



2020

AUDIT REPORT OF THE NEVIS ISLAND ADMINISTRATION



NATIONAL AUDIT OFFICE
ST. KITTS AND NEVIS



***ST. KITTS AND NEVIS
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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, 2020.

Respectfully submitted,

Tanisha Mills
On Behalf of the
Director of Audit
November 17, 2021



St. Kitts and Nevis

National Audit Office

Report by the Director of Audit

On the Public Accounts

Of the Nevis Island Administration

For the year 2020

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1. INTRODUCTION

The Public Accounts of the Nevis Island Administration for the year ended December 31, 2019 along with the Audit Report on those accounts, were forwarded to Honourable Premier on November 27, 2020 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, 1990. Those Accounts along with the Audit Report were tabled in the Nevis Island Assembly on December 8th, 2020.

The Public Accounts of the Nevis Island Administration are prepared by the Treasurer in the Treasury Department and submitted to the National Audit Office to be audited by the Director of Audit in accordance with Section 57 (2) (a) of the Financial Administration Act.

Accounting Policies Used:

These accounts have been prepared in compliance with Part 1 of the International Public Sector Accounting Standards (IPSAS) for Budgetary Entities (Cash Basis).

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 Public Accounts have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The following statements in respect of the financial year 2020 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

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 made good progress in the preparation of the Annual Accounts and brought the accounts up to date. In fact, efforts were made to complete the 2020 financials by August 2021.

Appropriations:

The original budget was approved by legislative action in the Nevis Island Assembly with the passing of the Appropriation Act on December 3, 2019 for the 2020 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.



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, 2020. 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, 2020.

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Tanisha Mills

On behalf of the

Director of Audit

November 17, 2021.

2. NEVIS AUDIT OFFICE

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. During the period under review, there was no additional staff at the Nevis Audit Office. However, staffing remains a priority as it dampens the scope of audits that we do undertake.

Budget:

In the fiscal year of 2020, the Nevis Audit Office received an expenditure budget of \$496,300 which included \$341,500 in salaries, wages, and allowances and \$154,800 in other expenditures. The budget allocation was a decrease of \$14,100 or 2.7% from the 2019 allocation.

The actual expenditure for the Nevis Audit Office amounted to \$402,838 which realized a savings of \$93,462 or 18.8% when compared to the budget provision. Major spending areas were Personal Emoluments of \$300,856 and Rental of Property of \$64,800.

Activities:

The Nevis Audit Office continues to participate in local, regional and international activities as they arise, as the training of its staff is a top priority.

In March, the Nevis Audit Office in collaboration with the National Audit Office in St. Kitts engaged in an Into-SAINT Workshop facilitated by the Deputy Director of Audit from Antigua.

One officer participated in a webinar hosted by the Accounts Chamber of the Russian Federation on the topic, “Strategic role of SAI’s in addressing the challenges posed by COVID-19 pandemic” in June.

During the month of November, all staff participated in a webinar hosted by CAROSAI on the topic, “Use of Technology During this time”.

One officer participated in a workshop held by The Caribbean Regional Technical Assistance Centre (CARTAC) on the topics, “Auditing the risks and results of pandemics, hurricanes and other disasters, reporting audit results and identifying audit challenges and ways to resolve them” in November.

3. OVERVIEW OF THE PUBLIC ACCOUNTS

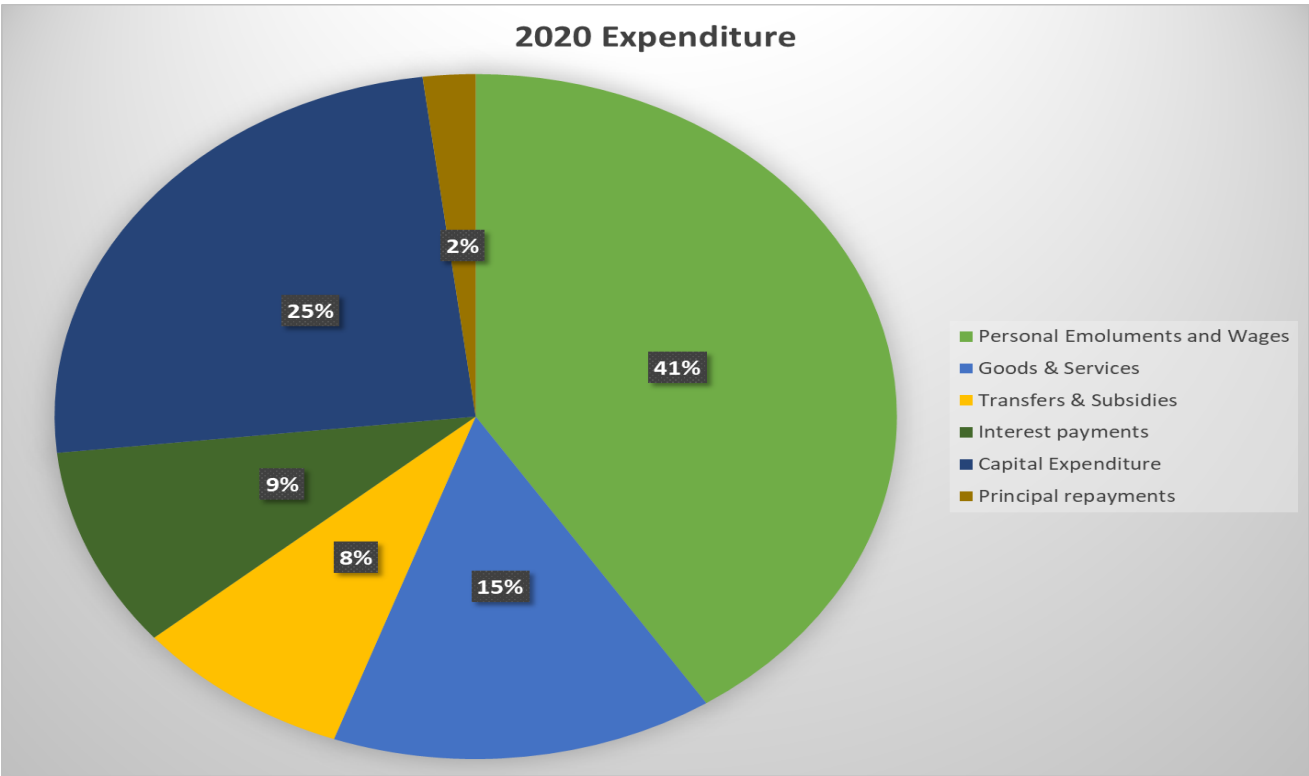
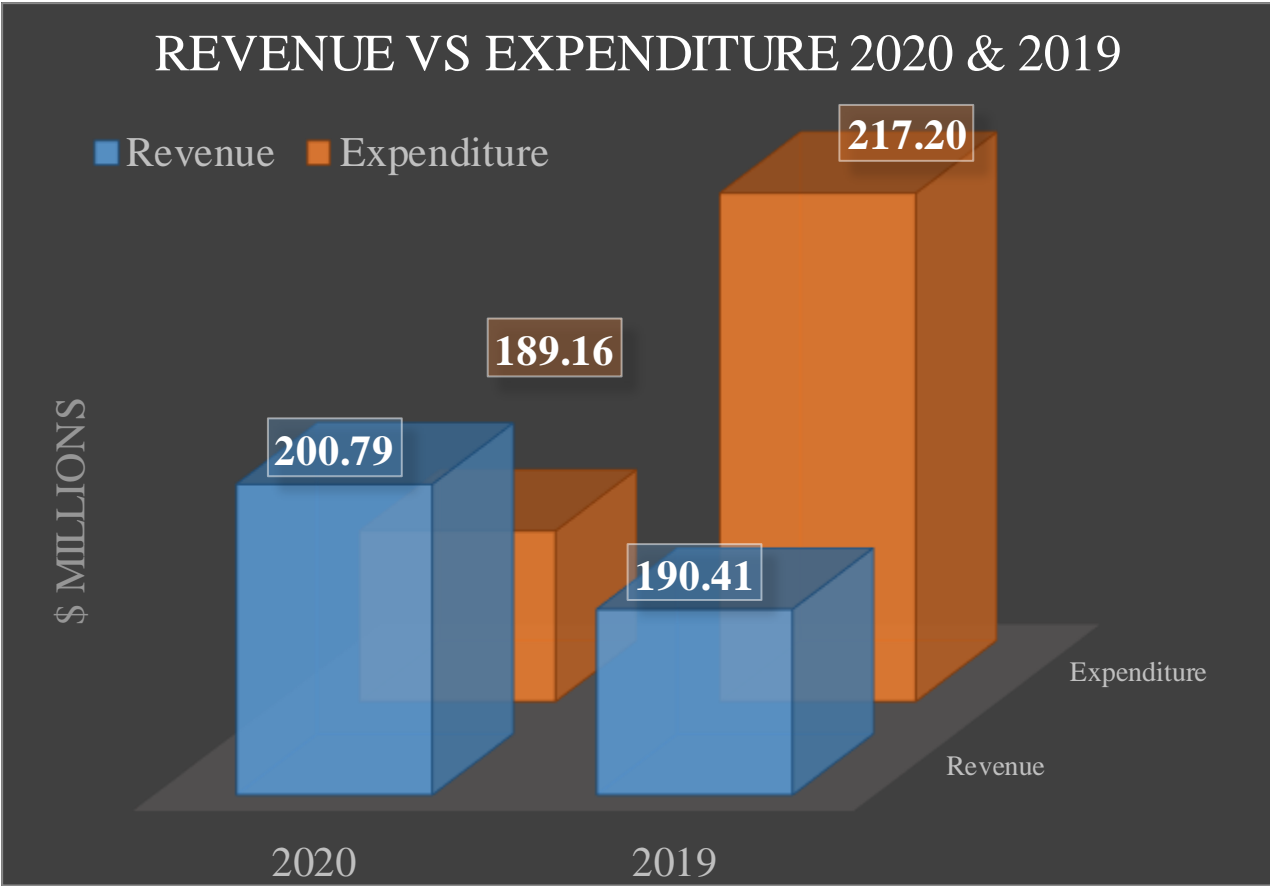
PERFORMANCE SUMMARY

The public accounts for the year ended December 31, 2020 disclosed an overall surplus of **\$11.63 million** (\$11,629,886). This is a significant improvement from the \$26.78 million deficit result in 2019 and the \$18.22 million deficit in 2018. It can also be noted that the last time the Nevis Island Administration has made an overall surplus was in 2015 of \$4.08 million.

The Nevis Island Administration had approved an Estimated Overall Deficit of \$38.38 million (\$38,317,400) for the fiscal year of 2020. The current account was projected to have a deficit of \$787,400 and the capital account’s deficit was projected at \$37.53 million. At the end of the fiscal year, the Statement of Revenue and Expenditure shows actual revenue collection totalled **\$200.79 million** comprising Current Revenue of \$118,801,856 and Capital Revenue of \$81,987,421. The actual expenditure totalled **\$189.16 million** comprising Current Expenditure of \$142,480,899 and Capital Expenditure of \$46,678,492 which resulted in the surplus mentioned of **\$11.63 million**.

In comparison to the previous fiscal year, the total expenditure for 2020 decreased by \$28.04 million from the 2019 level; whereas total revenue increased by \$10.38 million. It can be noted in the results that expenditure on the current account decreased by \$17.39 million while the capital expenditure decreased by \$10.65 million from the 2019 fiscal accounts. On the other hand, the current revenue decreased by \$19.71 million and capital revenue increased by \$30.09 million for the net increase in revenue as stated.

The following graphs and table represent the comparison of Revenue and Expenditure for the financial years 2020 and 2019 along with the broad categories.



NEVIS ISLAND ADMINISTRATION
STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED
DECEMBER 31 2020

	2020	2019
REVENUE	\$	\$
<i>Taxes on Income</i>	17,355,308	18,339,298
<i>Taxes on Property</i>	3,154,991	3,920,737
<i>Taxes on Domestic Goods and Consumption</i>	17,809,230	19,228,338
<i>Taxes on International Trade and Transactions</i>	50,771,199	63,142,760
<i>Non-Tax Revenue</i>	29,510,878	33,882,880
<i>Interest, Dividends & Currency</i>	200,250	0
<i>Capital Revenue</i>	81,987,421	51,899,997
<i>Budgetary Grants</i>	0	0
Total Revenue	200,789,278	190,414,010
EXPENDITURE		
<i>Personal Emoluments and Wages</i>	(77,138,556)	(75,398,493)
<i>Goods and Services</i>	(27,777,497)	(34,560,753)
<i>Transfers and subsidies</i>	(15,822,825)	(24,742,644)
<i>Interest payments</i>	(17,925,603)	(20,064,922)
<i>Capital expenditure</i>	(46,678,492)	(57,324,827)
<i>Principal payments</i>	(3,816,418)	(5,105,475)
Total Expenditure	(189,159,391)	(217,197,113)
SURPLUS/(DEFICIT)	11,629,886	(26,783,103)

The Statement of Revenue and Expenditure presents the data by source of Revenue and by the classification of Expenditure. Non-Tax Revenue shown in the table above would show that this revenue source decreased by \$4.37 million or 12.9% over the previous year. For the past three years, this revenue source has been producing a downward trend where in 2018 the amount collected was \$35.67 million, then \$33.88 million in 2019, and now \$29.51 million.

Attention can also be drawn to Taxes in International Trade and Transactions that have decreased by \$12.37 million or 19.6 % in comparison to 2019. Most of this decrease resulted from a decline

of some \$8 million in VAT collected for the year as a result of unforeseen changes made by the Administration due to the COVID-19 Pandemic.

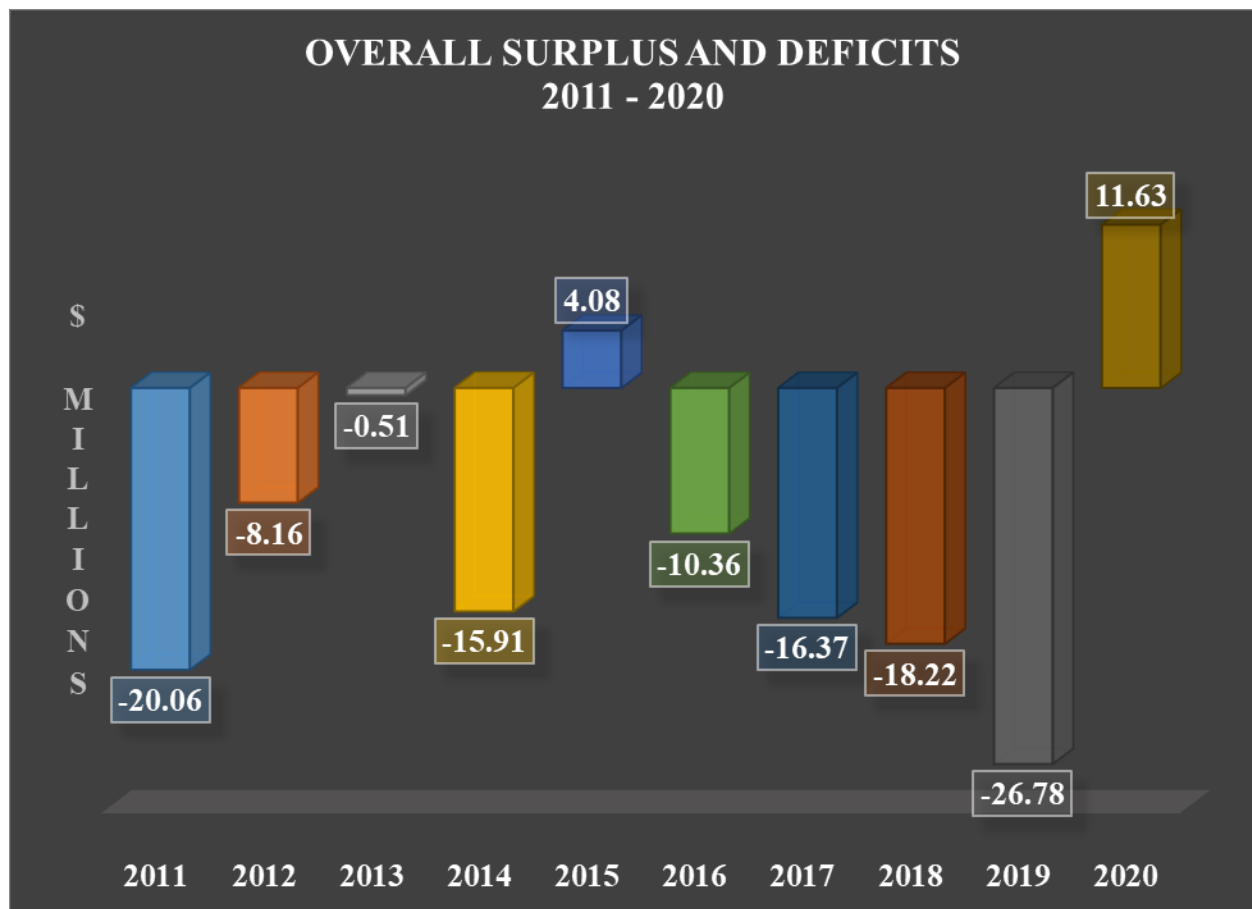
On the expenditure side, it would be seen that less money was spent in 2020 with a decrease of \$28.04 million or 12.9% from the previous financial year. It can be seen that expenditure on Personal Emoluments and Wages shows the highest area of expenditure and also the only category that increased from the 2019 level. It recorded an increase of \$1.74 million over the 2019 level of \$75.4 million. Goods and Services decreased by some \$6.78 million or 19.6% from the 2019 amount of \$34.56 million.

The following graph shows the results on the Current account covering the ten years 2011 to 2020:



It can be noted that during the ten-year stretch, there was only one year that realized a surplus on the current account and that was in 2015, with \$3.37 million. The accumulated Deficits on the current account for these periods exceed \$133.62 million

The overall annual results of surpluses and deficits (Current and Capital accounts) during the period 2011 to 2020 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 2015 of \$4.08 million and \$11.63 million in 2020. The remaining eight (8) year period in the chart accumulated a total Grand Deficit of \$116.37 million, with the highest being in 2019 of \$26.78 million.

4. ANALYSIS OF THE FINANCIAL STATEMENTS

4.1 THE STATEMENT OF RECEIPTS AND PAYMENTS

The Statement of Receipts and Payments shows the cash receipts and payments of the Nevis Island Administration that is sub-classified by three broad activities, namely: Operating, Investing and Financing activities. This statement also shows the opening and ending balances of cash for 2020.

The following table presents a summary of these results with comparative data.

	2020	2019
Net Cash Flows:		
Operating Activities	(20,696,641)	(17,481,392)
Investing Activities	(40,374,752)	(50,310,814)
Financing Activities	<u>77,714,730</u>	<u>46,794,522</u>
Net increase/(decrease) in cash	16,643,337	(20,997,685)
Opening Cash Position	(158,151,290)	(137,153,605)
Yearend Cash Position	(141,507,953)	(158,151,290)

Net Cash Flow from Operating Activities

Receipts from operating activities totalled \$118.76 million in 2020 where Tax revenues collected accounted for 75% of the total receipts. Payments on operating activities totalled \$139.47 million with the highest contributor coming from Personal Emoluments and Wages of 55.3%. This resulted in a net cash outflow from operating activities of **(\$20.70)** million.

Net Cash Flow from Investing Activities

The receipts from investing activities were \$36.75 million from major sources like trust funds and other public funds. Payments totalled \$77.12 million which represented Capital Expenditure that contributed to 60.5% of these payments, for a resulting net cash outflow of **(\$40.37)** million.

Net Cash Flow from Financing Activities

The financing activities resulted in a net cash inflow of \$77.71 million, where \$81.53 million were from the proceeds from borrowings in 2020. Payments from financing activities totalled \$3.82 million which represented domestic and foreign loan principal payments.

The following is the entire statement of Receipts and Payments for 2020, with comparative data for 2019:

NEVIS ISLAND ADMINISTRATION STATEMENT OF RECEIPTS AND PAYMENTS AS AT 31 DECEMBER 2020

RECEIPTS	Notes	2020 \$	2019 \$
Taxes on Income	1.14	17,355,308	18,339,298
Taxes on Property	1.14	3,154,991	3,920,737
Taxes on Domestic Goods and Consumption	1.14	17,809,230	19,228,338
Taxes on International Trade and Transactions	1.14	50,771,199	63,142,760
Budgetary Grants		-	-
Utilities	1.15	5,544,428	6,487,807
Fines, Fees & Forfeitures	1.16	1,744,074	1,638,582
Postal Services	1.18	394,941	589,659
Other Receipts	1.19	21,692,436	25,166,832
Repayment of Personal Advances	1.30	8,450	16,405
Repayment of Subsistence Advances	1.30	-	-
Repayment of Other Government Advances	1.30	300,000	353,706
PAYMENTS			
Personal Emoluments and Wages	1.21	(77,138,556)	(75,398,493)
Goods and Services	1.22	(27,777,497)	(34,560,753)
Transfers and Subsidies	1.23	(15,822,825)	(24,742,644)

Interest Payments		(17,925,603)	(20,064,922)
Issuance of Personal Advances	1.30	(45,186)	(57,900)
Issuance of Subsistence Advances	1.30	-	-
Issuance of Other Government Advances	1.30	(762,030)	(1,540,806)
Net Cash Flows from Operating Activities		(20,696,641)	(17,481,392)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts

Proceeds from sale of land and properties		135,000	-
Interest, Dividend and Currency	1.17	200,250	-
Capital Grants	1.20	456,273	-
Repayment of Other Advances		-	-
Returns on Investments		-	-
Receipts from Trust Funds	1.32	1,099,202	399,291
Receipts from Other Public Funds	1.33	34,858,226	38,567,408

Payments

Capital Expenditure		(46,678,492)	(57,324,827)
Net Lending		-	-
Issuance of Other Advances		-	-
Purchase of Investments		-	-
Outflows from Trust Funds	1.32	(4,565,491)	(2,336,654)
Outflows from Other Public Funds	1.33	(25,879,719)	(29,616,032)
Net Cash Flows from Investing Activities		(40,374,752)	(50,310,814)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts

Proceeds from borrowings - Foreign		-	-
Proceeds from borrowings - Domestic	1.20	81,531,148	51,899,997

Payments

Repayment of borrowings - Foreign		-	-
Repayment of borrowings - Domestic	1.24	(3,816,418)	(5,105,475)

Net Cash Flows from Financing Activities		77,714,730	46,794,522
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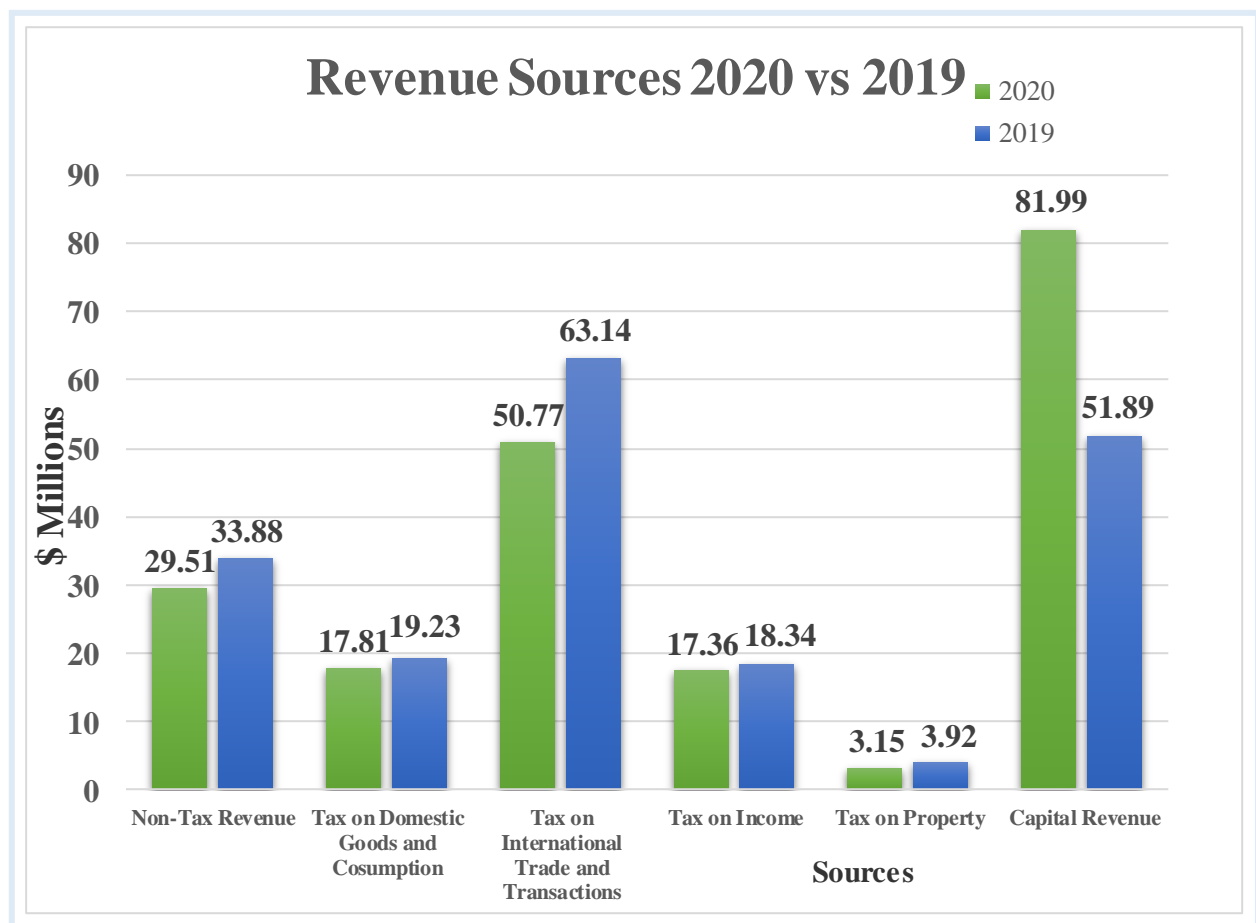
Net increase/(decrease) in cash		16,643,337	(20,997,685)
Cash at the beginning of the period		(158,151,290)	(137,153,605)
Cash at the end of the period		(141,507,953)	(158,151,290)

4.2 STATEMENT OF REVENUE

Projected revenue for 2020 was \$171.40 million with the Current amount of \$139.55 million and Capital account of \$31.85 million. The total actual revenue sources on the Current account generated \$118.80 million; and on the Capital account, it was \$81.99 million, for a total of \$200.79 million.

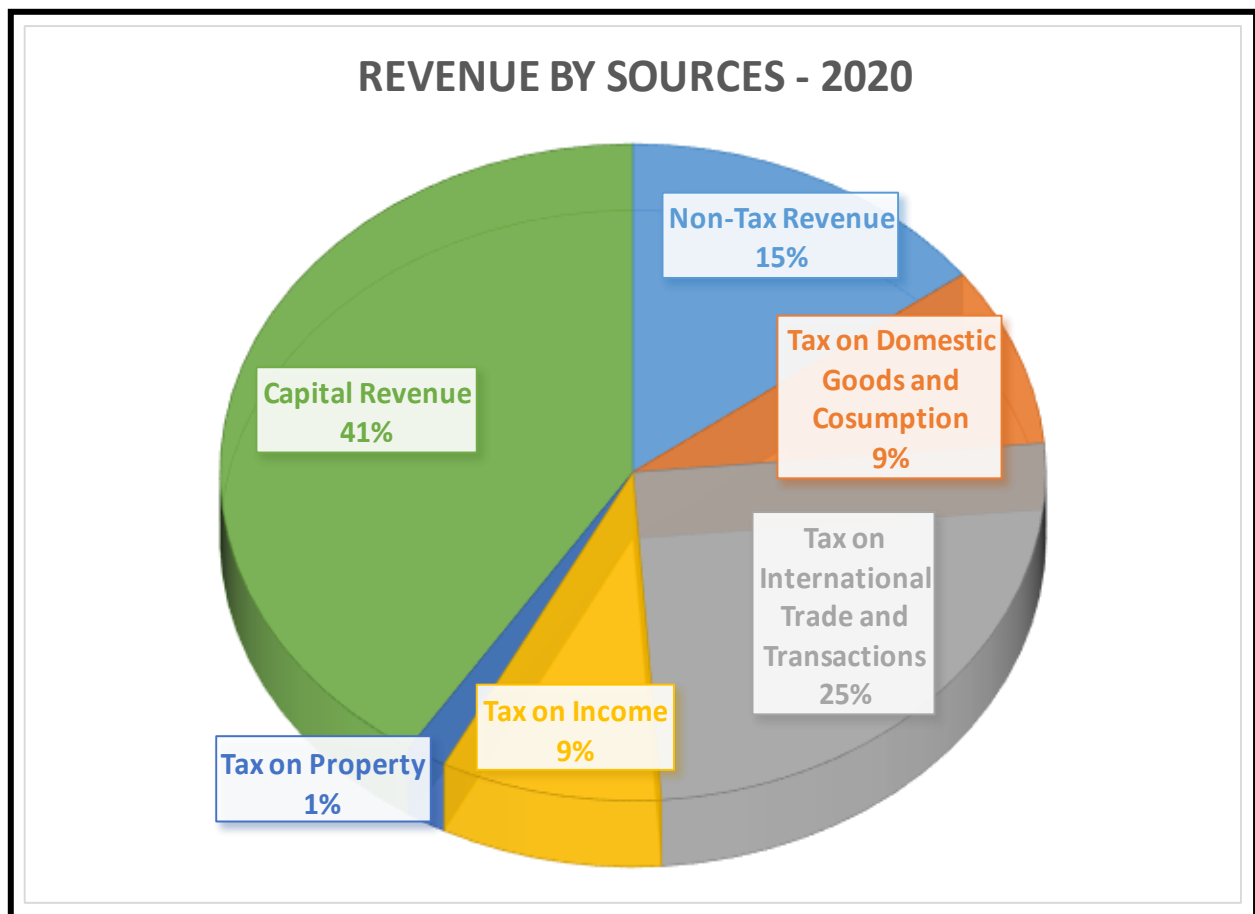
The overall performance in revenue exceeded its projected amount by \$29.39 million. However, the Current amount showed a decrease of the projected amount by **(\$20.75)** million and the Capital account increased projections by \$50.14 million. This highlights that the overall increase in revenues was primarily due to performance on the Capital account.

The following graph depicts the actual revenue collections for 2020 vs 2019:



Total revenue collected for 2020 was \$10.38 or 5.45% greater than the 2019 collection of \$190.41 million. Also, on the capital account, the revenue collection was increased by \$30.10 million or 58% from that of 2019.

The following chart shows the broad categories of the sources of revenue and their contribution to the revenue pie for 2020.



As illustrated in the graph above, Capital Revenue accounted for 41% of the revenue collected which increased by 14% from the previous year collection and is also the only revenue source that increased from the previous financial year. It was the largest contributor in 2020 and comprises the Federal Budgetary Support of \$53,988,880 and Loans and Grants Aid of \$27,998,297.

Taxes from International Trade and Transactions accounted for 25% of the revenue and was the second-largest contributor for 2020 which are mainly collected by the Inland Revenue Department and Customs Department. Both Taxes on Income and Taxes on Domestic Goods and Consumption decreased by 1% from the previous year collection.

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

MINISTRY	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
	\$	\$	\$
Legal	310,000	204,176	260,995
Premier	2,006,000	1,562,423	2,100,262
Finance	127,665,400	108,503,043	126,343,624
Min of Works	7,394,000	6,224,839	7,634,659
Min of Agriculture, Lands	468,000	487,819	445,179
Min of Health	1,595,000	1,756,950	1,630,229
Min of Tourism, Culture, Info	0	2,000	5,800
Min of Education and Library	7,200	16,787	22,522
Min of Social Development	100,000	43,820	70,740
Total Current Account Revenue	139,545,600	118,801,857	138,514,010
Capital Account Revenue	31,850,000	81,987,178	51,899,997
Grand Total Revenue	171,395,600	200,789,035	190,414,007

Amongst the eight (8) revenue Heads that were prepared with a budget, three recorded revenue as being ‘Over the Estimate’ during the financial year 2020. These were: Ministry of Agriculture, Ministry of Health; and Ministry of Education.

LEGAL SERVICES

The Legal Services consists of two programs that were estimated to generate a combined total of \$310,000 with Registration of Companies (\$50,000) and Unclassified revenue (\$260,000). The actual revenue collection totalled \$204,176 against its budgeted amount resulting in a shortfall of \$105,824 or 34.1%. The funds were generated from Registration of Companies of \$21,150 and Unclassified revenue of \$183,026. When compared to the previous year, the actual revenue decreased by \$56,779 from the \$260,995 collected in 2019.

PREMIER’S MINISTRY

The Premier’s Ministry had three major programs for revenue collections namely; Administration, Registrar and Magistrate Court that fell short of its target, by \$443,576 or 22.1% in 2020.

The Administration Program which is responsible for Passports, Permits, etc, and Work Permit ID fees, had a target of \$1.74 million and generated \$1.44 million. Passports, Permits, etc recorded the majority of this total with \$1,382,387 while Work Permit ID fees were \$11,850 and Unclassified revenue was \$45,252. In comparison with 2019, the Administration program continued to perform exceedingly well and realized a decrease in revenue of \$0.40 million over 2019 of \$1.84 million.

The Registrar Program had a target of \$11,000 and its actual was \$3,608 recording a shortfall of \$7,392. The Registrar Program generated \$7,280 in 2019 and \$7,678 in 2018 for an overall decrease in revenue of \$4,070 or 53%.

The Magistrate Court Program was given a target of \$255,000 and recorded a shortfall of \$135,722 resulting in \$119,278 collected for the year. Fines and Forfeitures for this year accounted for 99.7% of this program’s revenue collections with \$119,000.

MINISTRY OF FINANCE, STATISTICS, ECONOMIC PLANNING

There are six (6) programs for revenue collection under the Ministry of Finance that were given a target of \$127.67 million which fell short by \$19.16 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 in 2020 was \$108.50 million which is a decrease of \$17.84 million from the \$126.34 million collected in 2019.

Customs Department

It was estimated that the Customs Department would realize \$47.25 million for the year 2020, where this estimate reflected an increase of \$2.92 million from the 2019 estimate. The actual collections of \$37.72 million compared unfavourably against the budgeted figure by \$9.53 million or 20.2%. The total amount collected by the Customs Department was \$9.06 million less in comparison to the amount collected in 2019.

The following is a five year trend of actual amounts of the major revenue streams contributing to the overall performance of the Customs Department:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Consumption tax	56,502	225,915	326,167	49,705	99,764
Import Duties	8,902,624	11,950,067	11,751,122	11,741,073	11,423,642
Customs Service Charge	8,171,607	9,912,244	8,858,547	8,137,624	7,962,044
Environmental Levy	1,707,511	1,856,475	1,853,164	2,388,845	2,582,092
Excise Duty	5,326,880	5,306,337	6,644,679	5,383,818	5,167,480
Value Added Tax	13,550,153	17,309,294	16,108,503	15,558,612	16,214,542

Only one program by the department has surpassed its actual revenue in comparison to 2019, Excise Duty increased by \$19,543. On the other hand, the Value Added Tax (VAT) was the largest contributor to the department's revenue but when compared to 2019 revenue it decreased by \$3.76 million. Over the past five years, this tax showed a total decrease of \$2.66 million or 16.4%. Customs Service Charges has shown a decrease over 2019 revenue of \$1.74 million.

Inland Revenue Department

The Inland Revenue Department (IRD) projected revenue collections were set at \$59.34 million for 2020, which represented the largest collections for the Ministry with 46.5%. The IRD realized revenue amounting to \$52.19 million and was less than the \$58.99 million collected in

2019 and the \$57.31 million in 2018. Overall, the IRD realized a decrease in revenue of \$7.15 million over its projected revenue.

The following shows the major revenue streams contributing to the overall performance of the IRD with comparison to the previous year:

Taxes	ACTUAL 2020	ACTUAL 2019	VARIANCE
	\$	\$	\$
Stamp Duty – Property	9,475,922	7,445,334	2,030,588
Business & Occupation Licenses	749,778	707,517	42,261
Social Services Levy	9,523,524	10,444,268	(920,744)
Wheel Tax	2,828,104	2,846,038	(17,934)
Licenses – Drivers, Temporary	121,000	292,038	(171,038)
Licenses – Drivers, Permanent	558,659	562,944	(4,285)
Income Tax	7,423,783	7,302,808	120,975
Property Tax	3,154,991	3,920,737	(765,746)
Value Added Tax	12,971,110	16,382,658	(3,411,548)

The majority of taxes fell short of the 2019 actual revenue with the remaining significantly surpassing the amounts. The taxes that significantly surpassed the 2019 revenue levels are Stamp Duty – Property by \$2.03 million and Business & Occupations Licenses by \$42,261.

All revenue streams mentioned above surpassed their respective budgeted targets, with the exception of Social Services Levy, Wheel Tax, Licenses – Drivers, Temporary, Property Tax and Value Added Tax.

Regulation and Supervision

Revenue collection in this area continues to perform exceptionally well and surpassed its budgeted amount for the year. The actual collection was \$11.63 million compared to its budgeted amount of \$11.53 million resulting in excess of \$102,965. Some of the revenue sources collected are Annual Fees of \$8.02 million; Penalties –Annual Fees of \$1.25 million; Due Diligence Fees of \$256,358; Registration of Offshore Companies of \$568,134 and Unclassified of \$524,233.

Supply Office

The Supply Office had a target of \$8.33 million and its actual collection was \$5.21 million which resulted in a shortfall of \$3.12 million. Over the past five years, the Supply Office's actual revenue has been fluctuating from \$7.45 million in 2016; \$6.94 million in 2017; \$7.50 million in 2018; \$6.29 million in 2019 to \$5.21 million in 2020.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry had a projection of \$7.39 million and its actual revenue was \$6.22 million, recording a decrease of \$1.17 million. In comparison with 2019, the Ministry's actual revenue decreased by \$1.41 million from the \$7.63 million collected then.

The major portion of the revenue for this Ministry was expected to flow from the Water Department, which had a budget of \$6.23 million or 84.3% of the total budget. Actual collections from the Water Department were \$5.54 million which fell short of its target by \$0.69 million. Water Rates accounted for \$5.47 million while Water Connections gained \$77,017.

The second major revenue collection for the Ministry was the Post Office. The Post Office had a budgeted amount of \$728,500 and realized \$394,941. This revenue collection comprised of P.O. Box rentals of \$65,505; Sale of Postal Stamps of \$213,391 and Unclassified revenue of \$69,818. When compared with 2019, the actual revenue has decreased by \$194,717 from the \$589,658 collected in the previous year.

MINISTRY OF HEALTH, GENDER AFFAIRS

The Ministry of Health had a projection of \$1.60 million and its actual revenue collected was \$1.76 million recording an increase of \$161,950. In comparison to 2019, the projected revenue collection was set at \$1.59 million and realized collection of \$1.63 million. The Ministry of Health performed better in 2020 with \$1.76 million over the revenue collected in 2019 of \$1.63 million.

The Ministry's major collections come from the Medical University fees, Hospital fees and Unclassified revenue. Only the Hospital fees surpassed its budgeted target. Medical University fees were estimated at \$600,000 and revenue collected was \$555,113.

At the Alexandra Hospital, the budget was \$875,000 and the revenue collected exceeded expectations by \$261,976 recording revenue of \$1.14 million.

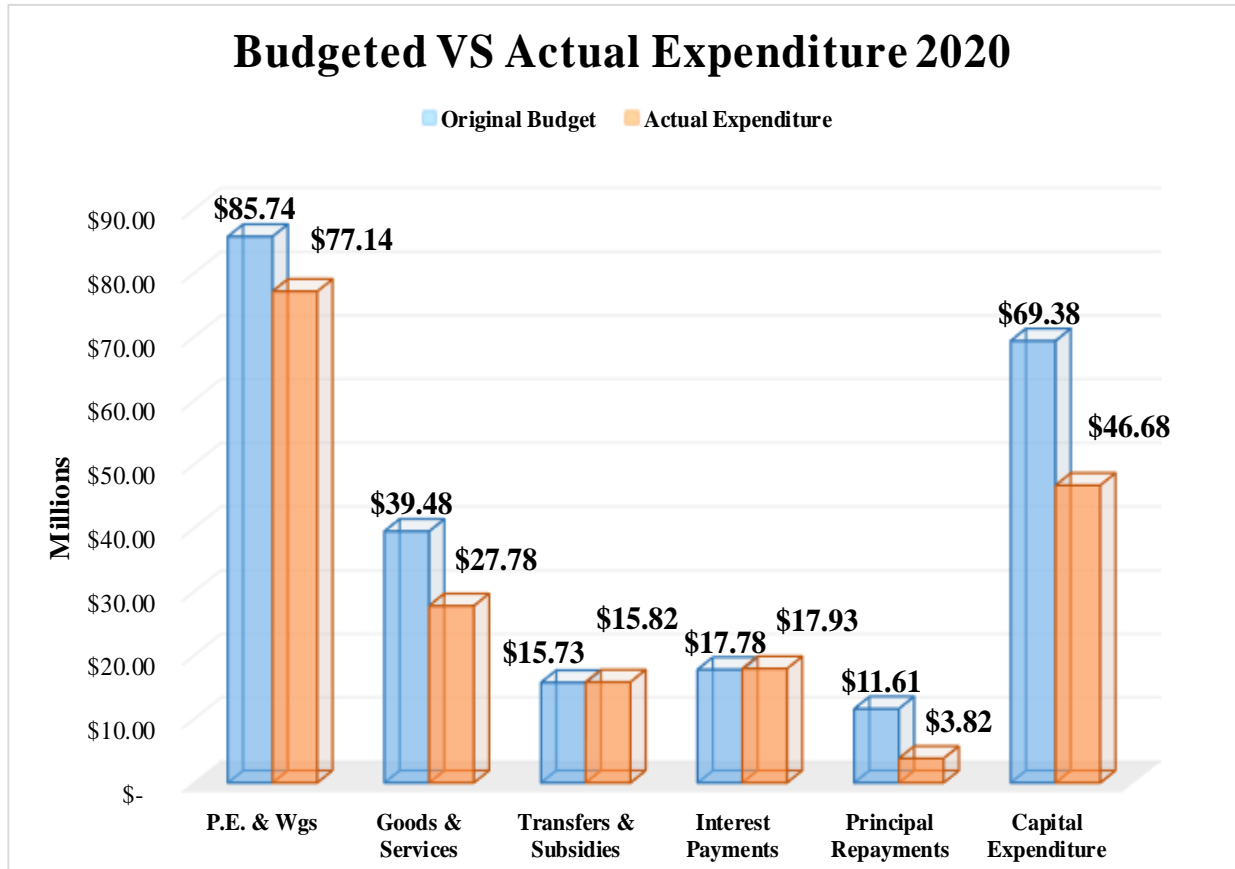
The other item of revenue for the Ministry of Health is Unclassified revenue and this amounted to \$64,860 reflecting a decrease from 2019 by \$26,860. The Unclassified revenue also did not meet its budgeted level and fell short by \$55,140.

4.3 STATEMENT OF EXPENDITURE

On December 3, 2019, the Nevis Island Assembly passed the 2020 Appropriation Act and this authorized Expenditure of \$239.71 million. Thirteen (13) Ministries were allocated a collective budget for Current expenditure of \$170.33 million and Capital Expenditure of \$69.38 million for the eight (8) of the thirteen Program Heads. This represents a decrease of \$30.23 million or 11.2% from that of the budgeted amount in 2019 of \$269.95 million.

The actual expenditure amounted to \$189.16 million with the Current account of \$142.48 million and Capital account of \$46.68 million. The overall performance for expenditure resulted in a savings of \$50.55 million from the budgeted amount. There were savings on both the Current and Capital accounts. The Current account showed savings on the projected amount by \$27.85 million and the Capital account showed savings on projections by \$22.70 million.

Expenditure classifications are: Personal Emoluments & Wages; Goods & Services; Transfers & Subsidies; Interest and Principal Payments and Capital Expenditure. The following chart highlights the comparison between the Budget and Actual expenditure figures in these classifications for 2020.



The amount spent on Personal Emoluments & Wages recorded an increase of \$1.74 million from the 2019 actual of \$75.40 million but was still kept under its budget allocation for 2020 of \$85.74 million. Transfers & Subsidies of \$15.82 million were significantly over the \$15.73 million budgeted for the year with an excess of \$96,825. The major components of this amount were Gratuity & Pensions \$10.77 million; Grants and Contributions \$2.95 million and Public Assistance of \$1.60 million. It can also be highlighted that the Goods and Services returned a savings of \$11.70 million from its budgeted amount of \$39.48 million. The amount spent on Goods and Services recorded a decrease of \$6.78 million from the 2019 actual of \$34.56 million.

During the 2020 financial year, all Program Heads kept their spending on the current account well within the budgeted amounts provided. The following tables show some of the savings on the budget allocation for Ministries with budgeted figures over \$5 million for 2020:

MINISTRY	BUDGET	ACTUAL	SAVINGS
Premier's Ministry	\$5,372,000	\$4,393,441	\$978,558
Ministry of Finance, Statistics, etc	\$74,433,500	\$61,569,687	\$12,863,812
Ministry of Communication, Works, etc	\$13,981,800	\$12,172,323	\$1,809,476
Ministry of Agriculture, Lands, etc	\$7,061,500	\$6,199,194	\$862,305
Ministry of Health & Gender Affairs	\$21,992,100	\$18,095,355	\$3,896,744
Ministry of Education, etc	\$25,705,800	\$23,471,396	\$2,234,403
Ministry of Social Development, etc	\$12,363,000	\$10,605,961	\$1,757,038

DEPUTY GOVERNOR GENERAL

The allocation to the Office of the Deputy Governor General for 2020 was \$560,500. A total of \$398,381 was spent, thereby realizing a saving of \$162,119 or 28.9%. The budgeted amount was increased by some \$19,500 from the 2019 allocation. The Department spent \$7,800 in Public Assistance which was not given a budget allocation for the year; it can also be stated for the past two years there was no allocated total to this program but expenses were being incurred. Operating and Maintenance was allocated \$10,000 and it incurred \$17,561 resulting in an excess of \$7,561. All other programs maintain their expenses below the budgeted allocations.

LEGISLATURE

This Ministry was given a budget of \$850,200 which reflected a 4.2% decrease from the 2019 budget. Despite the decrease in budget allocation, this Ministry still realized a savings of \$189,851 and recorded an actual expenditure of \$478,349.

Legislature has two program heads being Administration and Office of the Opposition Leader that both realized savings. Administration was budgeted \$668,200 and recorded \$375,349. While

Office of the Opposition Leader recorded an actual expenditure of \$102,999 from the \$182,000 budget that was provided.

LEGAL SERVICES

There was a total of \$1.21 million allocated between two Programs namely Legal Department and Company Registry which received \$1.10 million and \$0.11 million respectively. An overall total of \$962,849 was spent where Legal Department incurred \$893,848 and the Company Registry incurred \$69,000 which resulted in an overall saving of \$247,961 or approximately 20.4% of the budget.

There were a few instances where the budget was overspent at the program level. The Purchase of Tools, Instruments, etc was allocated \$2,500 and it incurred \$13,570. Operating and Maintenance was over the budget by \$4,095.

PREMIER'S MINISTRY

The expenditure budget for this Ministry was \$5.37 million and it incurred expenditure of \$4.39 million. This year, the Ministry realised a saving of its budget by \$0.98 million compared to the \$9,762 overspent in 2019. The expenditures for the Premier's Ministry are subdivided into three (3) programmes; Office of the Premier, Registrar and High Court and Magistrate.

Office of the Premier

This Program was allotted a budget of \$4.25 million which comprised Administration \$3.13 million, Security Services Division \$991,000 million and Public Utilities and Energy \$133,000. The actual expenditure totalled \$3.43 million with saving from its budget by \$0.82 million. Amongst the three units, all returned savings from its budget allocations.

Some major areas of over expenditure were: Production and Marketing of \$144,505 from the allocated amount of \$120,000; Communications Expenses had a budget of \$3,000 and incurred \$20,313 and Wages had \$690,000 budgeted yet a total of \$725,925 was expended.

Registrar and High Court

The actual expenditure for this programme was \$768,185, resulting in \$91,315 being returned as savings on the budgeted amount of \$859,500. Additionally, the actual expenditure for 2020 decreased by 0.30% over the previous year when \$770,475 was spent. However, the budget had a 6.68% decrease, moving from \$921,000 in 2019 to \$859,500 for the current period.

Magistrate

The budget set for the Magistrate Court was \$259,500 which increased by 4.59% from the 2019 budget of \$248,100. The Actual expenditure amounted to \$193,952 which reflected a savings of \$65,548. This programme kept within its budget for the past two fiscal years, returning savings of \$3,119 in 2019 and now \$65,548 in 2020

MINISTRY OF FINANCE, STATISTICS & ECONOMIC PLANNING

The Ministry of Finance and its nine (9) programmes were allocated a budget of \$74.43 million and had actual expenditure of \$61.57 million for a net savings of \$12.86 million. Comparatively, for the previous financial period, the Ministry was able to save funds and instead returned a savings of \$8.46 million.

Administration

Administration realized an actual expenditure of \$12.21 million against a budget of \$14.93 million, thereby resulting in a savings of \$2.72 million. This budget was shared amongst Administration, Central Procurement Unit, Internal Audit, Budget Division and Economic Policy Division.

The Ministry takes on some of the main areas of expenditure for government-wide services which include: Telephone costs of \$706,962; Medical Insurance of \$2.92 million; Claims against Government of \$437,193 and Electricity of \$4.66 million. Collectively in 2019, these areas cost

the government \$12.41 million, whereas in the current year, they only amounted to \$8.72 million; reflecting a \$3.69 million decrease in costs.

Treasury Department

The Treasury Department expenditure allocation for 2020 was \$40.07 million; of which \$39.52 million went to Administration and \$557,500 to Accounting Operations. Actual expenditure incurred by this department was \$33.19 million with \$32.73 million incurred by Administration and \$460,705 from Accounting Operations, which realized a savings of \$6.88 million. The level of spending done in this financial year was \$9.75 million less than the \$42.94 million spent in 2019.

Key areas of common spending included Retiring Benefits of \$10.77 million; Domestic Debt servicing cost of \$10.67 million; Overdraft Interest \$3.74 million; Treasury Bills Interest \$2.50 million; and Foreign Debt servicing \$4.69 million.

Supply Office

The budget set for the Supply Office was \$7.99 million and the expenditure amounted to \$6.95 million which reflected a savings of \$1.04 million. Compared with the previous financial year, the expenditure for this department totalled \$7.21 million generating a savings of \$1.49 million from its budget of \$8.70 million.

An area worth mentioning is the Supplies and Material that incurred 94% of the expenditure for this department. It can be shown that in 2017, Supplies and Materials totalled \$7.77 million; \$8.44 million in 2018; \$6.81 million within 2019 and \$6.53 million during the current financial year.

MINISTRY OF COMMUNICATIONS, WORKS, PUBLIC UTILITIES

This Ministry was allocated \$13.98 million and had actual expenditure of \$12.17 million, compared to the \$12.61 million spent in the previous financial year. All six (6) Programs in this Ministry realized net savings on their budget allocations, to provide the \$1.81 million savings recorded.

Public Works

The Public Works Programme was allocated the largest portion of the budget; \$5.92 million to cover activities such as Road, Bridges and Minor Works of \$1.50 million; Repair Shop of \$1.23 million; Buildings of \$1.29 million and the Asphalt Plant of \$256,000. This program recorded expenditure of \$5.30 million and returned a savings from its budget by \$619,596. A total of \$1.44 million was spent on Administration; \$1.24 million on Road, Bridges and Minor Works and \$1.32 million on Buildings.

Water Department

This department had an allocation of \$3.40 million and spent \$3.22 million, thereby realizing a net saving of \$171,628. The Administration and Billing Division incurred a total of \$834,625; for the Production Activity, total costs amounted to \$927,387; the Distribution Activity cost a total of \$1.37 million; and Quality Control cost was \$93,692.

MINISTRY OF AGRICULTURE, LANDS, COOPERATIVES

The actual expenditure incurred by this Ministry amounted to \$6.20 million or approximately 87.8% of its assigned budget of \$7.06 million and realizing a savings of \$0.86 million.

The Ministry of Agriculture et al is divided into five (5) programmes; Administration; Department of Agriculture; Department of Cooperatives; Department of Marine Resources; and Nevis Disaster Management Department. The actual expenditure for each programme was: Administration \$530,811; Department of Agriculture \$4.57 million; Department of Cooperatives

\$132,746, Department of Marine Resources \$381,904; and Nevis Disaster Management Department \$443,677.

Compared to the previous financial year, this department was allocated \$7.44 million and incurred spending of \$6.13 million and realized a net savings of \$1.31 million.

MINISTRY OF HEALTH, GENDER AFFAIRS

The allocation of this Ministry was \$21.99 million and reflected an increase from the \$21.67 million provided in the 2019 budget. Actual expenditure incurred was \$18.09 million, which was some \$0.20 million less than the \$18.29 million spent in 2019. Amongst the five (5) programmes under this Ministry, all returned savings that resulted in the overall savings for the Ministry at \$3.90 million.

Public Health

The budgeted portion allotted to this department was \$6.41 million and a total of \$4.94 million was spent. Amongst the seven (7) activities under this Program, the major expenditures can be highlighted between Community Health Services, Environmental Health Services and Health Promotion Unit.

A budget of \$1.61 million was given to the Community Health Services from which they incurred \$1.29 million. The major spending area within this Activity is on Office and General Expenses, which incurred an excess of \$5,635 over its budgeted \$15,000 and Supplies and Materials, which incurred \$39,341 from its budget of \$40,000.

Environmental Health Services was allocated \$1.44 million from which it spent \$1.19 million with a saving of \$251,747. The Dental Unit incurred costs of \$596,734 on its \$589,500 budget allocation.

Alexandra Hospital

The Alexandra Hospital budgeted allocation increased slightly to \$10.60 million from the budget in 2019 when it was \$10.38 million. The actual costs incurred amounted to \$9.32 million thereby providing savings of \$1.28 million. This program comprises four (4) Activities namely; Administration, Patient Care, Diagnostic Services and Domestic and Nutrition Services.

Amongst those four (4) Activities, Patient Care consumed the biggest portion with a budget of \$6.25 million and incurred actual cost of \$5.49 million. Major spending areas within this Activity were \$4.76 million for Personal Emoluments and Wages; Supplies & Materials cost \$195,583; Operating and Maintenance was \$52,642 and Allowances \$441,585. Allowances was the only object code that exceeded its budgeted amount of \$31,585.

The actual expenditure associated with the other Activities were: Administration and Maintenance \$1.68 million; Diagnostic Services \$958,149 and Domestic and Nutrition Services \$1.19 million.

MINISTRY OF EDUCATION, LIBRARY SERVICES

The Ministry of Education and Library Services incurred \$23.47 million in actual expenditure for the financial year 2020; which provided a net savings of \$2.24 million from the budgeted amount of \$25.71 million. When compared to the previous financial year, the Ministry incurred \$22.71 million from its budget of \$24.62 million. In the two-year period, the Ministry has realized slight savings each year.

The seven Programs under this Ministry incurred the following total expenditure; Administration of \$1.68 million; Education Department of \$4.46 million; Primary Education with \$7.96 million; Secondary Education of \$7.99 million; Public Library with \$369,576; Higher and Continuing Education of \$394,472 and Department of Information Technology of \$632,719. All these programs maintained spending within their budget for 2020.

MINISTRY OF SOCIAL DEVELOPMENT, YOUTH, SPORTS, ET AL

This Ministry's budget was decreased by \$111,500 or 0.89% from the \$12.47 million in 2019 to \$12.36 million in 2020. The actual expenditure incurred amounted to \$10.61 million and realized a savings of \$1.75 million.

The Ministry consists of five (5) program heads, where Administration program incurred a total of \$3.94 million from its budgeted amount of \$4.55 million resulting in a net savings of \$0.61 million. Amongst the three Activities under this program head, the Administration Unit was the only one that exceeded its budget in the amount of \$96,581.

The budget for the Department of Social Services was \$3.28 million that consist of four Activities namely; Administration \$1.06 million, Family Services \$815,500, Senior Citizens Division \$1.24 million and Counselling Unit \$169,000. The actual expenditures for this financial year were: Administration \$882,571; Family Services \$847,482, Senior Citizens Division \$1.10 million and Counselling Unit \$5,287.

The Department of Community Development was allocated \$1.31 million and spent \$1.14 million thereby realizing a total savings of \$161,494. Department of Youth and Sports had a budget of \$2.31 million and incurred \$1.96 million with Sports Unit spending \$1.65 million and Youth Division \$310,900. The smallest program Head, the Department of Information incurred a total expenditure of \$722,101 from its budgeted amount of \$916,000.

CONCLUSION

From the Detailed Statements of Expenditure for 2020, it can be concluded that significant effort was made to control expenditure for the year, especially during a time when the Nation was hit with an unexpected pandemic. The fact that ALL of the expenditure Heads on the current account returned savings of its budgeted allocation, is commendable. Hence the resulting net savings on the Budget in the amount of \$27.85 million.

Attention must be focused on those significant expenditure items that keep going out of control each year and identify where in the control processes are the weak links.

1. **Audit notes from the examination of the supporting documents, there are instances of misclassification of expenditure. There is little excuse for expenditures not to be appropriately charged as Program Budgeting allows availability of all the Object Codes for expenditures to be charged whether or not the item was budgeted.**
2. **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. Additionally, it also raises “red flags” for any auditor when there are missing documents and delays in getting sourcing documents from the departments. 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.**
3. **In fact, the Ministry of Finance needs to sensitize any new and existing staff on the accountability of Government funds into the Accounting System and the safe custody and storage of financial records.**

4.4 THE CAPITAL ACCOUNT

The capital expenditure budget for 2020 was approved at \$69.38 million that anticipated sources to be from Revenue in the amount of \$37.53 million; Loans of \$22.95 million; and Grants or Development Aid of \$8.90 million to support a total of 75 projects.

Actual expenditure for capital projects amounted to \$46.68 million representing 67.3% of the budgeted amount. Of this amount, spending from Revenue amounted to \$31.40 million; Loans amounted to \$14.07 million; and Grants or Development Aid was \$1.21 million. This covered

expenditure on 61 budgeted projects and 5 projects that were not budgeted for in 2020. At the end of the 2020 financial year, 14 projects with a combined estimated budget of \$5.75 million had not been started. Of these 14 projects, 5 were new projects and the remainder were projects from prior years that had not commenced or were ongoing in 2019.

Actual Capital Revenue realized was \$81.99 million where the sources came from Loans and Grants of \$28 million and Federal Budgetary Support of \$53.99 million.

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

Under the Office of the Premier, \$1.73 million or 61.1% of its \$2.83 million budget allocation was spent. Major expenditure included \$990,909 on the Renovation of New Castle Police Station, \$419,587 on Updates of Police Services and \$182,268 on the Construction of CCTV Building.

The ten projects that were budgeted by the Ministry of Finance incurred a total of \$3.53 million over its budget of \$5.05 million, resulting in a net savings of \$1.52 million. Some of the major projects were Reconstruction of Treasury Building amounted to \$1.37 million (**see cover page**); Financial Services Registry System of \$1.36 million; and Purchase of Vehicle amounted to \$369,639.

The Ministry of Communications, Works, Public Utilities and Posts had a capital expenditure amounting to \$21.29 million or 81.5% out of a budgeted \$26.13 million. The Ministry spent a total of \$12.17 million on Road Improvement, Water Drilling Programme and Purchase of various assets and energy projects. The Public Works Department spent \$6.30 million on Secondary Village Roads, Maintenance of schools and Water – Road Repair Projects. The Water Department incurred a total of \$2.82 million on the continuing project for Water Service Upgrade. There was \$1.12 million spent on the Purchase of Milling Machine, which was not budgeted for in this financial year.

The capital projects done by the Ministry of Agriculture, et al included Purchase of materials and equipment, Feral Animal Control and Disaster Management Upgrades incurred a total of \$2.50 million from a budget of \$4.31 million. Major spending was the Feral Animal Control project that incurred a total of \$986,550 and the Agricultural Diversification Thrust of \$500,485.

The Ministry of Health spent \$7.97 million or 54.5% of its budgeted \$15.4 million. The \$10 million that was budgeted for the Improvement of Alexandra Hospital only incurred \$3.44 million. Other projects were Procurement of Equipment of 687,493, Improvement of Health Facilities of \$314,018 and Procurement of Medical Supplies of \$775,093. There was \$945,838 spent on the Covid-19 Pandemic Response Fund, which was not budgeted for in this financial year nor an Appropriation Warrant issued.

The Ministry of Tourism incurred a total expenditure of \$984,720 over its budget of \$4.20 million on two projects namely; the Tourism Product Development and Construction of Pinney's Recreational Park.

The Ministry of Education had a budget for eleven projects but only incurred costs on eight projects for the year. From its budget allocation of \$7.40 million, the Ministry incurred a total of \$5.48 million on projects such as Upgrade and Refurbishment of Schools, Schools Meal Programme and Computerization of Schools.

The capital projects done by the Ministry of Social Development incurred an overall outlay of \$3.19 million which was 77.4% of the budgeted amount of \$4.12 million. Some of their major projects included \$858,953 for Roofing Assistance Programme; Upgrade and Maintenance of Sporting Facilities \$1.09 million; the Community House Assistance used \$374,411; the Youth Empowerment program accounted for \$249,928 and Constituency Empowerment for \$195,870. There was \$12,920 spent on the Refurbishment of New River School Building, which was not budgeted for in this financial year.

It is recommended that:

- 1. Ministries should carefully plan their capital expenditure projects, since projects that are not properly planned, or budgeted for, can cause large unfavourable variances that can undermine the budget and create additional pressures to fund those which have been approved, thereby affecting the overall performance of the financial accounts. As a matter of fact, Appropriation warrants can be used primarily to cover unforeseen expenditure, or that which could not have been reasonably estimated at budget time.**

4.5 STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

The Statement of Financial Assets and Liabilities as at December 31, 2020 and 2019 are summarized with comparative data as follows:

	2020	2019
Financial Liabilities/Assets		
Cash and Cash Equivalents	141,507,953	158,151,290
Other Public Funds	71,885,584	62,907,077
Trust Funds	88,836,314	92,302,604
Advances	(29,072,532)	(28,573,766)
Total Liabilities/ Net Assets	273,157,319	284,787,205
Deficit B/fwd	<u>284,787,205</u>	<u>258,004,102</u>
Surplus/ (Deficit) for year	11,629,886	(26,783,103)
Accumulated Deficit	<u>273,157,319</u>	<u>284,787,205</u>

Cash and Cash Equivalents

Cash and cash equivalents at yearend amounted to an overdraft position of \$141.51 million and decreased from the previous financial year by \$16.64 million, as the cash position slightly improve due to the net outflow of such funds during the year.

Advances

At the end of 2020, advances totalled \$29.07 million and increased by \$0.50 million over the previous financial year. The net movement in advances for 2020 was \$36,736 in Personal Advances and \$498,766 in Other Advances. The net movement in personal advances shows a total of four accounts with activities for the year, along with two new accounts added.

Trust Funds

Trust Funds at the end of the financial year totalled \$88.84 million with a net movement of \$3.47 million during the year. These funds comprise primarily the outstanding Treasury Bills as at the year end.

Other Public Funds

The other public funds totalled \$71.89 million for the fiscal year end. This comprises primarily of deposits accounts that were created for specific purposes and each should have been closed after it has served its purpose. However, it can be seen that some of these accounts are used on a daily basis to record receipts of monies and payments for expenditure that can be properly classified as normal government revenues and expenditures. This suggests that actual Government revenues and expenditures are being understated.

4.6 STATEMENT OF PUBLIC DEBT

The Public Debt at the end of the 2020 financial year review is disclosed as \$492,203,033 reflecting an increase of \$30.74 million or 6.6% over the previous year. During this period, the Domestic portion increased from \$412.23 million to \$446.47 million or by \$34.24 million while the foreign portion decreased by \$3.50 million to \$45.73 million.

The outstanding Treasury Bills as at the end of 2020 is disclosed at \$98,771,923 and reflects a net increase of \$3.19 million or 3.33% over the previous financial year 2019.

Both the Domestic and Foreign portions 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 \$10.25 million in 2019 to \$8.89 million in 2020. On the other hand, the Domestic Guarantees have increased by \$6.74 million moving from \$38.30 million to \$45.04 million. It must be noted that the total guaranteed debt accounts for 10.96% of the total public sector debt.

There were four new instruments added in 2020; Taiwan ICDF Loan amounting to \$1.94 million, FCIB Loan for Land amounting to \$1.11 million, Refinance of BON Overdraft amounting to \$20 million and FCIB Loan for Land Purchase for an amount totalling \$660,000.

For the yearend, total principal payments for 23 loans amounted to \$9.21 million. Disbursements were made during the year from the Nevis Water Enhancement Project of \$58,258 with principal repayment of \$1.34 million which brought the outstanding balance to \$16.49 million at the yearend. Other disbursements were made from the FCIB 3M Loan of \$442,194 along with repayment on the principal of \$510,121 resulting in an outstanding balance for the year of \$2.37 million.

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

PUBLIC DEBT:	2020	2019	2018 \$	2017 \$	2016 \$
Domestic	446,473,663	412,230,073	384,139,805	357,951,802	319,264,013
Foreign	45,729,370	49,229,400	54,923,074	58,582,367	64,625,106
Guaranteed –Domestic	45,038,173	38,299,397	30,935,602	23,056,996	13,086,593
Guaranteed – Foreign	8,887,921	10,247,446	11,999,231	13,690,264	15,367,707
Total Debt	492,203,033	461,459,473	439,062,879	416,534,169	383,889,119

Work of the Nevis Audit Office

Nevis Water Department

Compliance Audit Report



Nevis Audit Office

Executive Summary

The Nevis Audit Office completed an audit of the Nevis Water Department under the Ministry of Communications, Public Works, Water Services, Physical Planning & Environment, Posts, and Labour. The overall objective of this audit was to determine whether the financial management of the Nevis Water Department is in compliance with established laws, policies and procedures.

The results of our procedures indicated that the financial management practices of the Nevis Water Department are not in compliance with applicable laws, policies and procedures as noted in the following findings.

The major findings listed below, as well as other findings are discussed in Part Two of this report.

What we found	Weak internal controls over the custody of cash.
	Revenues collected are not properly reconcile to the consolidated fund.
	Accounting records are not being maintained properly.

What we recommend	Internal control procedures should be established.
	Revenues collected should be reconcile at least one weekly.
	Department should established efficient controls.

Part One

Background Information

The Nevis Water Department is a revenue collecting agency under the Ministry of Communications, Public Works, Water Services, Physical Planning & Environment, Posts, and Labour. The department is the only water utility on the island of Nevis which serves about 6500 customers.

The services of the Nevis Water Department include new meter connections and disconnections, water quality testing, repairing of leaks, installation of new lines, well redevelopment, and monitoring of wells. The department has two locations; one on Main Street, Charlestown where the main office and cashiers' station, and the other located at Pump Road.

The Nevis Water Department is governed by the policies and procedures of the Federation of St. Kitts and Nevis. All expenditure and revenue collected should be handled in accordance with the applicable Financial Administration Act, Financial Instructions, and Standard Operating Procedures of the Federation of St. Kitts and Nevis.

The department collected over \$6.36 million in revenue for water rates in 2019, which was an increase from the \$5.61 million collected in 2018. The 2020 results, however, showed a decline in revenue by \$0.89 million moving from \$6.36 million in 2019 to \$5.47 million. Figure 1 shows the collection of revenue from water rates over the past five years. There has been growth in the number of connections over the previous years, however, the fluctuating results in revenue suggest that the current practices of the department have not led to the maximization of revenue collection.

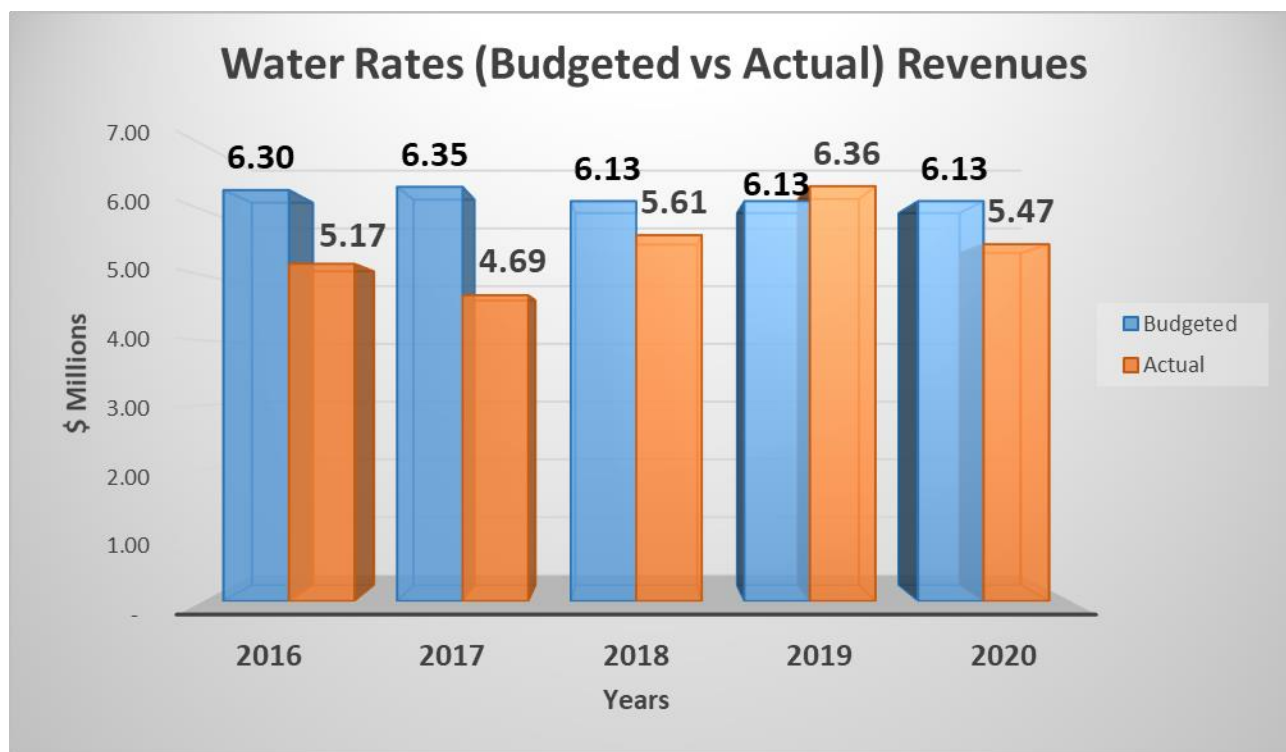


Figure 1. Revenue from Water Rates collected by the department from 2016 to 2020.

As shown in Figure 2, the recurrent expenditure of the Nevis Water Department for 2020 was \$3.22 million from the budgeted amount of \$3.39 million realizing a savings of \$0.17 million. Actual expenditure has increased over the three years moving from \$2.86 million in 2018, \$2.95 million in 2019 to \$3.22 million in 2020. However, it can be highlighted that the recurrent expenditure has not exceeded its budgeted amount for the periods under review.

The Capital expenditure, on the other hand, has exceeded its budgeted allocation for all three years under review. In 2018, capital expenditure exceeded its budget by \$0.17 million and in

2019 by \$0.87 million. It can be shown that in 2020 the budgeted amount was increased by \$0.50 million over the previous years but still exceeded its budget by \$0.32 million.

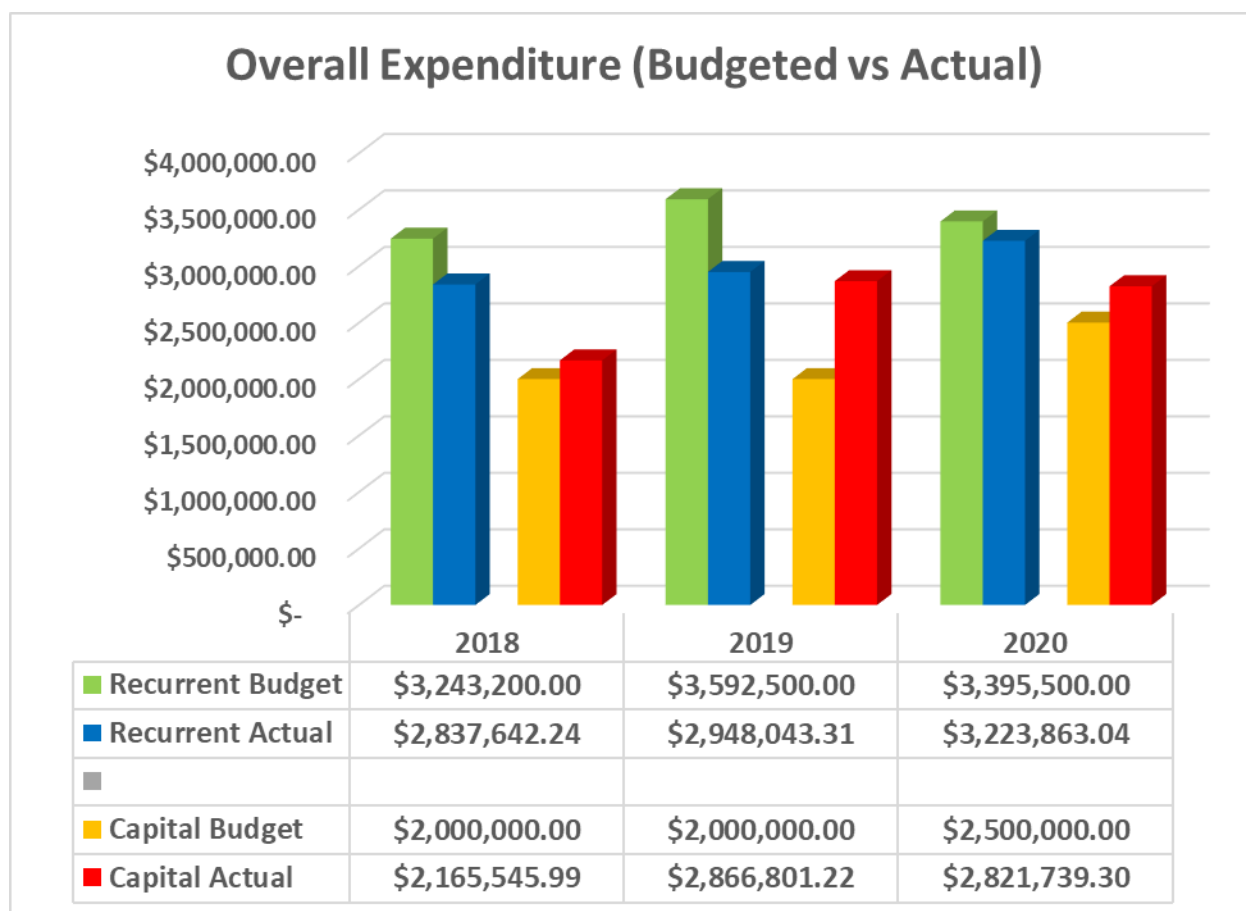


Figure 2. Overall Expenditure for Nevis Water Department from 2018 to 2020.

Audit Mandate

The Audit Act of 1990, part 1, section 6 (1) states that:

“The Director of Audit shall make such examinations and enquiries of Public Bodies as he considers necessary to enable him to report as required by this Act.”

Section 76, part 2 (a) of the Constitution of the Federation of St. Christopher and Nevis states that:

“The Director of Audit shall:

- a) Satisfy himself that all moneys that have been appropriated by Parliament 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.”

Audit Objectives

The objectives of the audit were:

1. To ascertain that the revenue collection and expenditure payments are in compliance with established laws, policies, and guidelines.
2. To determine whether internal controls are in place for the collection of revenues and the payment of expenditures.
3. To verify that records for revenue and expenditure are properly maintained, complete and accurate.
4. To determine whether proper internal controls are in place for the accountability of capital assets in its custody.

Audit Scope

The audit covered the period January 2018 to December 2020.

Audit Criteria

1. All revenues should be deposited in a timely manner.
2. A government-issued receipt should be provided for funds received from revenues.
3. Reconciliations should be done in a timely manner to the Treasury Department.
4. All payments of expenditure should have proper authorization.
5. Supporting documentation should exist to verify payments.
6. A Fixed Asset Register should be maintained.
7. An Inventory System should be maintained.

Audit Methodology

In conducting the audit, the audit staff examined the accounting records for the period under review and the controls established for custody and safeguarding of cash. We also conducted interviews with the Cashiers, the Customer Service Supervisor, the Customer Service Manager, the Operations Manager, the Manager of the Nevis Water Department to gain a better understanding of the department's operations, to ascertain the policies and procedures of the department and to determine the cashiers' knowledge of the department's policies and cash handling best practices.

We observed the daily operations of the main office and pump road stations with operations of the revenue collection point and custody of the capital assets.

Part Two

Findings

1. Accounting records are not properly maintained.

a) Supporting Documents were not sufficient for the examination.

Payments made from the expenditure accounts should be supported by invoices that detail the items purchased or services received, the date the transaction took place, and the amount of the transaction.

Payments were found that did not provide adequate information to determine the purpose and accuracy of the payments. Also, there was a lack of invoices for some transactions found.

Payments should not be made without adequate supporting documentation, as this makes the examination insufficient and unable to determine if the transactions were legitimate or complete.

b) Accuracy of payments made.

i. Purchase order forms do not match the invoices.

All Government Purchase orders should reflect with the invoices that are paid into the Accounting system. Documents were found that showed the number of items being purchased differs from the amount entered on the purchase order. Items were being purchased from government funds that are not classified as office essentials items.

Without effective controls over the purchasing of items for the department, it could lead to misuse of government funds.

ii. Miscalculations of supporting documentation.

Departments should properly examine all payment invoices before entering them into the Accounting system. Issuance of invoices from merchants if not properly examined before processing payments can result in errors of these payments.

During the audit, we noted that there was a lack of proper examination of the invoices; as a result, a total of nine instances lead to overpayment of \$8,735 to merchants and underpayments of another \$3,350 due to calculative errors from the merchant's end.

Three occurrences of duplicate payments were also found under the period of review and totaled \$3,911.

It can be concluded that these errors would cause misstatement of government funds at the end of the financial year.

c) Payments were not being done in a timely manner.

In the conduct of the audit, we noted payments that were not paid in a timely manner from the date of issuance of these invoices. Some instances where invoices from a previous two-year date of issuance were not accounted for under that period.

Audit would note that these payments were also not authorized for payment from the Ministry of Finance who manages the finances of the government funds.

All government payments that were not incurred during a previous year have to be approved for payment from the Ministry of Finance to be incurred in the current year.

d) Lack of proper authorisation on Payment Vouchers.

Every expenditure should be authorized for payment by the Head of Department or another senior staff (instructed by the Head) before it is processed. Authorisation of payments should be separated from the process of making payments, with appropriate validation and recording at each step.

We noted payment vouchers that were not authorized to be paid but confirmed that the payments were made. This highlights a breakdown in internal controls where a payment can be made without management's approval. Effective internal control over expenditures must be maintained at all stages.

e) Payment vouchers are not confirmed within the Accounting system.

Under the examination of the accounting records for the period under review, there were a total of twelve payment vouchers for \$47,728 that were not confirmed within the accounting system.

With the reconciliation of payment vouchers monthly, these instances would have been noticed at the time of occurrence and corrective measures could have been done on time.

Recommendation

We recommend that management should ensure that efficient controls are put in place so that the payment process can be maintained at all stages. Reconciliation of payment vouchers should be done more frequently.

Management's Response

a) Supporting Documents were not sufficient for the examination.

The majority of the invoices received are related to water works in the field. The Ministry of Communications, Public Works, Water Services, Physical Planning and Environment, Posts and Labour implemented a ticket/slip system to aid in this. Each crew has a ticket/slip book and issues these to the relevant heavy equipment operators. The operators then submit their invoices with the slip attached for payment. This slip includes details of the dates, time, description and location of job. Three signatures (dispatcher, crew lead and operator) are required for payment.

b) Accuracy of payments made.

With respect to purchase orders, as the current Manager, I have instructed staff that they are required to have the appropriate quotation from the respective companies in order to be issued a purchase order. Staff is aware that no changes should be made on these orders. However, this will be reinforced along with the implementation of more checks to ensure there is no misuse of funds. A system would be developed to ensure that the invoices are tallied correctly and the correct amount paid. Currently, there is one officer responsible for this duty but this requires at least two individuals for this verification process.

d) Lack of proper authorisation on Payment Vouchers.

Internal controls have been put in place in an effort to manage the expenditure. However, more work would be needed in this area and an updated effective internal plan would be needed with the assistance of the Ministry of Finance.

e) Payment vouchers not confirmed within the Accounting system.

This is another area that would have to be addressed and a system implemented to reconcile payments on a monthly basis with monthly reporting done.

2. Payment to Staff.

During the audit, it was noted that a government employee that does not work for the Nevis Water Department is being paid under their budgeted allocations. Further investigation relieves that the employee was hired as the Water Resources Manager under the new Water Resources Management Unit created under the Ministry of Communications, et al in the budget year 2020. The duties highlighted for the Water Resources Manager would substantiate its independence from the Nevis Water Department; therefore this salary payment should be made from its own establish unit budgetary head.

Recommendation

We recommend that management should be aware of payments made under their budgetary allocations. The salary payment of the Water Resources Manager should be rectified as soon as possible.

Management's Response

Payment to Staff

This will be addressed via the Permanent Secretary of the Ministry of Communications, Public Works, Water Services, Physical Planning and Environment, Posts and Labour.

3. The Department has weak internal controls over the custody of cash.

Examination of the Cashiers' Cash and interviews with members of the department at the main office revealed that the cashiers are sharing one cash tilt. The cashier would begin in the morning and operate as the main cashier for the day. Another employee would act as a relief cashier during the lunch hour or if the main cashier is not present at work. The relief cashier would operate using the same cash tilt used by the main cashier during the morning hours. The relief cashier would also update customers' accounts with payment transactions using the log-in name of the main cashier thereby compromising the integrity of the CBSW system.

During the audit, there were two surprise cash counts conducted where excess cash was found among the cash collected for the day. In the first instance, audit was told that the excess cash was the employee's coins that are used to create a float at the start of the next business day. In the second instance, after the fact that the department received a float of \$150 in March 2021; there was still excess cash amongst the cash collected for the day.

The table below shows the excess total on both days the cash count was conducted:

Date	Excess Cash
11 th March, 2021	\$12.55
11 th May, 2021	\$21.17

Table 1: Excess Cash from Cash Count

It must also be noted that audit observed that cash was being held in an unsecured area within the cashiering station of the main office instead of inside the cash tilt which is functional and has a key for security purposes.

Recommendation

We would recommend that all government funds should be held in a locked secure area. Each cashier should use their login when using the CBSW system when entering transactions. Using someone else's name not only compromises the system but can lead to fraudulent activity. Internal control procedures should be established.

Management's Response

The department has weak internal controls over the custody of cash

This is being addressed with training. Each staff will log in under their own names and proceed as normal. Currently, cash handling is a key area for training. We are currently developing Standard Operating Procedures for the management of cash as some practices need to be discontinued. The department is also trying to source some cash safes which would improve cash security and safety within the office.

4. Reconciliation of revenue collected is not undertaken by the department.

The amount posted into the CBSW system should match the amount that is being posted into the Fitrix system (Government Accounting System). We noted that reconciliation with Fitrix is not sufficiently being done and there are differences between the amount of revenue stated in the CBSW system and the amount of revenue stated in Fitrix.

In 2018, CBSW shows that the Water Department collected \$5,618,932.50 in revenue while Fitrix shows \$5,612,034.75 a shortage difference of \$6,897.75. In 2019, CBSW shows revenue collections of \$6,359,909.08 while Fitrix shows \$6,363,595.73 which is an overage difference of

\$2,686.65. In light of the 2020 figures, CBSW shows revenue collections of \$5,515,450.58 while Fitrix shows \$5,467,663.26 which a shortage difference of \$47,787.32.

Recommendation

We would recommend that reconciliation of revenue collected should be done every week in the Fitrix system and the Treasury Department. This will ensure that any errors or discrepancies are picked up in a timely manner. It is also recommended that year-end reconciliation should be done at the end of the last business day so that accurate revenue collection is recorded for the financial year records.

Management's Response

Reconciliation of revenue collected is not undertaken by the department

Reconciliation processes in the department will be adjusted to a minimum of once weekly with improved reporting. A procedure for reporting will be implemented to ensure that officers are performing reconciliations regularly and to also monitor the revenues collected against the estimated/projected revenues for the department.

5. The collection of arrears needs to be improved.

Summary of Aged Receivables report was taken from the CBSW system that showed by the end of 2020, the arrears of the Nevis Water Department totaled over \$3.65 million, and are up from the \$3.18 million in 2019. It is noted that 53% of the stated arrears have been accumulated for more than 360 days.

The department has made efforts in issuing written and verbal warnings to customers who have overdue balances on their accounts. However, there were no data kept as to the success rate of the warnings issued.

Recommendation

The department needs to consider the strategy that was being used to collect the arrears amount in the past. Without quantitative data it is difficult to determine if the strategy of issuing warnings is effective; however, it can be pointed out that it is ineffective as the arrears figure has increased. The department needs to consider engaging a collections officer to effectively challenge these arrears.

Management's Response

The collection of arrears needs to be improved.

The disconnection programme has been reinstituted as of March 2021. The department has also developed a payment plan programme for customers who may be experiencing any hardships and are unable to make payments on time. However, arrears is an area that more focus needs to be diverted to with improved tracking, monitoring and reporting.

6. Lack of segregation of duties.

The Nevis Water Department has no clear listed duties for the employees to be guided by. There should always be transparency in the processing of expenditures from the start to the end. There were instances where the same person who processes payments in the Accounting system was

signing purchase orders and signing invoices as the receiving officer of the items. Purchase orders should be sign by management or another senior staff (instructed by the Head).

During the period, March 31st to 1st April 2021 we conducted interviews with the staff at the Nevis Water Department. During the interview with the release cashier on March 31st, we were notified that the main cashier had to leave work and the Customer Service Manager had to conduct the role of cashier. It was also noted that this was not a one-time occurrence. The Customer Service Manager is also the person that verifies cash at the end of the business day.

Recommendation

We would recommend that job descriptions are created for the staff of the Nevis Water Department, as segregation of duties is designed to prevent error and fraud within an organization. It is a best practice that relief cashiers operate within a limited time period. However, from the observations and interviews with the cashiers, the relief cashier can be called upon to operate as the main cashier at a moment's notice. There may be a need for an additional main cashier in the department.

Management's Response

Lack of segregation of duties.

The department is currently undergoing a Human Resource restructuring and job description writing project. This would allow for clearly defined roles within the department with little or no overlapping of duties. A request was sent to the Ministry of Communications, Public Works, Water Services, Physical Planning and Environment, Posts and Labour for an additional

cashier. The department is still awaiting the response from the Ministry as this would improve efficiency in serving customers and enhance the stability of internal cash controls.

7. The Nevis Water Department does not maintain a Fixed Asset Register.

A Fixed Asset Register is used to keep track of assets, namely equipment and furniture, of an entity. It records the date the asset was purchased, the cost of the asset, a description of the asset, unique identifiers, item code, etc.

At the Nevis Water Department, there have never been and currently still no Fixed Asset Register in place. Without a well-functioning fixed asset register, management cannot accurately provide information pertaining to each asset when required.

Recommendation

We recommend that a Fixed Asset Register be created and maintained by the Department. The register should capture the name and description of the asset, original purchase cost, and date of acquisition, unique identifier number, location of the asset, and authorization for disposal of assets.

Management's Response

The Nevis Water Department does not maintain a Fixed Asset Register.

This will be addressed as both the previous Manager and Current were not aware that this is a requirement for the department. The department will have a completed register by December 2021.

8. The Nevis Water Department does not maintain an Inventory Management System.

An Inventory Management System is the process by which you track your goods throughout your entire supply chain, from purchasing to production to end-use. It ensures that the right amount of inventory of the right quantity is available at the right place at the right time.

The Nevis Water Department has a book that records when a maintenance employee requires fixtures for use in their daily duties. There is no indication of the number of items remaining and there are instances where fixtures had run out. We also observed that there is no proper storage of the inventory items which can result in theft.

Recommendation

We recommend that an Inventory Management System be created and maintained by the Department. A good inventory management system can help to enhance productivity, but only if it is set up and maintained properly. The system should capture the name and description of the item, unique identifier number, location, quantity and reorder level, etc.

Management's Response

The Nevis Water Department does not maintain an Inventory Management System.

Works have been done with the IT Department to develop a webapp for an inventory management system. This is still in the developmental stage but would require an additional member of staff with some prior training knowledge in the area of stores management and inventory systems. This would be an asset to the department of this size.

9. Lack of Safety and Security.

Every workplace needs to ensure that it meets the proper health and safety regulations for the safety of its employees. Proper safety and security processes can help manage and prevent injury, theft, and damage in the workplace.

During the observation and interviews, we noted that the safety and security of the Nevis Water Department need improvement. We observe that no security cameras are located within or around the building for the prevention of theft. Access to the cashier station is unlimited and not secure.

There are structural improvements that need to be done to the Pump Road Station as the conditions are not deemed a suitable working environment.

Recommendation

We recommend that the department implement a security system and promote it by ensuring there is signage about the security system at entry and exit points. The cashier's station needs a proper secure access point for only limited employees to prevent both external and internal potential intruders. Provide staff with training on the safety and security of the workplace. We also recommend that structural improvements should be conducted to the Pump Road station for the safety and health of the staff employed there.

Management's Response

Lack of safety and security.

A security system has been implemented with security cards and electromagnetic strips for each door at the Charlestown office. The Stoney Grove office is in need of a massive overhaul as

buildings need to be torn down and rebuilt. This is an issue that has been raised with the Ministry. There are some key improvements needed to ensure the safety and health of the staff. Hopefully this can be addressed before the end of 2021.

10. There is no structure in place for the recording of customer complaints and feedback.

There are no procedure to handle customer complaints with regards to the issue of bill payments, new connections, and repairing of leaks. Documentation does not exist to show how these types of customer complaints are resolved or how many complaints are received over a given period

Recommendation

Establish a system for the recording of customer complaints and imploring feedback from customers in relation to the payment of bills. The feedback received could provide valuable information for improving the efficiency of the operations.

Management's Response

There is no structure in place for the recording of customer complaints and feedback.

The department is in the process of designing a system for customer complaints. Feedback is important from customers as it would help us to identify weak areas that can be improved as can also help us in identifying exemplary staff.