



NATIONAL AUDIT OFFICE

TRANSPARENCY | ACCOUNTABILITY | INTEGRITY

AUDIT REPORT

THE PUBLIC ACCOUNTS OF
THE GOVERNMENT OF
ST. KITTS AND NEVIS



2023



St. Kitts and Nevis National Audit Office

Report by the Director of Audit
On the Public Accounts
For the year 2023



***ST. KITTS AND NEVIS
NATIONAL AUDIT OFFICE
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October 10, 2024

Honourable Dr. Terrance Drew
Prime Minister and Minister of Finance
Government of St. Kitts and Nevis
Government Headquarters
Church Street, Basseterre
St. Kitts

Sir,

In accordance with Section 76 (4) of the Constitution of St. Christopher and Nevis, I submit the Annual Report of the Director of Audit for tabling in the National Assembly. This report includes the examination of the Public Accounts for the year ended December 31, 2023.

Respectfully,

.....*Pike*.....

Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit



Director of Audit's Overview

It is with great pleasure that I present the Annual Report of the Director of Audit on the audit of the Public Accounts for the year ended December 31, 2023.

The principal objective of this Office is to promote better governance, transparency and accountability in the public sector and we strive to do this by issuing impactful reports.

The duties of the Director of Audit are enshrined in Section 76 of the Constitution of St. Christopher and Nevis and Section 6 of The Audit Act Cap 20.01. Section 6 of The Audit Act allows the Director of Audit to make examinations and enquiries of Public Bodies and also Statutory Bodies as he considers necessary and appropriate.

The Annual Report of the Director of Audit is presented to Parliament in accordance with Section 7 (1) of The Audit Act Cap 20.01 which states:

“The Director of Audit shall submit an Annual Report to the Minister for transmission to the National Assembly on the work of his office; on the results of his examination of the annual accounts; and on whether, in carrying out his duties, he received all the information, reports and explanations required.”

The Director of Audit is also required by Section 6 (2) of The Audit Act Cap 20.01 to express an opinion as to whether the Annual Accounts submitted by the Accountant General represent fairly the financial position and results of operations of the Government.

Noting our role in the accountability process of the Government of St. Kitts and Nevis, we endeavor to do our best to enhance financial management, compliance, effectiveness and efficiency of the various Ministries and Departments.

I extend my gratitude to the various Ministries and Departments with whom we interacted with to complete this audit exercise. I wish to thank them for their patience and assistance.

I also take this opportunity to thank my staff for their work and dedication during this exercise.


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Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit



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Analysis of the Financial Statements of the Government of St. Kitts and Nevis

INTRODUCTION

The Public Accounts of the Government of St. Kitts and Nevis are prepared by the Accountant General in accordance with Section 57 (2) (a) of the Finance Administration Act Cap 20.13.

The Public Accounts of the Government of St. Kitts and Nevis were submitted to the National Audit Office by the Accountant General in compliance with Section 57 (2) (c) of the Finance Administration Act Cap 20.13. This Act requires the Accountant General to submit copies of the Public Accounts to the Director of Audit within six months after the end of the financial year.

The Draft Public Accounts for the financial year ended December 31, 2023 were submitted to the National Audit Office on June 28, 2024.

The Public Accounts have been prepared using the cash basis of accounting. This method recognizes income when cash is received and expenditure when cash is paid.

This section of the report provides an analysis of the Financial Statements and the Notes to the Financial Statements of the Government of St. Kitts and Nevis.

Compliance with Cash Basis International Public Sector Accounting Standards (IPSAS)

The requirements of Part 1 of Cash Basis IPSAS include:

1. A statement of cash receipts and payments which recognizes all cash receipts, cash payments and cash balances controlled by the entity;
2. Accounting policies and explanatory notes;
3. A comparison of budgeted and actual amounts if the approved budget is made publicly available.

The Statement of Cash Receipts and Payments on pages 12 and 13, the Statement of Comparison of Budget and Actual Amounts on pages 14 to 16 and the Accounting Policies and Notes to the Financial Statements beginning on page 26 of the Public Accounts are in compliance with Part 1 of Cash Basis IPSAS.

Compliance with the Finance Administration Act Cap 20.13

Section 57 (4) of the Finance Administration Act Cap 20.13 lists the statements that are to be included in the Public Accounts. These include:

1. A summary statement of revenue and expenditure of the Consolidated Fund by standard object code and economic classification;
2. A comparative statement of actual and estimated revenue by detailed object code;
3. A statement of assets and liabilities;
4. A statement of each Special Fund;
5. A statement of the balance in each Deposit Fund;
6. A statement of investments showing the funds on behalf of which the investments were made;
7. A statement of public debt and accumulated sinking funds;
8. A statement of balance in any fund, other than a sinking fund, for which provision is made by or under an Act;
9. A statement of contingent liabilities of the Government;
10. Statement of balances on advance accounts;
11. Statement of arrears of revenue by detailed object code;
12. Any other statement the National Assembly may require.

The Public Accounts of the Government of St. Kitts and Nevis are in compliance with the Finance Administration Act Cap 20.13 in that it contains each of the required statements mentioned above.

REPORT ON THE AUDIT OF THE PUBLIC ACCOUNTS OF THE GOVERNMENT OF ST. KITTS AND NEVIS

Opinion

I have audited the Public Accounts of the Government of St. Kitts and Nevis, which comprise the Statement of Financial Assets and Liabilities as at December 31, 2023, the Statement of Revenue and Expenditure, the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts and the Notes to the Financial Statements including Accounting Policies.

In my opinion, the financial statements and notes presented in the Public Accounts present fairly, in all material respects, the financial position of the Government of St. Kitts and Nevis as at December 31, 2023.

Basis for Opinion

The audit was conducted in accordance with generally accepted auditing standards. The Director of Audit's responsibilities under those standards are further described in the Director of Audit's Responsibilities for the Audit of Public Accounts section of this report. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

Responsibility of the Accountant General

The presentation of statements, accounts and schedules of the Public Accounts are the responsibility of the Accountant General in fulfillment of Section 57 (4) of the Finance Administration Act Cap 20.13 and the requirements of Cash Basis International Public Sector Accounting Standards (IPSAS).

The Accountant General 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.

Director of Audit's Responsibilities for the Audit of the Public Accounts

The Director of Audit's responsibility is to audit the Public Accounts, express an opinion based on the work conducted and report in accordance with section 76 (2) and (4) of the Constitution of the Federation of St. Christopher and Nevis and section 7 of the Audit Act Cap 20.01.

The objectives of this Office are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud and to issue an audit report that includes an opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with generally accepted auditing standards, the Director of Audit exercises professional judgement and maintains professional skepticism throughout the audit. The Director of Audit also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to error or fraud, designs and performs audit procedures responsive to those risks and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtains an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministries and Departments' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Director of Audit communicates with those charged with governance regarding the planned scope and timing of the audit and any significant audit findings, including deficiencies in internal control that were identified during the audit.

Submission of Report

In accordance with section 76 (4) of the Constitution of St. Christopher and Nevis and section 8 of the Audit Act Cap 20.01, this report is being submitted to the Minister of Finance for presentation before the National Assembly.

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Carla Berridge - Pike

Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit

National Audit Office

Basseterre, St. Kitts

October 10, 2024



SUMMARY OF FINANCIAL INFORMATION

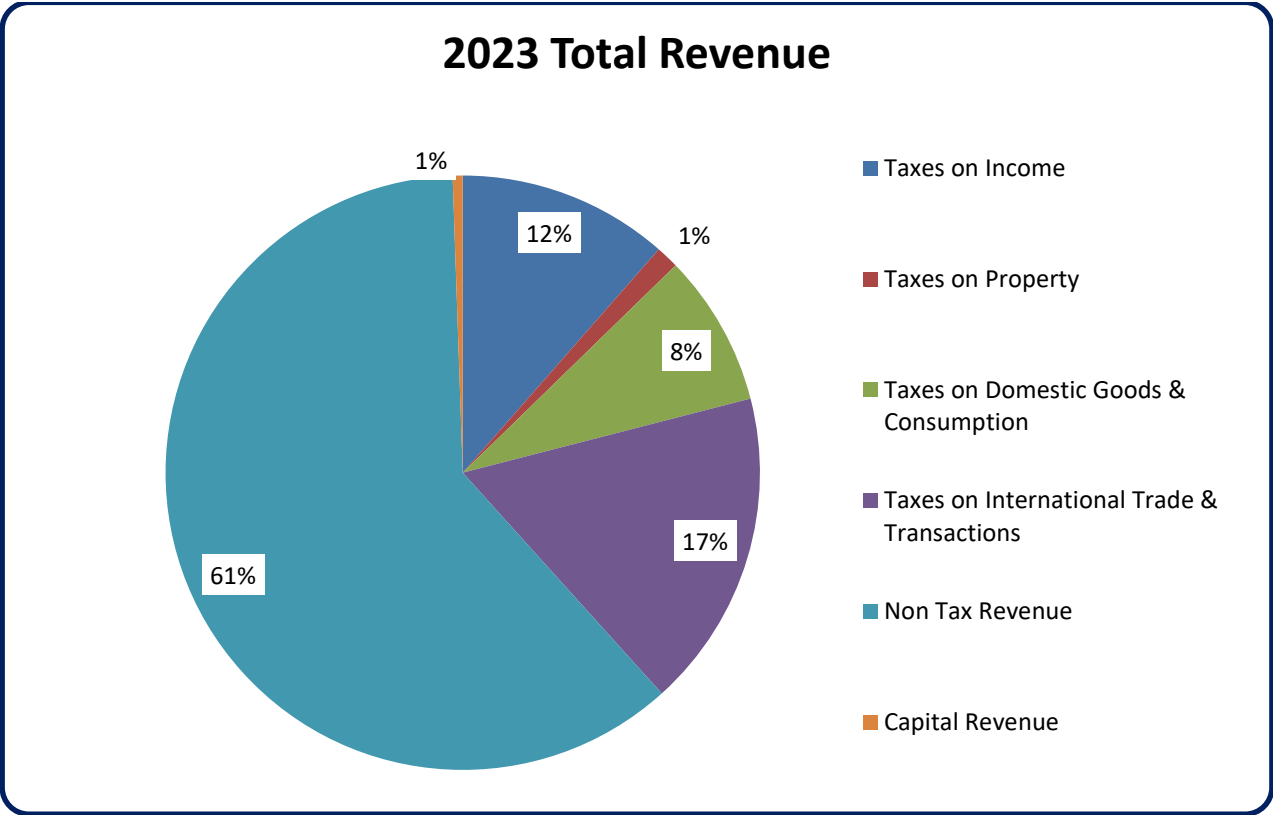
Revenue and Expenditure

For the year 2023, Parliament approved an expenditure budget of \$1.026 billion, which included \$33 million in debt repayment. Revenue for the year was estimated at \$1.032 billion and this included the sale of government lands which was budgeted to bring in \$10 million. During 2023, a further \$250 million of expenditure was approved by supplementary/appropriation warrants.

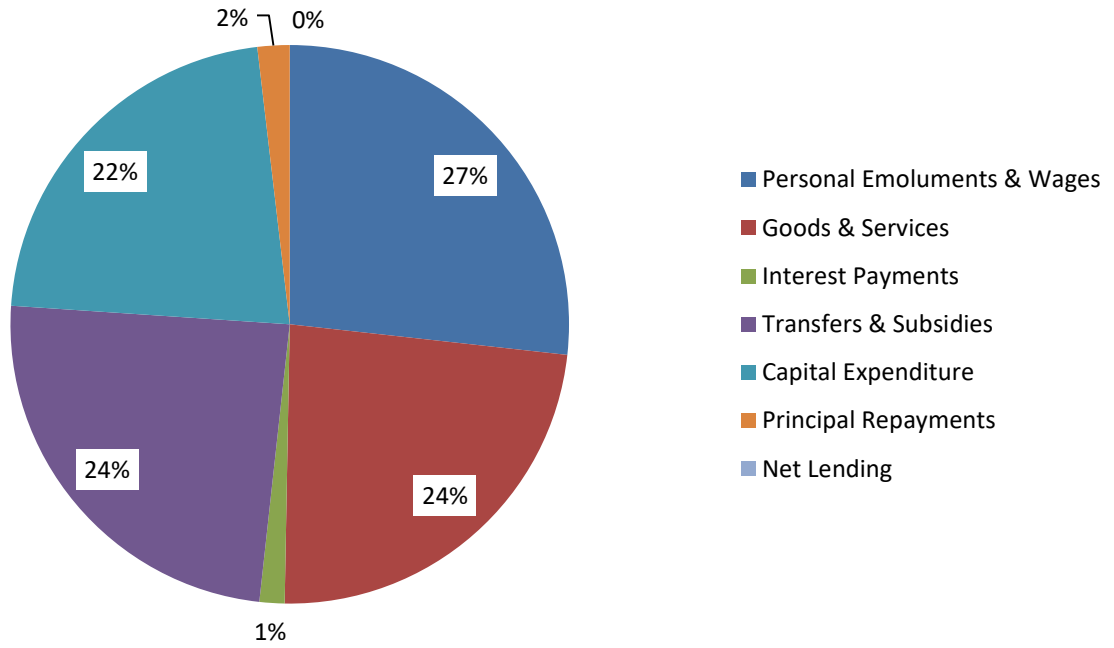
At December 31, 2023, actual revenue totaled \$1.14 billion and actual expenditure amounted to \$1.12 billion which resulted in an end of year surplus of \$24 million.

Graphical Presentation of Government Revenue and Expenditure

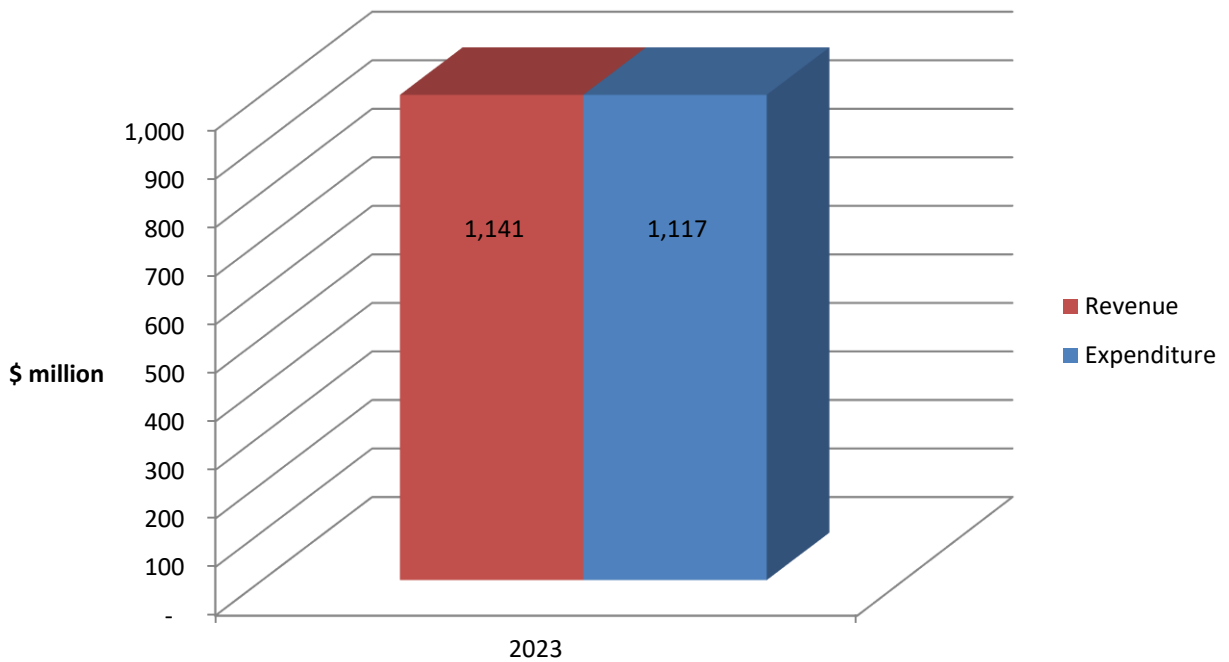
The following graphs represent the composition of the Government's revenue and expenditure for the financial year 2023.



2023 Expenditure



Total Revenue vs. Expenditure 2023



Revenue

Details of revenue collected during 2023, classified by ministry, standard object code and economic classification, as compared with Estimates are shown in the Public Accounts of the Government of St. Kitts and Nevis in Note 14. Table 1 presents a comparative summary of total revenue received in 2023 relative to 2022.

Table 1: Revenue for the years ended 2023 & 2022

Revenue Type	2023 Revenue (\$ million)	2022 Revenue (\$ million)
Taxes on Income	131	104
Taxes on Property	14	11
Taxes on Domestic Goods & Consumption	94	87
Taxes on International Trade & Transactions	198	180
Non Tax Revenue	698	724
Capital Revenue	6	24
Budgetary Grant	-	-
Total (includes rounding)	1,141	1,130

The total revenue collected during 2023 totaled \$1.14 billion, which was \$10.5 million more than the amount collected in 2022.

Actual Tax Revenue of \$437 million collected in 2023 increased by \$55 million when compared to 2022.

Non-Tax Revenue of \$698 million decreased by \$26 million in comparison to 2022.

The Government of St. Kitts and Nevis collected \$6 million in Capital Revenue which was \$18 million less than the amount collected in 2022.

Actual revenue collected by the Government in 2023 exceeded the projected target by \$109 million.

Expenditure

Actual expenditure for 2023 totaled \$1.12 billion with personal emoluments and wages, goods and services and transfers and subsidies accounting for 75% of the total expenditure. Actual expenditure decreased by \$121 million or 10% in comparison to the previous financial year. While personal emoluments, goods and services and interest payments increased when compared to the previous year, transfers and subsidies, capital expenditure and principal payments decreased in comparison to 2022. The most significant decrease occurred in capital expenditure which decreased by 26% in comparison to the previous year. Table 2 shows a comparative summary of expenditure by type for 2023 and 2022.

Table 2: Expenditure for the year ended December 2023 & 2022

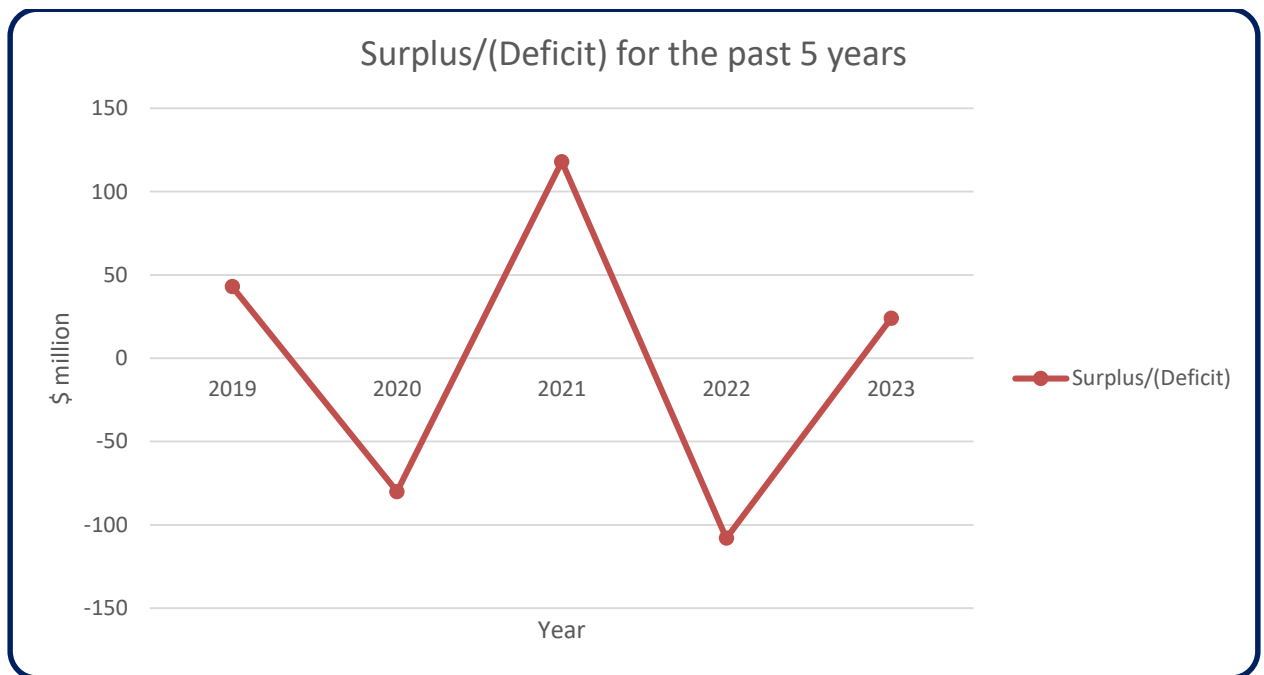
Expenditure Type	2023 Actual Expenditure (\$ million)	2022 Actual Expenditure (\$ million)
Personal Emoluments & Wages	299	286
Goods & Services	263	249
Interest Payments	16	16
Transfers & Subsidies	271	327
Capital Expenditure	247	335
Principal Payments	21	24
Net Lending	0	0.1
Total	1,117	1,238

Financial Indicators

The following indicators gives a snapshot of the health of the finances of the Government of St. Kitts and Nevis at the end of December 2023.

Surplus/Deficit

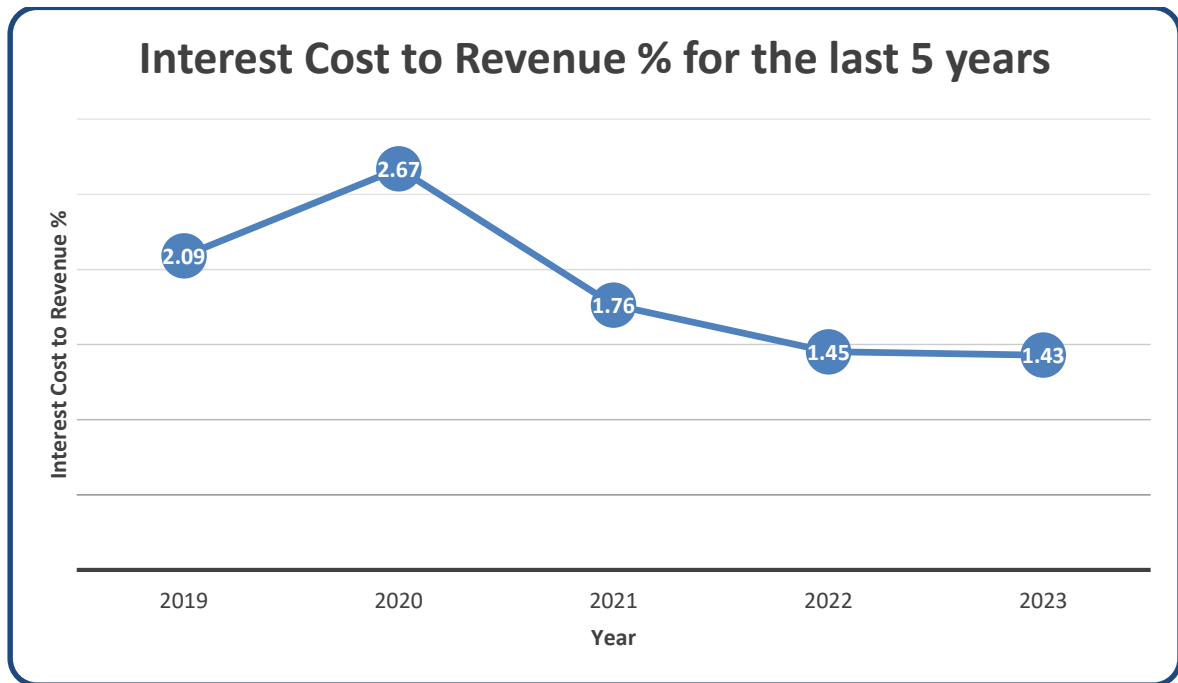
The surplus/deficit presented in the Statement of Revenue and Expenditure represents the difference between the revenues received and the expenditures paid for all budgeted accounts. In 2023, the Government of St. Kitts and Nevis recorded a surplus of \$24 million compared to a deficit of \$107 million in 2022. This meant that the Government's revenues were greater than its expenditures at the end of the year. The graph below shows the Government's surplus/deficit for the past 5 years.



Interest Costs to Operating Revenue

Interest costs as a percentage of operating revenue decreased from 1.45% in 2022 to 1.43% in 2023. This was as a result of increased operating revenue compared to the

previous year. The chart below shows the interest cost to operating revenue for the last 5 years.



Debt to GDP Ratio

The Debt to GDP ratio is a measure of a country's ability to pay back its debt. The Debt to GDP ratio of the Government of St. Kitts and Nevis decreased from a revised Debt to GDP ratio of 60.2% at end December 2022 to 55.7% at the end of December 2023.

During the Ninety – Eighth Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) held in February 2021, the Monetary Council approved the ECCB's recommendation to extend the date for the achievement of a 60% Debt to GDP ratio from 2030 to 2035 due to economic contraction as a result of the Covid – 19 pandemic.

The Debt to GDP ratio has surpassed the target and indicates that the risk of debt default is low for the Government of St. Kitts and Nevis.

Net Assets

At the end of December 2023, net assets of the Government of St. Kitts and Nevis amounted to \$393 million, an increase of \$36 million over the previous financial year, which was largely due to an increase in Investments held and a decrease in Trust Funds and Other Liabilities.

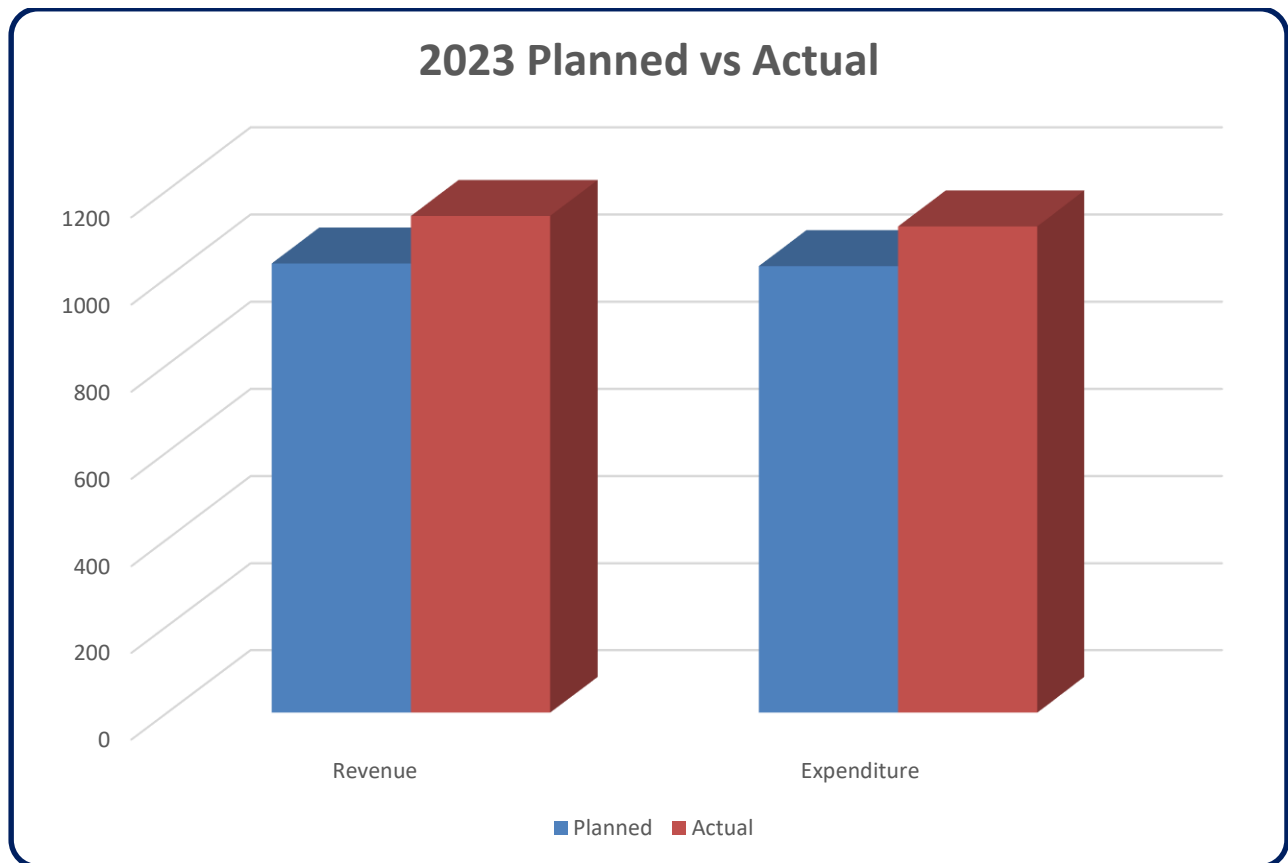
Cash Ratio

The cash ratio provides a measure of the Government's ability to use its most liquid assets (cash and cash equivalents) to meet its obligations. In 2023, the cash ratio was 2.17 relative to 1.96 in 2022 indicating an increase in liquidity coverage compared to the previous year. This was due to the decrease in current liabilities as the cash held by Government decreased as well. The cash and cash equivalents held by the Government decreased by \$1.7 million and the current liabilities held decreased by \$27.5 million when compared to the previous year.

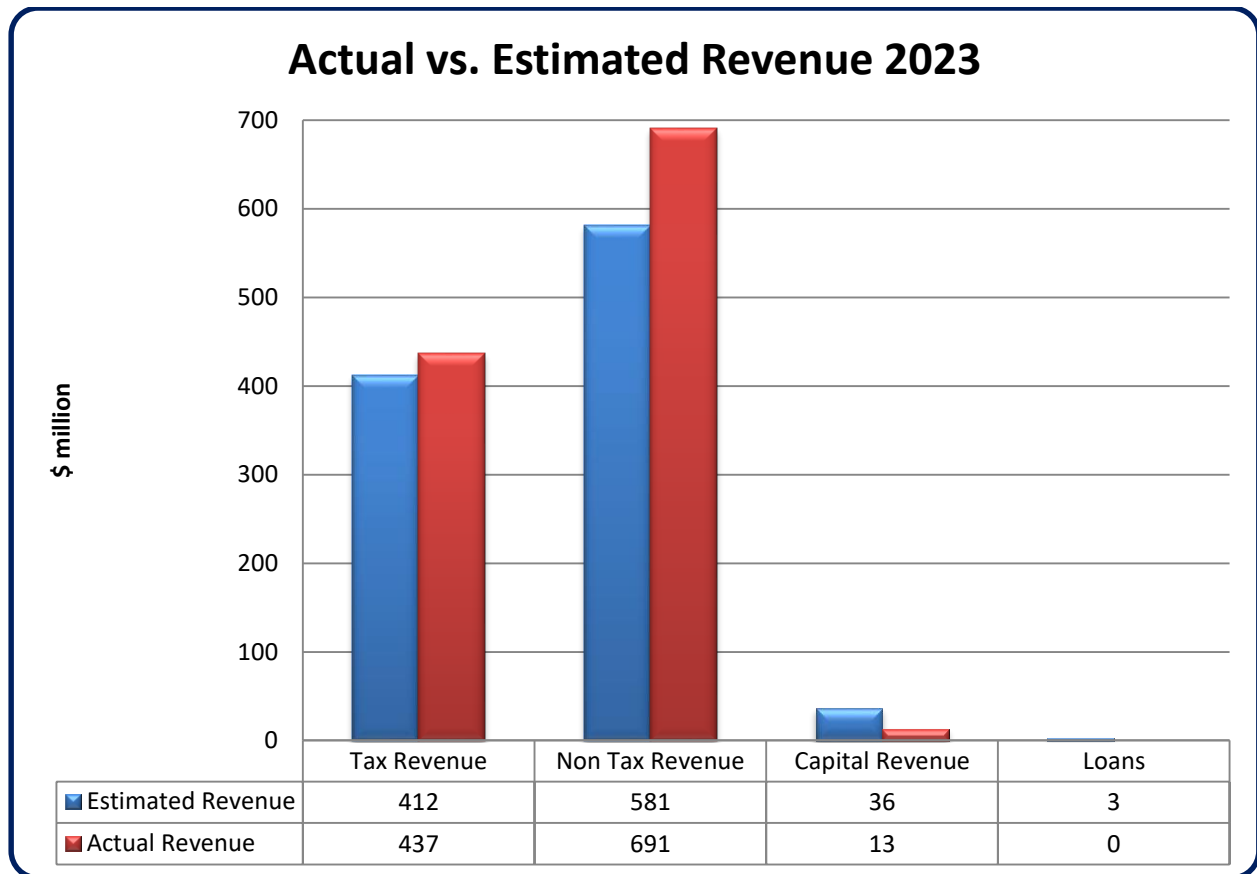
COMPARISON TO THE BUDGET

During the Budget Address held in December 2022, the Government of St. Kitts and Nevis set out the planned budget for 2023 which included Revenue of \$1.032 billion (inclusive of \$10 million for Sale of Land) and Expenditure of \$1.026 billion (inclusive of \$33 million of debt repayment).

The actual monies collected and spent are shown in the graph below.



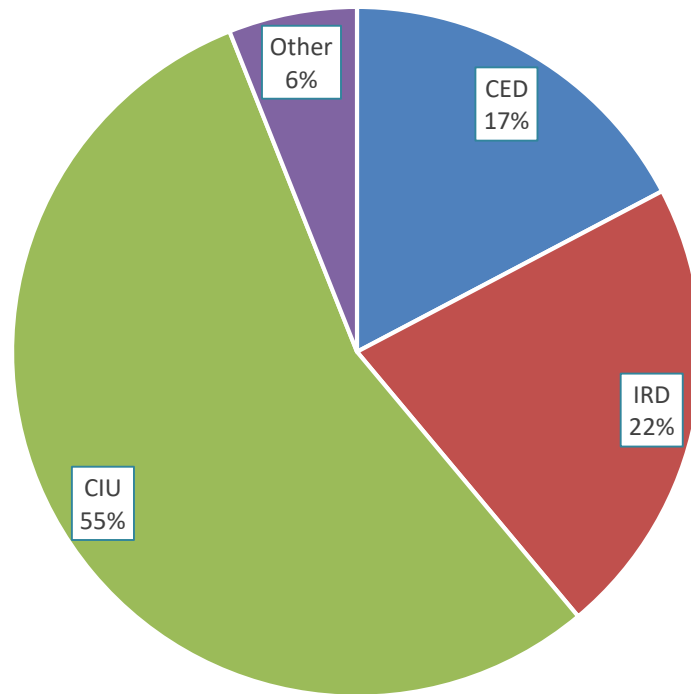
REVENUE



Recurrent Revenue

Recurrent revenue consists of tax and non-tax revenue. Revenue from these sources totaled \$1.128 billion in 2023. The performance of recurrent revenue was \$134 million more than the budget estimate for 2023. The St. Kitts Customs and Excise Department (CED), St. Kitts Inland Revenue Department (IRD) and the Citizenship by Investment Unit (CIU) collected 94% of the Government's recurrent revenue for 2023. This is shown in the following graph.

2023 Recurrent Revenue Collection by Department



The Citizenship by Investment Unit continues to be the largest contributor to the Government's overall recurrent revenue collections. As seen in the graph above, this department collected 55% of the government's recurrent revenue in 2023. This collection amounted to \$621 million in 2023. Actual Government fees totaled \$423 million. Fees collected for the Hurricane Relief Fund and the Sustainable Growth Fund totaled \$333 thousand and \$81 million respectively. Application fees collected amounted to \$10 million and fees collected from background checks were \$108 million. The total revenue collected represented a decrease of \$48 million over the previous financial year. The collection of revenue by the Citizenship by Investment Unit was \$102 million more than its 2023 revenue projection.

The St. Kitts Inland Revenue Department collected \$244 million in taxes, licenses and fees in 2023. This represented a \$38 million increase in revenue collection over the year 2022. Stamp Duty (\$13 million), Value Added Tax (\$56 million), Corporate Income Tax (\$72 million), Property Tax (\$10 million), Withholding Tax (\$8 million) and Housing and Social Development Levy (\$47 million) all contributed significantly to the St. Kitts Inland Revenue

Department's collection for 2023. The Inland Revenue Department surpassed its targeted revenue collection for 2023 by \$15 million. Value Added Tax, Corporate Income Tax and Housing and Social Development Levy all surpassed their projected targets for 2023.

The Customs and Excise Department on St. Kitts collected \$195 million in 2023. The following four revenue streams contributed considerably to the overall collection of the Customs and Excise Department on St. Kitts: Import Duties on Articles other than Alcohol (\$68 million), Customs Service Charge (\$38 million), Value Added Tax (\$68 million) and Excise Tax (\$7 million).

The total amount collected by the Customs and Excise Department on St. Kitts in 2023 was \$19 million more in comparison to the amount collected in 2022. The revenue collections surpassed the target by \$12 million.

Other revenue-collecting Ministries and Departments contributed to the overall recurrent revenue collections including the Ministry of National Security (\$6 million), the Ministry of Agriculture (\$6 million), the Accountant General Department (\$21 million), the Ministry of Public Infrastructure (\$9 million) and Postal Services (\$12 million).

Capital Revenue

Capital revenue collected from the Sale of Lands and Property amounted to \$7 million, falling short of its target by \$3 million.

A loan which had been budgeted in the amount of \$3 million for the Ministry of Education was not received in 2023.

Capital grant revenue received in 2023 was \$19 million less than the estimated budget for 2023. Capital grant revenue was estimated at \$25 million for nine (9) Ministries. The actual collected amounted to \$6 million, which led to a unfavourable variance of \$19 million.

1. Four Ministries did not receive the capital grants revenue that had been budgeted for.
2. One Ministry received significantly more in capital grant revenue compared to the amount budgeted.

- Four Ministries received significantly less in capital grant revenue compared to the amount budgeted for.

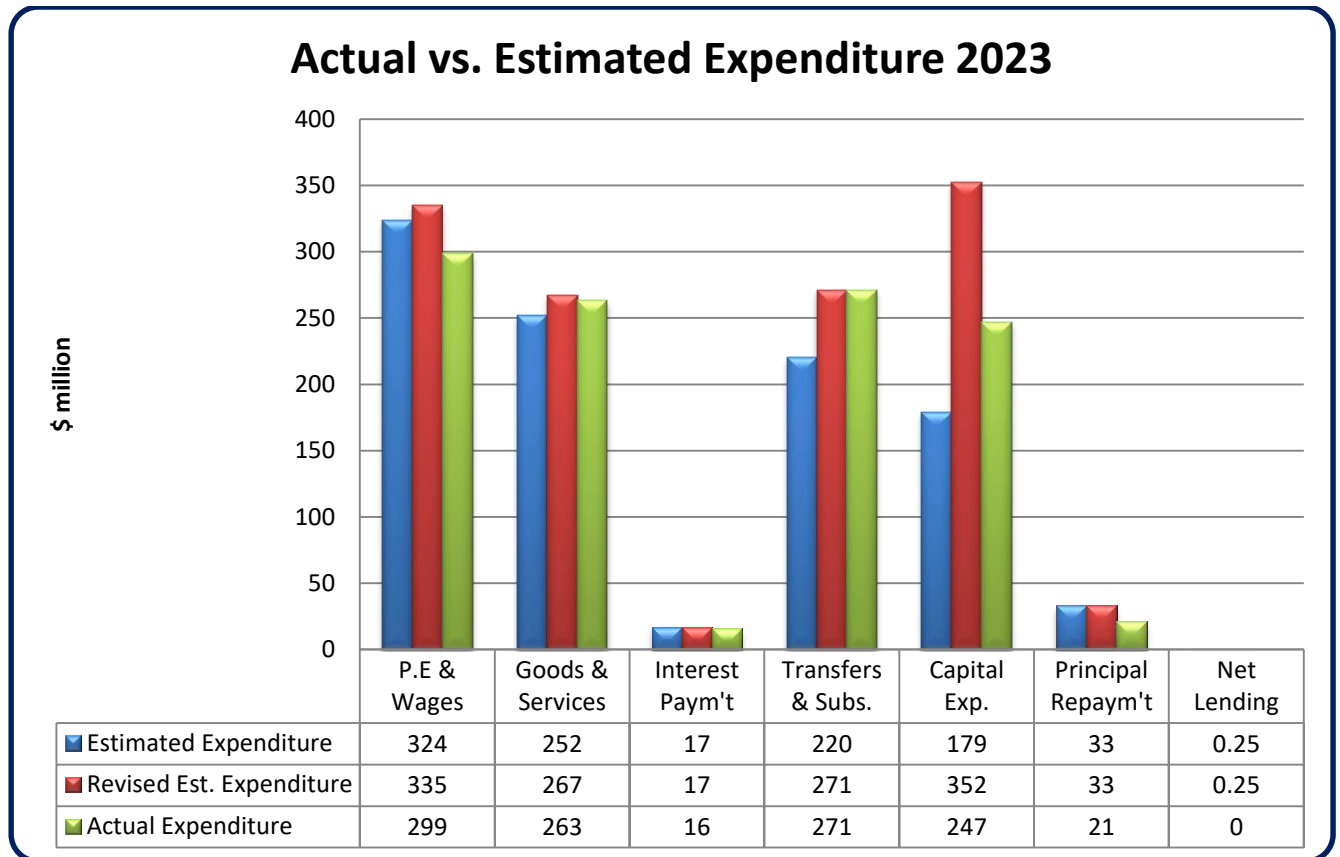
EXPENDITURE

The appropriations for expenditure during 2023 are shown below.

Original Budget	\$ 1,025,719,461.00
Supplementary Budget	\$ <u>249,748,603.17</u>
	<u>\$1,275,468,064.17</u>

Appropriation warrants to supplement the original budget for 2023 totaled \$250 million, which increased the original budget by 24%.

The chart below shows the estimated, revised estimated and actual expenditure for 2023.



Recurrent Expenditure

Actual recurrent expenditure totaled \$849 million in 2023.

The budget for recurrent expenditure was revised by Appropriation Warrants and increased by \$77 million resulting in a revised estimate of \$889 million. This revision affected 64% or 16 of the 25 Government Ministries in 2023.

Ten (10) Ministries submitted Appropriation Warrants in excess of \$1 million to meet additional expenditures. Table 4 shows the Ministries who requested additional funding in excess of \$1 million.

Table 4: Ministries with actual recurrent expenditure in excess of \$1 million of their original budget

Ministry	Original Budget (\$)	Actual Expenditure (\$)	Variance (\$)
Parliament	1,937,952.00	3,519,882.64	1,581,930.64
Office of the Prime Minister	99,545,888.00	111,517,687.39	11,971,799.39
National Security et Al	74,602,937.00	78,012,037.27	3,409,100.27
Social Development & Gender Affairs	39,462,144.00	43,364,902.02	3,902,758.02
Tourism et Al	26,954,597.00	35,418,645.77	8,464,048.77
Public Infrastructure	24,500,109.00	56,507,344.39	32,007,235.39
Education	93,519,864.00	97,146,299.33	3,626,435.33
Sports & Creative Economy	12,007,114.00	13,135,621.59	1,128,507.59
Environment et Al	6,586,979.00	8,315,122.58	1,728,143.58
Economic Development et Al	2,631,378.00	9,014,704.86	6,383,326.86

The following reasons, as stated in the appropriation warrants for 2023, are in respect of the ten (10) Ministries whose actual recurrent expenditure exceeded their original budget by over \$1 million.

Parliament

- Additional funds required for overseas travel for members of Parliament and to settle outstanding payments for travel and subsistence - \$1.6 million

Office of the Prime Minister

- Budgetary support for ZIZ Broadcasting Corporation for technical enhancements and upgrades - \$1.5 million
- Extra Budgetary support for the Nevis Island Administration for the month of December 2023 - \$4.75 million
- Funds required to facilitate the 40th Independence Celebration - \$3.4 million
- Extra funds required for personal emoluments under the Prime Minister's Ministry - \$1.8 million

Ministry of National Security & Immigration

- Additional funds needed for personal emoluments for the Police Department, Defence Force, Prison, Immigration and the Office of the Permanent Secretary - \$3.2 million

Ministry of Social Development & Gender Affairs

- Additional funds required to support the Poverty Alleviation Programme (PAP) - \$3.9 million

Ministry of Tourism, Civil Aviation & International Transport

- Funds required to facilitate wages to the staff of St. Kitts Marriott Golf - \$1.1 million
- Funds required to facilitate the payroll of Frigate Bay Development Corporation - \$1 million

- Additional funds required to facilitate payments for the 2023 Music festival - \$6 million

Ministry of Public Infrastructure et al

- Additional funds required to pay St. Kitts Electricity Company (SKELEC) for fuel variation charges, mobile gensets and rental of 6MW Power Generator - \$32 million

Ministry of Education

- Additional funds needed for payroll expenses for Early Childhood, Primary, Secondary schools and teachers in training at the Clarence Fitzroy Bryant College (CFBC) - \$3.6 million

Ministry of Sports and Creative Economy

- Additional funds required to settle outstanding bills for 2022 National Carnival - \$1.7 million

Ministry of Environment, Climate Action and Constituency Empowerment

- Additional funds required to cover delegates and rental of pavilion for COP 28 in Dubai - \$786 thousand
- Additional funds required to cover wages for Parks and Beaches and Department of Environment - \$942 thousand

Ministry of Economic Development

- Additional funds required to advance funds to Belmont Resort Limited - \$6.4 million

Capital Expenditure

The capital expenditure budget for 2023 was approved at \$179 million to support 126 projects. The budget was revised to \$352 million to include funds required in relation to the following projects:

Office of the Prime Minister

- To facilitate payments of Citizenship by Investment Dividends - \$17 million
- To facilitate payment of 40th Independence Workers Bonus - \$39 million
- To facilitate payments to Skills Training Empowerment Programme - \$66 million
- To facilitate loan to Royal St. Kitts Beach resort Ltd. to meet its financial obligations and general financing purposes - \$19 million
- To facilitate payment of Workers Bonus to non-civil servants - \$7 million
- To facilitate part payment for the procurement of water tanks - \$3.5 million

Ministry of National Security & Immigration

- Additional funds to facilitate payment for the Peace Initiative/Elevate Programme - \$10 million

Ministry of Agriculture, Fisheries, Marine Resources & Cooperatives

- Funds needed to purchase irrigation supplies for water security for Food Security Project - \$3 million

Ministry of Tourism, Civil Aviation & International Transport

- Funds needed to facilitate payment of airlift cost associated with the commencement of Jet Blue Airlines direct flights from New York to St. Kitts - \$4.5 million

Ministry of Health

- Funds needed to facilitate the purchase of a CT Scan machine - \$1.7 million

Actual expenditure for capital projects for 2023 amounted to \$247 million representing 70% of the revised budget. At the end of the 2023 financial year, 31 projects with a combined estimated budget of \$48 million had no expenditure. Of these 31 projects, 10 were entirely new projects and 14 were projects which had no expenditure in 2022 as well. They were rolled over and included in the 2023 budget but were not implemented.

It is clear that these capital projects which continue to be rolled over from year to year without implementation have no definite timeframes for the completion of these projects. Resources continue to be allocated to these projects while other projects do not receive the necessary funding due to the scarce allocation of resources.

The number of projects that were not implemented during 2023 shows that there are gaps in the planning and execution phases of the process that need to be addressed.

It is noted that several 'capital projects' included within the portfolio of projects do not meet the definition of capital expenditures. Capital expenditures should represent spending that creates long term assets in the economy of St. Kitts and Nevis, whether tangible or intangible assets such as buildings, roads, equipment, and IT software to name a few.

Included in the capital expenditures portfolio are activities, projects and programmes that represent expenditures on operations, routine activities and programmes that can be classified as recurrent expenditure.

We recommend that a criteria be developed for the inclusion of projects as capital expenditures within government's annual budget.

Actual expenditure on capital projects by Ministry is noted below.

The Governor General spent \$447 thousand or 89% of its \$500 thousand budget for Phase II of the Upgrade of Government House project.

Parliament did not spend any of its \$200 thousand budget to purchase an Automatic Transcription equipment.

The Ministry of Justice, Legal Affairs and Communications spent \$577 thousand or 17% of its \$3.3 million budget.

The Office of the Prime Minister spent \$152 million or 99% of its revised \$153 million budget. The majority of the funds was spent on the Skills Training Empowerment Programme which had an actual expenditure of \$66 million. The 40th Anniversary Workers Bonus showed an expenditure of \$39 million. The Citizenship by Investment Dividend Payout showed an expenditure of \$24 million. The amount of \$3.5 million was spend on the Water Storage Tanks project.

The Ministry of National Security spent \$27 million or 79% of its revised \$34 million budget allocation for capital projects. Major expenditures included \$20 million on the Peace Initiative Programme, \$2 million on the Refurbishment of Police Stations and \$1.3 million on the Purchase of Vehicles/Equipment.

The Ministry of International Trade, Industry, Commerce and Consumer Affairs spent \$745 thousand or 99% of its \$750 thousand capital budget on Enhancing the National Quality Infrastructure and Equipment Upgrade project.

The Ministry of Finance spent \$8 million or 60% of its revised \$14 million capital expenditure budget for 2023. The major expenditure was \$4.4 million spent on the Tax Collection Analysis & IT System.

The Ministry of Social Development & Gender Affairs spent \$128 thousand or 3% of its \$4 million capital expenditure budget allocation.

The Ministry of Agriculture, Fisheries and Marine Resources spent \$6.3 million or 55% of its \$11 million budget. The largest capital expenditure for this Ministry was \$3.1 million on the Water Security for Food Security project.

The Ministry of Tourism and Transport spent \$13 million or 59% of its revised capital expenditure budget of \$22 million. Expenditure for this ministry included \$541 thousand spent on the Support for Eco Park project and \$12.5 million spent on the Airlift Support project.

The Ministry of Public Infrastructure et al spent \$10.6 million or 27% out of its \$39 million capital budget. The Ministry spent \$3 million on the Road Improvement Project, \$1 million on the Well Drilling and Extension of Water Lines and \$3 million on the Rehabilitation of St. Peter's Main Road and F.T Williams Highway which represented the mobilization fee for that project.

The Ministry of Education spent \$5 million or 25% of its capital budget allocation of \$18 million. The Ministry spent \$2.7 million from the Construction of the New Basseterre High School Project which represented demotion work at the Basseterre High School.

The Ministry of Health and Social Security spent \$6 million or 26% of its revised capital expenditure budget of \$22 million. There was expenditure of \$2.2 million on the Purchase of Medical Equipment and \$2 million on the Institutional Enhancement project.

The Ministry of Sports and Creative Economy spent \$4 million or 59% of its revised \$7.3 million capital expenditure allotment for 2023. The largest expenditure was \$2.6 million for the CPL games.

The Ministry of Sustainable Development spent \$4 million or 50% out of its revised budget of \$7.7 million. The largest expenditures for this ministry included the Special Land Distribution Initiative of \$1.5 million and the Commercial Infrastructure Development project of \$574 thousand.

The Office of the Attorney General did not spend any of its \$250 thousand budget for the Electoral Reform project.

The Ministry of Employment and Labour spent \$265 thousand or 6% of its revised budget of \$4.4 million dollars on gratuitous payments to terminated unvaccinated workers.

The Ministry of Housing, Human Settlements, Ecclesiastical & Faith-Based Affairs spent 100% of its \$5 million budget. The amount was spent on payment to support the National Housing Corporation.

The Ministry of Environment, Climate Action & Constituency Empowerment spent \$1.7 million or 86% of its \$2 million budget. The largest expenditure was \$1.4 million in Support to Solid Waste Management Corporation (SWMC).

The Ministry of Information, Communication, Technology & Posts spent \$1.2 million or 69% of its revised \$1.8 million budget with the largest expenditure being \$497 thousand on Internet Exchange Development & Support.

The Ministry of Small Business & Entrepreneurship spent \$302 thousand or 84% of its \$358 thousand. The Ministry spent \$199 thousand on E-Government Network Infrastructure Project, \$197 thousand on Creative Industry Development Project and \$102 thousand on Entrepreneurship & Innovation Development.

Principal Repayments

The budget for principal payments on outstanding loans of the Government of St. Kitts and Nevis for 2023 was approved at \$33 million with \$32.6 million budgeted for external debt principal payments and \$851 thousand budgeted for domestic debt principal payments.

The actual expenditure totaled \$21 million with external debt principal payments accounting for 96% of the expenditure.

STATEMENT OF CASH RECEIPTS AND PAYMENTS

The Statement of Cash Receipts and Payments as presented in the Public Accounts, shows the cash receipts and payments of the Government sub-classified by operating, investing and financing activities. This statement also shows the opening and ending balances of cash for 2023.

The Statement of Cash Receipts and Payments is presented on pages 12 and 13 of the Public Accounts. A summary of that statement is presented in the following table.

Table 5: Summary Statement of Cash Receipts and Payments

	2023 (\$ million)	2022 (\$ million)
Net Cash Flows :		
Operating Activities	268	223
Investing Activities	(249)	(303)
Financing Activities	(21)	(23)
Net increase/(decrease) in cash	(2)	(103)
Cash at beginning of period	537	640
Cash at end of period	535	537

There was decrease in the cash position of the Government by \$1.7 million at the end of 2023.

Net Cash Flow from Operating Activities

Total receipts from operating activities totaled \$1.3 billion in 2023. Tax revenues collected by the Inland Revenue and Customs and Excise Departments on St. Kitts accounted for 33% of the total receipts from operating activities respectively. Fees, Fines and Forfeitures accounted for 48% of the total receipts from operating activities. Payments on operating activities totaled \$1 billion. This resulted in a net cash flow from operating activities of \$268 million in 2023.

Net Cash Flow from Investing Activities

Receipts from investing activities totaled \$119 million which included proceeds from sale of government lands, capital grants received, interest, dividends, and receipts from a bond issued by the Government of St. Lucia. Payments from investing activities which included capital expenditures, monies invested at the Development Bank of St. Kitts and Nevis and outflows from funds held by the Accountant General totaled \$368 million resulting in a net cash flow from investing activities of (\$249) million.

Net Cash Flow from Financing Activities

There were no receipts from financing activities as the Government did not directly receive any monies from loans in 2023. Payments on financing activities totaled \$21 million which represented domestic and foreign loan principal payments.

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

A Statement of Assets and Liabilities is a requirement of the Finance Administration Act Cap 20.13. It is a statement of end of year balances of the Below the Line Accounts, which are not subject to the budgetary process. Since the Government uses the cash basis of accounting, fixed assets (which are expensed) and balances that make up the Public Sector Debt (shown as separate schedules) are not included in the Statement of Financial Assets and Liabilities.

Cash and Cash Equivalents

Cash and cash equivalents decreased by \$1.7 million over the previous year. At the end of 2023, the Government of St. Kitts and Nevis had an accumulated cash balance of \$535 million consisting of deposits at local banks, deposits at the Eastern Caribbean Central Bank (ECCB) and fixed deposit accounts of various lengths and interest rates.

Advances - Personal

At the end of 2023, outstanding personal advances given to civil servants totaled \$361 thousand. This amount represents 45 individual accounts with outstanding balances ranging from \$639 to \$30,000.

Subsistence Advances

Advances given to Government Ministers for work related travel totaled \$389 thousand at the end of 2023, and increase of \$98 thousand over the previous year.

These advances are given to the Ministers to cover accommodation, per diem and incidentals for their travels when there is insufficient funds in the travel account. Initially recorded as advances, they are then transferred to an expenditure account upon the submission of a Claim for Subsistence and Traveling Expenses form by the Ministers of Government.

This Office continues to note the issue of outstanding subsistence advances by Ministers of Government. These advances continue to increase and are not cleared at the end of the period of travel. This understates the travel expenses of the Government and does not give a true representation of expenditure during the year.

This office recommends the clearing of all travel advances obtained during the year by the end of the current year.

Other Investments

In 2023, the Government of St. Kitts and Nevis invested \$10 million in the Development Bank of St. Kitts and Nevis for Tranche II of the Covid – 19 Recovery for Micro, Small and Medium – Sized Business Support Fund (\$5 million) and the Student Loan Scheme (\$5 million).

Over the period 2018 to 2023, the Government of St. Kitts and Nevis has invested a total of \$89 million in eight different instruments in the Development Bank of St. Kitts and Nevis.

The Government of St. Kitts and Nevis invested in a \$5.4 million bond issued by the Government of St. Lucia in 2015. The terms of repayment states semiannual fixed payments of \$270,000 for 10 years at an interest rate of 7.5%. Both payments for 2023 were received in full and by the due date.

Trust Funds

Trust Funds decreased by \$1.8 million in 2023 as a result of the decrease in the balance of the Severance Payment Fund.

As at December 31, 2023, the balance in the Severance Payment Fund was \$3.3 million with receipts into the Fund totaling \$6.9 million and payments from the Fund totaling \$8.5 million for the year. The Fund did not receive an injection from the Capitalization of Long Service Gratuity and Severance Payment Fund capital project, however an unbudgeted capital expenditure project was created for a Gratuitous Payment for Terminated Unvaccinated. During the year and those funds (\$264 thousand) were placed in the Severance Payment Fund. The table following shows the receipts into and payments out of the Severance Payment Fund for the year 2023.

Table 7: Severance Payment Fund Receipts and Payments

	2023 (\$)
Balance at 1/1/2023	4,814,037.80
Receipts:	
Severance Contributions from Social Security	6,602,960.55
Transfer from capital project	0.00
Treasury Bills Interest	56,250.00
Supplemental budget to cover payments from the Fund	264,723.72
	11,737,972.07
Payments:	
Severance & Long Service Gratuity Payments	8,473,596.20
Balance at 31/12/2023	3,264,375.87

Other Public Funds

Other Public Funds decreased by \$25 million in 2023.

The Accountant General must be commended for their action plan in regards to the two recommendations made in the Audit Report on the Public Account of 2022 in regards to the National Savings Scheme Account and the Accounts Payable balances.

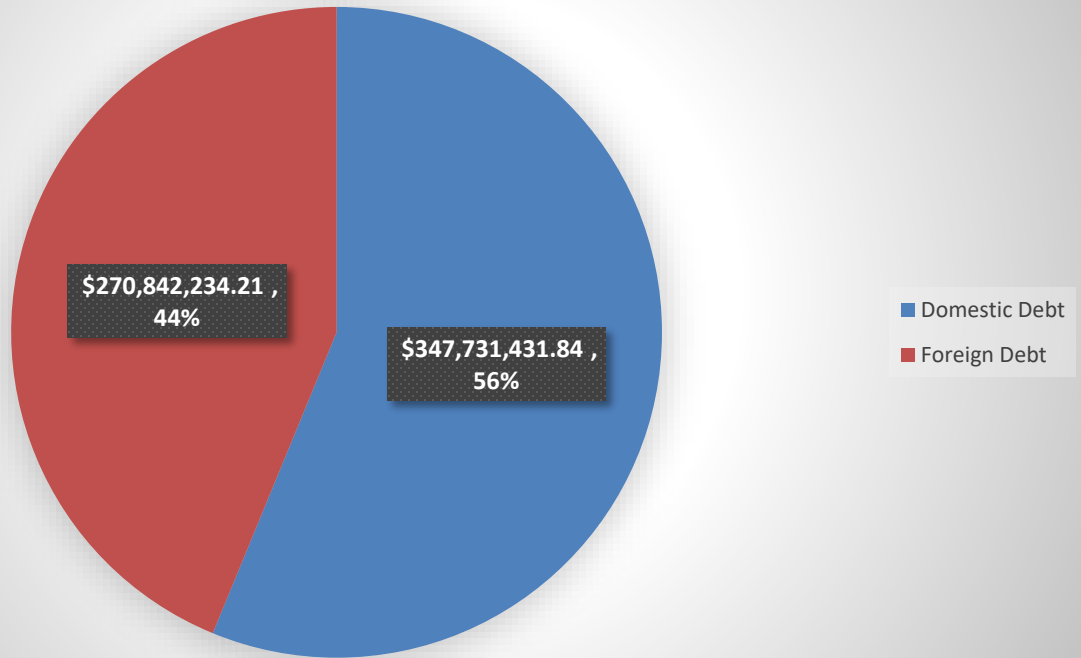
PUBLIC SECTOR DEBT

The Public Sector Debt is included in the Notes to the Financial Statements in the Public Accounts. Notes 10 and 11 of the Public Accounts present the debt of the Central Government and contingent liabilities in the form of loan guarantees to statutory bodies, government owned corporations and the Nevis Island Administration respectively. In the event that the entities mentioned above are unable to repay their loans, the responsibility for payment of these loans would fall on the Central Government.

As at December 31st 2023, the Public Sector Debt of the Government of St. Kitts and Nevis amounted to \$1.6 billion. The Public Sector Debt decreased by \$694 thousand over the previous year.

The Central Government's debt which has domestic and foreign debt components decreased from \$638 million to \$619 million in 2023. The chart following shows the two components of Central Government debt.

Central Government Debt 2023



Total domestic debt of the Central Government decreased by \$1.7 million compared to the previous year. Foreign debt of the Central Government decreased by \$17 million compared to the previous year.

In 2022, the Government of St. Kitts and Nevis entered into a new loan agreement with the Caribbean Development Bank (CDB) for the Enhancement Learning Continuity Project. In 2023, there were disbursements from the Caribbean Development Bank to the intended recipients. The amount of ECD\$2.8 million was disbursed increasing the balance of this loan.

While the Central Government debt decreased by \$19 million or 2.7% relative to 2022, the contingent liabilities increased by \$18 million or 1.9% relative to 2022. The contingent liabilities now total \$976 million, \$357 million more than the Central Government's debt. The chart following shows the contingent liabilities by entity.



As with the Central Government’s debt, contingent liabilities have a domestic and a foreign debt component. Within the contingent liabilities portfolio, domestic debt increased by \$22 million. Domestic debt in the contingent liabilities portfolio includes overdrafts, treasury bills and domestic loans held by statutory bodies and government owned corporations. Overdrafts held at local financial institutions increased by \$6.9 million while the treasury bills and domestic loans held by the statutory bodies and government owned corporations also increased by over \$15.4 million, leading to an overall increase in the domestic contingent liabilities of \$22.3 million.

Contingent liabilities now accounts for 61% of the total public sector debt, compared to 60% in 2022. For the past 7 years, the contingent liabilities as a percentage of total public sector debt has continually increased from 43% in 2017 to 61% in 2023. The continued trend has been a decreasing Central Government debt with an increasing contingent liability mainly due to the increase in the domestic debts which are vested in local banks, companies and

other government owned corporations. We continue to note that amounts owing to the SKN Sugar Industry Diversification Foundation totaling \$28 million are not being repaid.

Outside of the Nevis Island Administration, the three organizations with the largest contingent liabilities are the Development Bank of St. Kitts and Nevis, the National Housing Corporation and the St. Christopher Air and Sea Ports Authority. The Government needs to closely monitor and assess these organizations, as a default in loan payments would put a significant strain on the resources of the Central Government.

ARREARS OF REVENUE

The statement of arrears of revenue is a requirement of the Finance Administration Act Cap 20.13. The statement shows arrears of revenue as at December 31, 2023 of \$161 million. A summary of the arrears is shown in the table below.

Table 8: Arrears of Revenue for 2023

Ministry/Department	Arrears Total (\$)
Finance – Customs and Excise Department	44,283,365.79
Finance – Inland Revenue Department	87,468,522.00
Tourism	669,741.28
Public Infrastructure: Water	21,024,923.23
Public Infrastructure: Public Works	467,000
Ministry of Health: Institution Based Health	5,836,432.37
Ministry of IT et al: Postal Services	1,192,218.60
Total	160,942,203.27

It can be seen from Table 8 that the Inland Revenue and the Customs and Excise Departments on St. Kitts have the largest amounts of revenue outstanding which totals \$87 million and \$44 million respectively.

The arrears of Government's revenue – collecting departments are significant. The recommendation of the previous years' still stands. The departments need to actively collect on outstanding amounts. The Income Tax Commissioners need to be appointed to aid the objections and appeal process at the Inland Revenue Department as the majority of the outstanding revenue is uncollected taxes.

