million over what it received in 2017. Actual expenditure this year was \$12.13 million, compared to the \$11.62 million spent in 2017. All six (6) Programs in this Ministry realized net savings on their budget allocations, to provide the \$1.29 million savings recorded.

Public Works

The Public Works Programme was allocated one of the largest portions of the budget; \$6.06 million to cover the activities of Roads, Bridges and Minor Works; Buildings; Repair Shop; and the Asphalt Plant. This program recorded expenditure of \$5.86 million and retained \$196,725 of its budgeted funds.

Water Department

This department had an allocation of \$3.24 million and spent \$2.84 million, thereby realizing net savings of \$0.40 million. The Administration and Billing Division incurred a total of \$675,972; for the Production Activity, total costs amounted to \$973,495; the Distribution Activity cost a total of \$1.10 million; and Quality Control cost was \$84,752.

MINISTRY OF AGRICULTURE, LANDS, COOPERATIVES AND FISHERIES

The Programs under this Ministry had a total allocation of \$6.84 million and was divided into five (5) programmes: Administration \$678,500; Department of Agriculture \$4.96 million; Department of Cooperatives \$180,500; Fisheries Department \$449,100 and Nevis Disaster Management \$577,000.

Total expenditure incurred by the Ministry was \$5.90 million resulting in net savings of \$0.94 million. The actual expenditure for each programme was: Administration \$611,373; Department of Agriculture \$4.37 million; Department of Cooperatives \$158,101; Fisheries Department \$365,944; and Nevis Disaster Management \$395,800.

Compared to the previous financial year, this department was allocated \$5.34 million and incurred spending of \$5.27 million and realized a net savings of \$0.07 million.

MINISTRY OF HEALTH

The allocation of this Ministry was \$18.55 million and reflected an increase from the \$17.01 million provided in 2017 budget. Actual expenditure incurred was \$16.56 million, which was some \$1.46 million more than the \$15.10 million spent in 2017. Over the two-year period, this Ministry has return net savings of \$1.99 million in 2018 and \$1.91 million in 2017.

Public Health Department

The budgeted portion allotted to this department was \$4.69 million and it incurred expenses of \$4.21 million. There are seven (7) activities under this Program with the major expenditure being incurred by the Community Health Services, where \$1.18 million was spent from a budgeted \$1.29 million.

Other Activities under this Program are Dental Unit which incurred \$557,852 from its budget of \$483,600; and Patient Care spending an excess of \$6,383 over its allocation of \$131,000. Also, the Environmental Health incurred \$1.03 million of its \$1.17 million budget.

Alexandra Hospital

The budgeted Program Alexandra Hospital increased slightly to \$9.24 million from the budget in 2017 when it was \$9.13 million. There was also an increase in the 2017 budget from the 2016 level of \$8.80 million. This budget comprises four (4) activities, Administration and Maintenance, Patient Care, Diagnostic Services and Domestic and Nutrition Services.

The actual expenditure amounted to \$8.20 million thereby providing savings of \$1.04 million. The actual expenditure associated with each activity were: Administration and Maintenance \$1.49 million; Patient Care \$4.68 million; Diagnostic Services \$846,093 and Domestic and Nutrition Services \$1.19 million.

MINISTRY OF TOURISM

This Ministry had a budget allocation of \$4.64 million, reflecting a decrease of 33.5% from the 2017 financial period. This was due to the fact that the Department of Culture and the Department of Information no longer fall under the Ministry of Tourism during the 2018 budget allocations. Total actual expenditure incurred amounted to \$3.85 million, resulting in net savings of \$788,894. Similarly, during the previous fiscal year there was net savings of \$85,423 where actual expenditure was \$6.90 million from its budget of \$6.98 million.

MINISTRY OF EDUCATION AND LIBRARY SERVICES

The budgeted allocation to the Ministry of Education was \$24.62 million and was a fairly moderate increase from the \$22.93 million in 2017. The Education budgets have shown significant increases in recent years as the budget for 2016 was some \$22.42 million.

Actual expenditure on the other hand, has also shown increasing results for the three-year period; \$21.18 million within 2018, \$20.88 million in 2017 and \$20.48 million from 2016 financial year.

The seven Programs under this Ministry incurred the following total expenses; Administration of \$813,049; Education Department of \$3.86 million; Primary Education with \$7.26 million; Secondary Education of \$7.61 million; Public Library with \$485,154; Higher and Continuing Education of \$567,312 and Department of Information Technology of \$576,366. All these programs maintained spending within their budget for 2018, which resulted in the net savings of \$3.44 million.

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 can be seen from the overall results in the 2017 financial year where all thirteen (13) Ministries recorded under expenditures, while in the current fiscal year only two (2) Ministries had excesses.

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

1. Supply Office where it was given a budget of \$8.20 million for Supplies and Materials and the amount incurred to \$8.44 million with an excess of \$0.24 million. This program has shown variations in results over the years.

Supply Office	2018 \$ Million	2017 \$ Million	2016 \$ Million	2015 \$ Million
Budgeted Expenditure	8.20	8.00	7.50	6.40
Actual Expenditure	8.44	7.77	7.52	9.43

2. Expenditure for Electricity across government amounted to \$6.23 million from its budget of \$5.20 million in 2018. The 2017 budgeted amount was \$6.15 million and incurred \$4.54 million for a net savings of \$1.61 million. The performance of this object

code in the current financial year has increased by \$0.66 million from the previous year. However, consumption can always be improved with the reduction of wastage.

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. The Wages figure has likewise shown fluctuating results from \$24.46 million in 2016 to \$25.60 million in 2017 and now to \$25.09 million in 2018.
4. Audit also notes from the examination of the supporting documents, that some departments are not fully completing their Purchase Orders. We noted several orders where the quantities of items sought are not indicated on the Orders. This failure presents a weakness that can result in fraudulent activity. Authorizing Officers are reminded to ensure that supporting documents are in proper order before signature and subsequent payment of invoices.

4.4 THE CAPITAL ACCOUNT

The 2018 Budget provided for Capital expenditure of \$64.71 million that anticipated sources to be from Revenue in the amount of \$31.33 million; Loans of \$21.90 million; and Grants or Development Aid of \$11.49 million to support a total of 69 projects.

The actual spent on capital projects amounted to \$50.81 million representing 78.52% of the budgeted amount. Of this amount, spending from Revenue amounted to \$37.32 million; Loans amounted to \$8.48 million; and Grants or Development Aid was \$5.02 million. This covered expenditure on 61 budgeted projects and 6 projects that were not budgeted for in 2018.

Actual capital revenue realized was \$54.26 million. The sources of this revenue were Loans and Grant Aid of \$5.05 million and Budgetary Support of \$49.21 million.

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

The ten projects that were budgeted by the Ministry of Finance incurred a total of \$10.22 million in capital expenditure. Some of the major projects were Reconstruction of Treasury Building amounted to \$5.49 million; Construction of Water Taxi Pier of \$1.09 million; and Computerization of Government Offices amounted to \$540,741. There was \$1.63 million spent on the Purchase of Lands, which was not budgeted for in this financial year.

The Ministry of Communications, Works, Public Utilities and Posts had capital expenditure amounting to \$21.97 million or 60.53% of the total capital spending. The Ministry spent a total of \$12.88 million on Road Improvement, Purchase of various assets and energy projects. The Public Works Department spent \$6.93 million on Renovation of Government Buildings, Maintenance of schools (**see cover page**), and Secondary Village Roads. The Water Department incurred a total of \$2.17 million on the continuing project for Water Service Upgrade.

The Ministry of Agriculture, Lands, Cooperatives and Fisheries spent \$1.54 million which included the Purchase of supplies, materials and equipment, Upgrade of Veterinary Clinic and Abattoir.

The Ministry of Health overall spent \$4.73 million on projects that included Medical Supplies of \$685,775; Environmental Work Program of \$900,461; Improvement to Alexandra Hospital of \$2.21 million and Improvement of Health Facilities amounted to \$523,321. There was \$296,063 spent on Assistance to Nevis Solid Waste Authority, which was not budgeted for in this financial year.

The Ministry of Tourism incurred a total expenditure of \$1.08 million on various tourism developments projects. The Ministry of Education spent \$1.90 million on its programs which included Upgrade of Schools.

The capital projects done by The Ministry of Social Development, Youth, Sports and Community Development and Culture incurred an overall of \$4.83 million. Some of their major projects included \$1.52 million for Construction of Athletic Stadium (**see cover page**); also upgrades to Sporting facilities for \$992,849; the Community House Assistance used \$275,071; the Youth Empowerment program accounted for \$378,517; Social Development Complex of \$439,740 and the Renovation of Cultural Complex of \$652,601 (**see cover page**). There was \$37,848 spent on the Refurbishment of New River School Building, 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, 2018 and 2017 are summarized with comparative data as follows:

	2018	2017
Financial Liabilities		
Bank Overdraft (Net of Cash)	137,153,605	119,150,444
Net Deposits	53,955,701	50,894,367
Trust Funds	94,239,967	95,668,122
Advances	(27,345,171)	(25,926,299)
Total Liabilities/ Net Assets	258,004,102	239,786,634
Deficit B/fwd	<u>239,786,634</u>	<u>223,414,318</u>
Surplus/ (Deficit) for year	(18,217,468)	(16,372,316)
Accumulated Deficit	<u>258,004,102</u>	<u>239,786,634</u>

As noted, the Deficit for the current year is stated at \$18.22 million and the Accumulated Deficit at \$258 million. The Bank Overdrafts at yearend amounted to \$137.15 million and increased from the previous financial year by \$18 million, as the cash position worsened due to the net outflow of such funds during the year.

The previous financial year shows a deficit of \$16.37 million and the Accumulated Deficit at \$239.79 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 2018 year-end was \$93.76 million (\$93,756,734).

The summarized Statement of Receipts and Payments shows:

	2018	2017
Net Cash Flow from Operating Activities	75,152,615	(26,065,074)
Net Cash Flows from Investing Activities	(48,031,016)	(60,047,635)
Net Cash Flows from Financing Activities	<u>(45,124,760)</u>	<u>62,484,763</u>
Net Increase / (Decrease) in Cash	(18,003,161)	(23,627,946)
Opening Cash Position	(119,150,444)	(95,522,498)
Yearend Cash Position	(137,153,605)	(119,150,444)

Although the deficit for the year is \$18.22 million, the cash position of the Administration worsened with the net (outflow) decrease in cash of \$18 million.

4.6 STATEMENT OF PUBLIC DEBT

At the end of the period under review, December 31, 2018 the total Public Debt is disclosed as \$439,062,879 reflecting an increase of \$56.17 million or 14.63% from its 2016 fiscal year. During this period, the Domestic portion increased from \$357,951,802 in 2017 to \$384,139,805 or by \$26.19 million while the foreign portion decreased by \$3.66 million to \$54.92 million.

The outstanding Treasury Bills as at the end of 2018 is disclosed at \$93,756,734 and reflects a net decrease of \$7.67 million or 7.56% over the two-year period.

Both the Domestic and Foreign portion of the public debt include Government Guarantees which have shown different results over the period under review. The Foreign Debt Guarantees have been reduced from \$15.37 million in 2016 to \$13.69 million in 2017 and further to \$11,999,231 in 2018. On the other hand, the Domestic Guarantees have increased by \$17.85 million moving from \$13.09 million in 2016 to \$23.06 million in 2017 and now to \$30,935,602 in 2018.

There were two new instruments added in 2018; one for the Water Drilling Programme amounting to \$2 million and the other was a Combined Restructured Loan for all outstanding loans and overdraft at the SKNA National Bank for an amount totalling \$140.69 million.

For the yearend, total payments on the principal for 20 loans amounted to \$10.84 million. Disbursements were made during the year from the Nevis Water Enhancement Project of \$3.19 million with principal repayment of \$1.19 million which brought the outstanding balance to \$18.45 million at yearend.

Other disbursements were made from the new Combined Restructured SKNA National Bank loan of \$1.31 million along with a repayment on principal of \$1.57 million resulting in an outstanding balance for the year of \$140.43 million.

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

PUBLIC DEBT:	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Domestic	384,139,805	357,951,802	319,264,013	306,269,192	290,332,319
Foreign	54,923,074	58,582,367	64,625,106	70,326,736	73,359,407
Guaranteed –Domestic	30,935,602	23,056,996	13,086,593	14,289,922	14,751,696
Guaranteed – Foreign	11,999,231	13,690,264	15,367,707	17,366,732	19,779,648
Total Debt	439,062,879	416,534,169	383,889,119	376,595,928	363,691,726

ACKNOWLEDGMENTS

In conclusion, I express my sincere appreciation to the staff of the Nevis Audit Office who completed the audit assignments on the accounts for the two years 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, 2018 and December 31, 2017. 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, 2017 and December 31, 2018.

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Tanisha Mills

On behalf of the

Acting Director of Audit

November 20, 2019.