



***Report Of The Director Of Audit On The Public Accounts Of
St. Vincent and the Grenadines For The Period
1st January 2006 To 31st December 2006***

INTRODUCTION

1.1

The Director of Audit is the constitutionally appointed auditor of all Government departments, authorities of Government, courts of law, and other offices and commissions established by the Constitution of St. Vincent and the Grenadines. This Report summarises the results and conclusions of the audit of the Public Accounts for the year ending 31st December 2006. The main purpose of the audit is to obtain the necessary information for the issuing of an opinion on the accounts and providing Parliament with the assurance that the funds appropriated by Parliament have been applied to the purposes intended.

1.2

I have examined the accounts of the Ministries and Departments of the Government of St. Vincent and the Grenadines and the Financial Statements submitted by the Accountant General for the fiscal year ended 31st December 2006, in accordance with section 75 of the Constitution of St. Vincent and the Grenadines (Cap 2 Laws of SVG) and the Finance and Audit Act Cap 182.

1.3

This Report is prepared for laying in the House of Assembly pursuant to Section 75 (4) of the schedule to the Constitution of St. Vincent and the Grenadines, Cap. 2 of the Laws of St. Vincent and the Grenadines.

**1.4**

The Report on the accounts for the years 2004 and 2005 was tabled in the House of Assembly on 31st July, 2008.

AUDIT MANDATE

1.5

Section 75 subsection 2 of the Constitution of St. Vincent and the Grenadines (Cap 2 Laws of SVG) requires the Director of Audit, at least once in every year to audit and report on the Public Accounts of St. Vincent and the Grenadines, the accounts of all courts of law in St. Vincent and the Grenadines, the accounts of every commission and the accounts of the Clerk of the House. The Finance and Audit Act, Cap 182 sets out the accounts and statements which the Accountant General is required to submit to the Director of Audit and the time frame within which the accounts are to be submitted. The Director of Audit is authorised to have access to all books, records, returns, reports and other documents, which in his opinion relate to any of the accounts referred to in Section 75 (2) of the St. Vincent and the Grenadines Constitution.

1.6

The Director of Audit is the independent auditor of Government, acting on behalf of the taxpayer, through Parliament and it is on his investigation that Parliament has to rely for assurance about the fairness and regularity of the Public Accounts. The Constitution sets out to address the independence of the Director Audit in Section 75 (7) which states; “in the exercise of his functions under subsection 2,3,4 and 5 the Director of Audit shall not be subject to the direction or control of any other person or authority.”



SCOPE OF AUDIT

1.7

The preparation of the Financial Statements is the responsibility of the Accountant General, Government's Chief Accounting Officer. It is the responsibility of the Director of Audit to form an independent opinion on the Public Accounts based on the audits carried out by his Office.

1.8

The audits were conducted in accordance with the Constitution of St. Vincent and the Grenadines Section 75 and the Finance and Audit Act Cap 182 Section 10. The Accounting Officers are responsible for ensuring that adequate controls, internal checks and internal audits are in place in their Ministry or Department to safeguard the assets and other resources against fraud and irregularities. They must ensure that the Financial Rules and Regulations are complied with.

GENERAL ISSUES

PUBLIC ACCOUNTS COMMITTEE

1.9

The 2006 Public Accounts Committee was appointed by the House of Assembly on 29th December, 2005.

1.10

The Committee was comprised by nine (9) members of Parliament, two (2) from the Opposition side, including the Chairman and seven (7) from the Government side.

**1.11**

Section (76) of the Constitution of St. Vincent and the Grenadines provides for the appointment of a Public Accounts Committee in the following terms:-

1.12

The House shall, at the commencement of each session, appoint a Public Accounts Committee from among its members, whose duties shall be to consider the accounts referred to in section 75 (2) of this Constitution in conjunction with the report of the Director of Audit and in particular to report to the House-

(a) in the case of any excess or unauthorized expenditure of public funds, the reasons for such expenditure; and

(b) any measures it considers necessary in order to ensure that public funds are properly spent,

and such other duties relating to Public Accounts as the House may from time to time direct.

PROGRAMME OF WORK

1.13

There are some departments where records have not been audited. A conspiracy of reasons account for the non-completion of the programme of work for 2006. Chief among them being inadequate accommodation for Audit teams and lack of adequate equipment to facilitate the access of records which are kept electronically on various databases maintained in the Governmental apparatus as part of the Standard Integrated Government financial Information System (SIGFIS), such as SIGTAS (Standard Integrated Government Tax Administration System) and ASYCUDA (Automated System for Customs Data).

**NON- COMPLIANCE**

1.14 As highlighted in the 2004 and 2005 report there are several systems and procedures which have not been maintained by the relevant Government officials. The following are examples:-

Arrears of Revenue Returns

1.15 Financial Rules # 67 stipulates inter alia “Head of Departments, who are responsible for the collection of Revenue, will render Annual Returns of Arrears of Revenue, and Half Yearly Reports of Revenue recovered. These returns must be rendered on the prescribed forms to the Accountant General for transmission to the Director of Audit.”

1.16 No Returns of Arrears of Revenue were submitted by Accounting Officers or Heads of Departments who are responsible for the collection of Revenue. The Accountant General should take steps to ensure that the chronic flouting of the above rule by Revenue collectors is reversed.

Equipment Ledger and Inventories

1.17 The Store Rules set out the format and the process of accounting for equipment and furniture. The records are very important for the safeguarding of Government assets. The non-maintenance of these records creates an opportunity for persons to misuse Government assets for private gain. In spite of numerous queries and inspection reports most Accounting Officers in the Ministries and Departments continue to disregard the rules.

**Half-Yearly Return of Receipt Books****1.18**

Half-Yearly Returns of Receipt Books have not been submitted by revenue collecting departments as required by Financial Rule #93. The returns are to be checked in the Treasury to see that they include all books shown in the Distribution Register as outstanding. A breakdown in the control of Revenue receipt books is fraught with danger which is patently obvious. Again, the Accountant General must insist that these returns are provided as required by the rule.

Stores Tabular Summary**1.19**

No Stores Tabular Summary has been submitted for the Public Works Department Unallocated Stores as required by the Financial Rule.

Site Stores Ledger**1.20**

Materials purchased for jobs undertaken are not always controlled by use of Site Stores Ledger. This breach of the Financial Rules creates an environment that is favorable to wastage and abuse.

Motor Vehicle Log Books and Garage Register**1.21**

Vehicle Log Books and Garage Registers are intended to capture data that can be used to assess the economy and efficiency of the vehicles operated by the various Ministries. The proper maintenance of the records can also aid in the control of the use of the vehicles and further reduce the incidence of misuse of the asset.

**Regulatory Framework****1.22**

The 1952 Financial Regulations existing before Constitutional changes in 1969 and 1979 continue to apply. They supply some safeguards against irregularity, however, it has now become necessary to introduce revised regulations to accord with changes and developments in Technology and Financial Management. In this regard, the Finance Administration Act 2004 was passed in the House of Assembly during 2004. Two (2) sets of regulations to accompany the Finance Administration Act, to wit, the Finance Administration and the Procurement and Stores Regulations were drafted and a technical team established to review and make recommendations to the Ministry of Legal Affairs to facilitate their finalization. To date the regulations have not been finalized and as a consequence the Finance Administration Act referred to above is yet to come into operation.

1.23

I trust that the legislative reform initiated by the Government to enhance Public Financial Management would be accelerated during the ensuing fiscal year, 2009.

Contingencies Fund**1.24**

The 1979 Constitution of St. Vincent and the Grenadines provides for the establishment of a Contingencies Fund from which funds could be advanced to meet urgent and unforeseen need for expenditure not provided for in the Estimates. Twenty-nine (29) years hence no such fund has been established. Successive administrations have relied on the issuing of Special Warrants (a precursor to supplementary appropriation) to “finance” urgent and unforeseen need for expenditure not otherwise provided for.

**STATEMENT OF LOSSES**

1.25 A Statement of losses due to fraud, theft, overpayment of salaries, abandonment of post or negligence since the date of last Audit Report is found at Appendix III.

1.26 Overpayment of salaries accounts for the bulk of the losses suffered by the taxpayers. Accounting Officers must pay close attention to the issue of abandonment of post in particular, so that any such incident could be promptly reported to the Accountant General for the cessation of payment of salaries to be effected.

AUDIT QUERIES

1.27 Audit Queries are issued to Accounting Officers highlighting shortcomings or irregularities detected during the course of the audit. Exit interviews are conducted by the audit team at the completion of the audit, apprising the Accounting Officer or Head Department of the findings of the audit.

1.28 A significant number of queries which have been issued on the maintenance of various records, irregularities and shortcomings in the government apparatus go unanswered. This practice of not responding to queries is among the principal reasons why the same issues persist, from year to year, in the Director of Audit Report.

1.29 A list of outstanding queries is found at Appendix I.

**SPECIAL WARRANTS**

- 1.30** The Finance and Audit Act provides for the Minister of Finance by Special Warrant, to authorize the issue from the public fund such sums which may be required to defray unforeseen expenditure in anticipation of grants made by the Parliament.
- 1.31** A proviso to Section 5(1) of the Act stipulates as follows:- provided that the total sum so authorized and not yet appropriated by a law made by Parliament shall not exceed 7.5 million dollars.
- 1.32** One hundred and twenty-two (122) Special Warrants were approved by the Minister of Finance during fiscal year 2006. The warrants totaled \$59,255,889.51. Fifty-nine million dollars (\$59 million) is approximately ten percent (10%) of the original budget.
- \$36,110,327.00 of the above amount was given Parliamentary sanction on 22nd March, 2007 and the remaining amount was legislated on 29th April, 2008.
- 1.33** There appears to be a creeping indifference in the Ministry of Finance in bringing Supplementary Estimates for the approval of the House of Assembly within the legal frame stipulated by the Finance and Audit Act.

**PREVIOUS YEAR COMMITMENTS**

- 1.34** There were several instances where commitments relating to the previous financial year, 2005 were deferred to 2006. The practice of deferring payments for goods and services from one financial year to the one following appears to be embedded in the system. Again, I make the point that this practice has implications for the effective management of expenditure since the payments are not usually provided for in the estimates of the financial year in which payment is actually made.

OVER EXPENDITURE

- 1.35** The Funds Exception module in the SMARTSTREAM Accounting programme is a control mechanism designed to prevent spending over and above that authorized by the Parliament. It appears that this control was effectively applied during 2006, with the exception of Personal Emoluments (310) and Allowances (320).



ABSTRACT ACCOUNT

SUMMARY

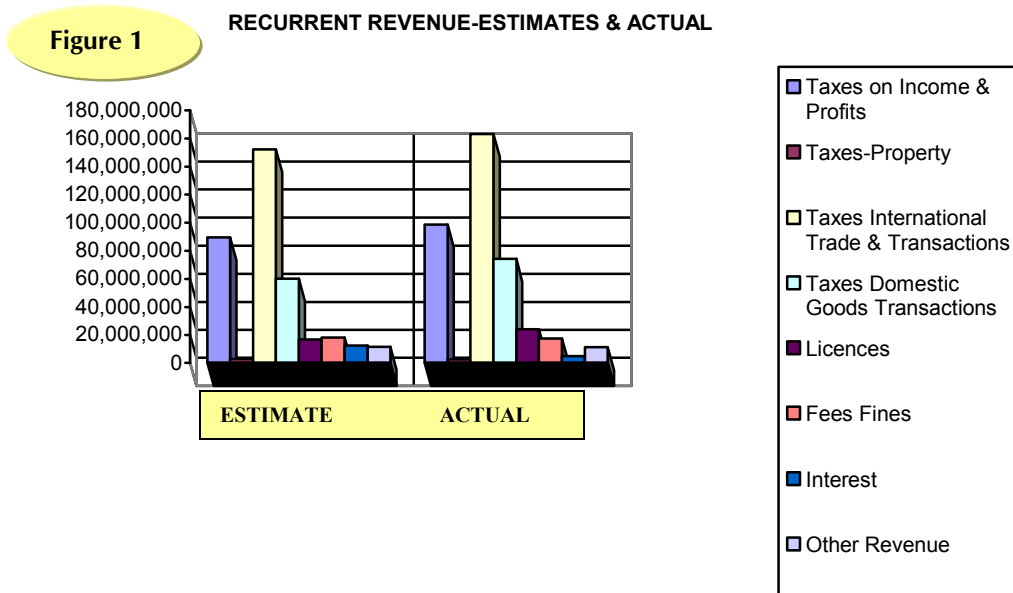
2.1

The Statement presented by the Accountant General contained four (4) sections, namely:-

- ❖ Recurrent Revenue
- ❖ Capital Revenue
- ❖ Recurrent Expenditure
- ❖ Capital Expenditure

2.2

The Abstract Account shows comparisons between the Revised Estimates and the Actual Revenue and Expenditure for the period. Errors were observed on the Statement, when amounts contained thereon are compared with the approved Estimates of Revenue and Expenditure 2006 and figures posted to the Accounting System SMARTSTREAM™ with respect to the *Estimated* and *Actual* figures. However, comparisons were made with the figures presented. Details of the errors which have been brought to the attention of the Accountant General will be highlighted under the relevant sections of the Statement. The under-mentioned is a graphical representation of Recurrent Revenue.



RECURRENT REVENUE

Estimated

2.3

Eight (8) Sources/Categories of Revenue were included on the Statement as indicated hereunder:-

- Taxes on Income and Profits
- Taxes on Property
- Taxes Domestic Goods Transactions
- Taxes Int'l Trade & Transactions
- Licenses
- Fees, Fines and Permits
- Interest Rent & Dividends
- Other Revenue

The Estimated Revenue from these eight (8) sources was \$363,720,450.00; the Revised Estimates was also \$363,720,450.00.

Actual

2.4

Actual Revenue was \$396,606,869.46, an amount of \$32,886,419.46 more than estimated.



2.5

Comparison

The Statement also indicated that four (4) of the Sources realized amounts less than the amount estimated. They are as follows:-

Table 1.1

SOURCES	ESTIMATED	ACTUAL	UNDER ESTIMATE
1. Taxes on Property	2,800,000.00	2,626,357.76	173,642.24
2. Fines, Fees & Permits	18,191,000.00	17,483,329.59	707,670.41
3. Interest, Rent, Dividend	12,416,700.00	4,838,307.79	7,578,392.21
4. Other Revenue	11,524,050.00	11,101,146.55	422,903.45

Alternatively four (4) of the sources exceeded amounts estimated or budgeted

Table 1.2

SOURCES	ESTIMATED	ACTUAL	OVER ESTIMATE
Taxes on Income & Profits	89,500,000.00	98,810,175.86	9,310,175.86
Taxes Int'l Trade & Transactions	152,320,000.00	163,231,121.58	10,911,121.58
Taxes Domestic Goods & Transactions	60,246,700.00	74,258,952.97	14,012,252.97
Licenses	16,722,000.00	24,257,477.36	7,535,477.36

2.6

The Source/Category "Other Revenue" was reflected on the Statement of Actual Revenue as \$11,101,146.55. A check of all Accounts reflected under this category with SMARTSTREAM revealed that the Actual Revenue under this category appear to be \$491,478,990.12; a difference of \$480,377,843.57. Classification errors would have accounted for the Account "Other Revenue" being credited with an amount of \$480,842,843.57; effecting a total of \$491,478,990.12 under the Account. The error was brought to the attention of the Accountant General.

CAPITAL REVENUE

Estimated

2.7

The Estimates of Revenue and Expenditure for the year quoted Capital Revenue as amounting to \$217,262,813.00. There were errors on the statement relative to the estimated figures, however, this did not affect the overall total of \$217,262,813.00.

**2.8****Actual**

Actual Capital Revenue was reflected on the Statement as \$84,235,974.11 an amount of \$133,026,838.89 below that estimated of \$217,262,813.00. There were twenty (20) accounts or sources representing Capital Revenue.

2.9**Comparison**

Of the twenty (20) accounts listed on the Statement representing Capital Revenue; eighteen (18) of these recorded amounts below the Estimates for a total of \$138,010,327.95 and two (2) exceeded the Estimates or Budget by an amount of \$4,983,489.06; for a net difference of \$133,026,838.89. There were seven (7) accounts which recorded Nil Revenue.

2.10**Errors on Statement**

Several differences were observed on the Statement relative to Figures reflected in the Estimates of Revenue and Expenditure and that quoted on the Statement; with respect to the "*Original Estimates*". Listed hereunder are some of the errors identified

1. There was one (1) Account/Item reflected on the Statement which was not included in the Estimates of Revenue and Expenditure.
2. There was one (1) Item which was reflected as \$200,000.00 on the Statement and \$100,000.00 in the Estimates of Revenue and Expenditure.
3. Two (2) items reflected amounts different from that approved in the Estimates of Revenue and Expenditure.

RECURRENT EXPENDITURE**2.11****Estimated**

The Estimates of Revenue and Expenditure for 2006 quoted Recurrent Expenditure as \$415,520,943.00; representing Estimated Expenditure for



sixteen (16) Ministries and Departments. The Ministry recorded on the Statement as Autonomous consists of several departments namely (Audit, Services Commissions, House of Assembly, Office of the Director of Public Prosecutions, Commerce & Intellectual Property Office, Governor- General, Registry and High Court, Magistracy and the Family Court). The Statement presented figures at the Ministry level; however, each Ministry has several Programmes or Responsibility Centres and under each Programme there are several Expenditure Heads or Items.

Actual**2.12**

Actual Expenditure was quoted on the Statement as \$407,969,879.02. This amount when compared with the Revised Estimates of \$435,616,912.00 was \$27,646,312.98 less than the Estimates. There were instances where Actual Expenditure under a particular Programme may have exceeded that estimated even though the overall expenditure under the Ministry may not have been exceeded; similarly there were instances where expenditure under a particular Account Head or Item would have exceeded that estimated. Where Actual Expenditure under a particular Programme or Account Head would have exceeded the amount estimated; this would have been due to items such as Salaries and Allowances which are not subjected to the controls as the other expenditure items.

Comparisons**2.13**

The Comparisons on the Statement were made between the Revised Estimates (which takes account of approved Special Warrants) and Actual Expenditure recorded under each Ministry and Department. A total of \$20,639,407.00 was approved in Special Warrants to supplement Recurrent Expenditure Items. At least one (1) Special Warrant falling under the Autonomous Departments in the sum of \$204,000.00 was *NOT* reflected



under the Revised Estimates; also, nine (9) Warrants totaling \$340,158.00 under the Tourism Ministry were not recorded in the Accounts and hence did not affect the Revised Estimates.

2.14

According to the Statement, fifteen (15) Ministries recorded Expenditure below the Estimate for a total of \$27,646,312.98; while one (1) Ministry recorded Expenditure in excess of the Estimates for a total of \$308,047.04.

Errors on the Statement

2.15

1. The Statement recorded one (1) Ministry as having Items under the *"More than Estimated Column,"* whereas all but one (1) of the Ministries recorded Account Items with expenditure in excess of the Estimates.
2. There were differences on all but one (1) of the Ministries with respect to the amounts recorded on the Statement and the Actual amounts under the *"Less Than Estimated Column."*

CAPITAL EXPENDITURE

2.16

The Estimates of Revenue and Expenditure listed **2006** Expenditure by Type as follows:-

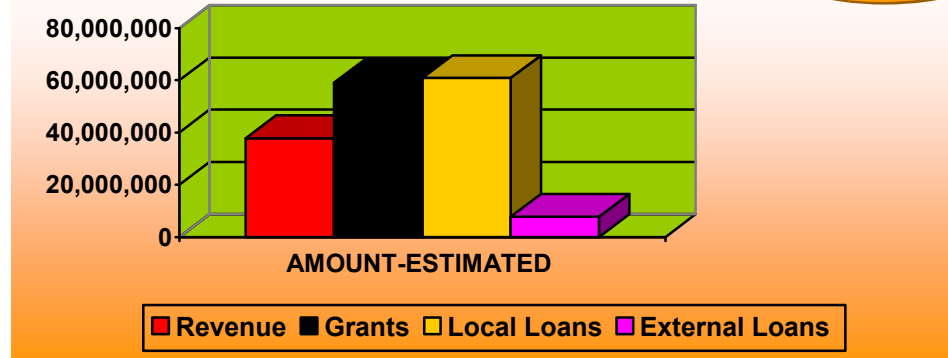
Table 1.3

TYPE OF FUNDS	AMOUNT (\$)
Grants	37,785,050.00
Local Loans	59,028,110.00
External Loans	60,854,100.00
Revenue	7,795,060.00
TOTAL	165,462,320.00



CAPITAL EXPENDITURE BY TYPE

Figure 1.2



Estimates

2.17

Fifteen (15) Ministries were recorded on the Statement as contributing to Capital Expenditure for 2006. The Estimates totaled \$165,462,320.00 under these fifteen (15) Ministries. Approval for extra funds, by way of Special Warrants was made under twelve (12) of the fifteen (15) Ministries recorded.

Revised Estimates

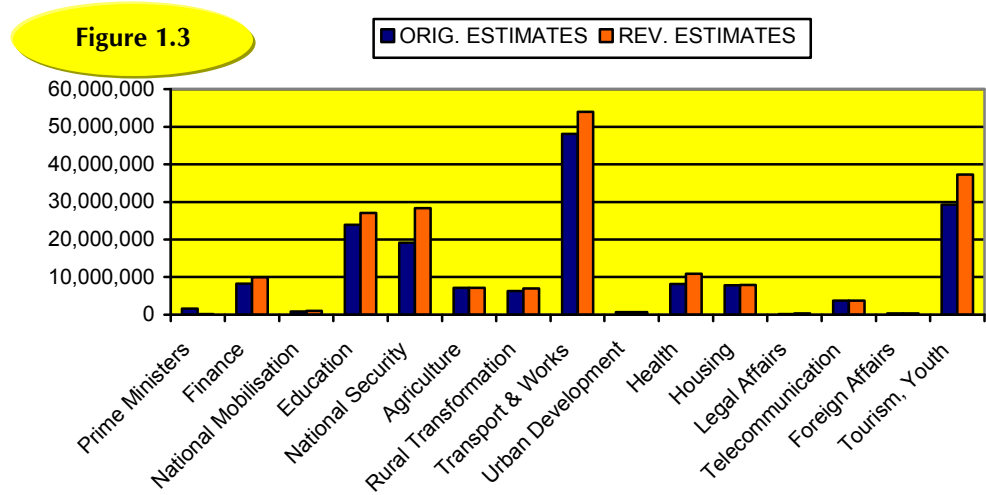
2.18

Comparisons on the Statement were made between the Revised Estimates and Actual Expenditure. Total approved Special Warrants amounted to \$38,800,144.00, when added to the Original Estimates of \$165,462,230.00 an amount \$204,262,464.00 should be recorded as Revised Estimates. The Statement, however, recorded Revised Estimates as \$197,521,456.00, a difference of \$6,741,008.00. The difference is accounted for as follows:-

- ❖ \$60.00 under Ministry 35-Education
- ❖ One (1) Special Warrant under Ministry 45-Agriculture in the sum \$202,349.00 not accounted for.
- ❖ One (1) Special Warrant under Ministry 55-Transport and Works in the sum of \$6,538,599.00 was not recorded



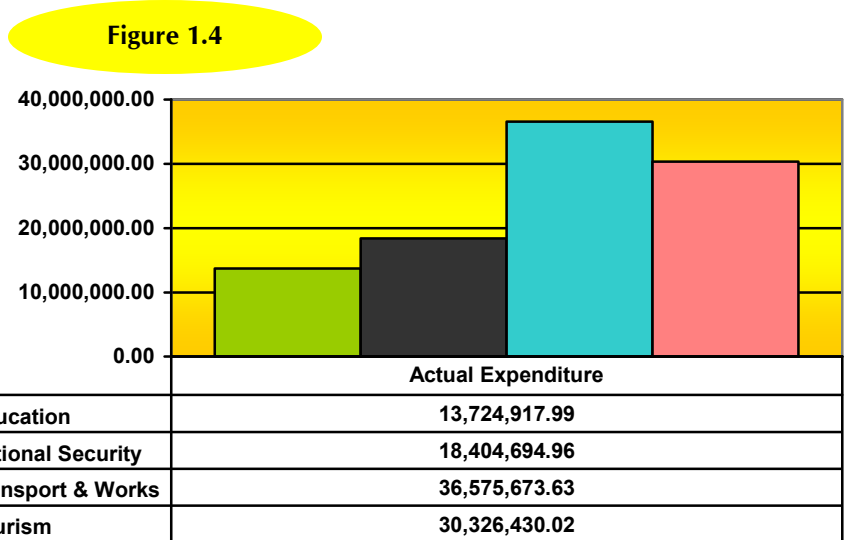
The under-mentioned represents the Original and Revised Estimates.



2.19

Actual

Actual Expenditure amounted to \$118,145,054.57, an amount of \$79,376,401.43 less than the recorded Revised Estimates of \$197,521,456.02 The Ministries with the highest Expenditure were as follows:-



**Comparisons****2.20**

The Statement indicated that all Ministries recorded expenditure below the Estimates for a total of \$79,376,401.43. However, under the Ministry of Transport & Works, one (1) project exceeded the amount voted by an amount of \$3,880,723.68. Hence comparisons with the Revised Estimates and the Actual Expenditure should indicate a total of \$82,257,125.11 for items recording Expenditure below the Estimates and an amount of \$3,880,723.68 for items with Expenditure in excess of the Estimates.

The Budget Out-Turn**2.21**

There was a deficit on both the Recurrent Budget and the Capital Budget for the year under review. The *Actual Budget-Out-Turn* for the year as compared with the Original Estimates was as follows:-

Table 1.4

ITEM/CATEGORY	ESTIMATE	ACTUAL	DIFFERENCE
Recurrent Revenue	363,720,450.00	396,606,869.46	-32,886,419.46
Less Recurrent Expenditure	<u>415,520,943.00</u>	<u>407,969,879.02</u>	<u>7,551,063.98</u>
Surplus/Deficit	-51,800,493.00	-11,363,009.56	-40,437,483.44
Add Capital Revenue	<u>217,262,813.00</u>	<u>84,235,974.11</u>	<u>133,026,838.89</u>
Capital Financing	165,462,320.00	72,872,964.55	92,589,355.45
Capital Expenditure	<u>165,462,320.00</u>	<u>118,145,054.57</u>	<u>47,317,265.43</u>
DEFICIT	0.00	-45,272,090.02	45,272,090.02

2.22

The under-mentioned represents the overall totals of Revenue and Expenditure for the years 2004-2006; as well as graphical representation.

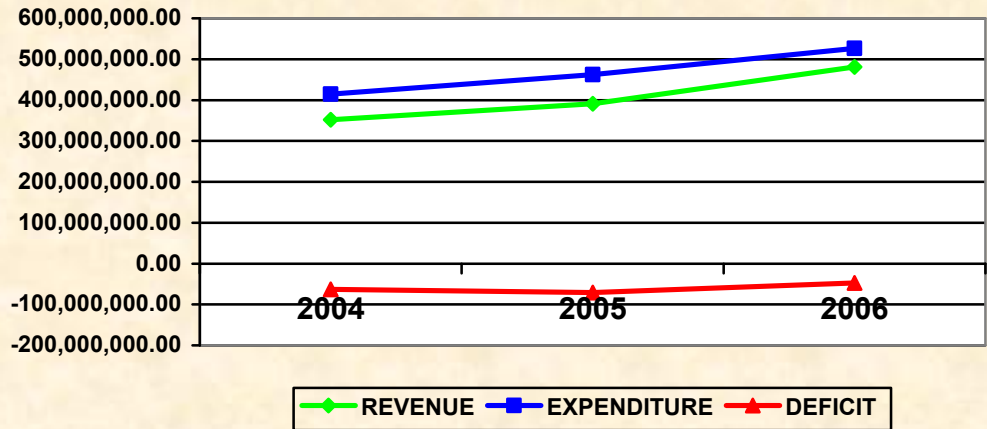
Table 1.5

	2004	2005	2006
Revenue	351,973,416.69	391,011,083.92	480,842,843.57
Less Expenditure	414,696,503.14	462,002,193.56	526,114,933.59
Deficit	-62,723,086.45	-70,991,109.64	-45,272,090.02



Figure 1.5

BUDGET OUT-TURN/SURPLUS DEFICIT





DETAILED STATEMENT OF REVENUE

SUMMARY

2.23

The Estimates of Revenue and Expenditure quoted Revenue according to the Ministry or Responsibility Centre as well as the particular Revenue Item. According to the Estimates of Revenue and Expenditure (*Details of Current Revenue*), thirteen (13) Ministries were listed to raised Recurrent Revenue under one hundred and eight (108) Items or Account Heads. Capital Revenue on the other hand was listed in the Estimates by Category (Revenue, Grants and Loans), as well as by Account Numbers. The Estimates quoted Total Recurrent Revenue as \$363,720,450.00; while Total Capital Revenue was quoted as \$217,262,813.00. The Estimates of Revenue and Expenditure in the Financial Summary listed Recurrent Revenue as comprising:-

- ❖ Tax Revenue -\$321,588,700.00
- ❖ Non-Tax Revenue-\$42,131,750.00

2.24

The Statement listed Recurrent Revenue according to eight (8) as follows:-

- Taxes on Income and Profits
- Taxes on Property
- Taxes on Int'l Trade and Transactions
- Taxes on Domestic Goods and Transactions
- Licences
- Fees, Fines and Permits
- Interest Rents and Dividends
- Other Revenue



2.25

Each Category was further sub-divided into Account Heads/Items; with all Ministries/Departments/Responsibilities Centres grouped together according to these Account Heads or Items. There were several differences observed between what was recorded on the Statement and what was seen posted to the Accounts SMARTSTREAM™. These differences have been brought to the attention of the Accountant General. Comments and comparisons, however, were made with figures as presented. These differences would be highlighted under the relevant sections. Capital Revenue was listed on the Statement according to Account Numbers; Type of Funds. i.e Grants, Loans Local Revenue as well as the Source of Funds in accordance with the SMARTSTREAM™ Classification.

RECURRENT REVENUE

2.26

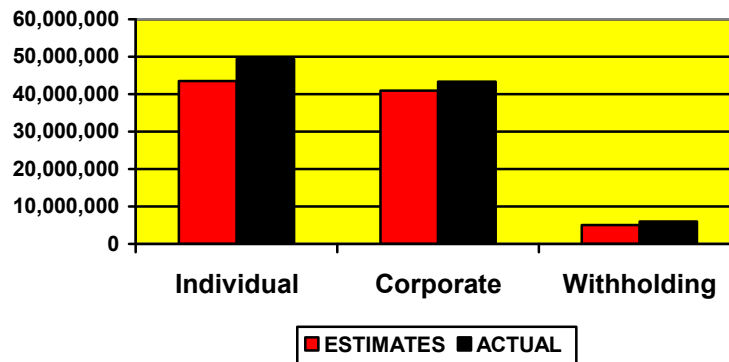
Taxes On Income & Profits

This Category comprised of three (3) Items namely:-

- Individual Taxes
- Corporate Taxes
- Withholding Taxes

Figure 1.6

TAXES INCOME & PROFITS



**2.27**

Estimates amounted to \$89,500,000.00, while Actual Revenue totaled \$98,810,175.86. All three (3) items exceeded the amounts estimated by an amount of \$9,310,175.86.

Taxes On Property**2.28**

This type of Tax has two (2) components as follows:-

- Property
- Estate and Succession Duty

2.29

The Responsibility Center for these Items is the Inland Revenue Department. Officers from the Inland Revenue Department are physically housed at the Registry Department to facilitate the collection of Estate and Succession Duty.

2.30

Estimates for the two (2) Items totaled \$2,800,000.00; whereas Actual Revenue was \$2,626,357.76 an amount of \$173,642.24 less than that estimated.

Taxes On Int'l Trade & Transactions**2.31**

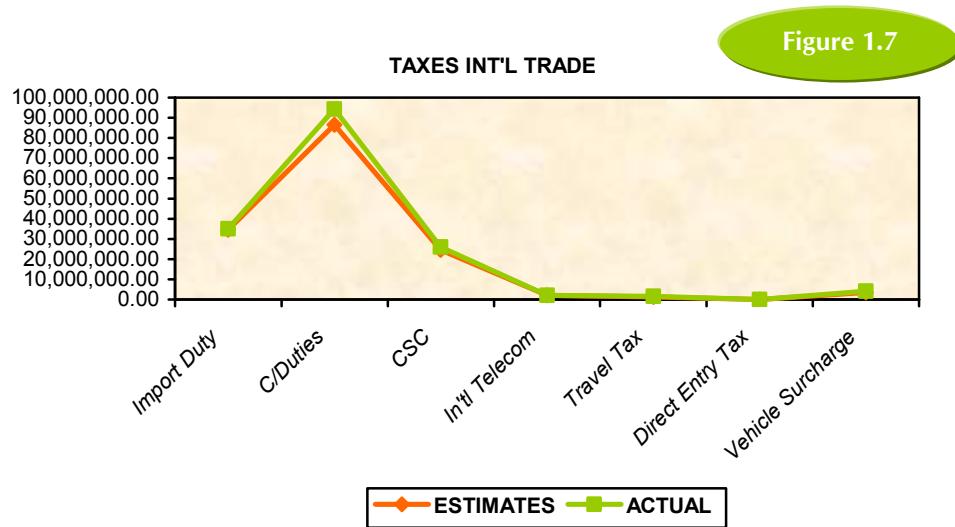
Several Departments were involved in the collection of this category of Revenue mainly Customs, Inland Revenue Department (IRD) and Airport. The Revenue Items were as follows:-

- Import Duty
- Consumption Duties
- Customs Service Charge
- Vehicle Surcharge
- International Telecom Charges
- Travel Tax
- Direct Entry Tax



2.32

The Estimated total under this Category was \$152,320,000.00; with Actual Revenue of \$163,231,121.58. Six (6) Items recorded Revenue in excess of the amounts estimated for a total of \$10,916,529.44; while one (1) Item recorded Revenue below what was originally estimated for a total of \$5,407.86.



2.33

Taxes Domestic Goods & Transactions

Listed hereunder are the Revenue Items and the Responsibility Centres for this Category.

- Consumption Duties –Local (Customs)
- Stamp Duty (Registry, Treasury, Customs)
- Excise Duty (Customs)
- Insurance Premium Tax (IRD)
- Hotel Turn-over Tax (IRD)
- Interest Levy Commercial Banks (IRD)
- Entertainment Tax (IRD)
- Airport Service Charge (Immigration/Airport)
- Telecommunication Surcharge (IRD)

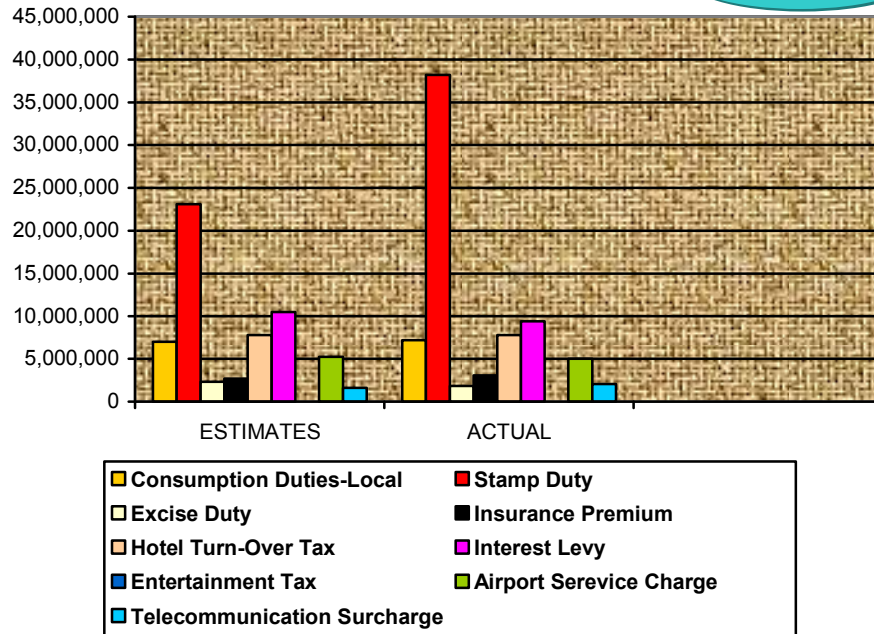


2.34

Estimates for this Category totaled \$60,246,700.00; while Actual Revenue was \$74,258,952.97.

TAXES DOMESTIC GOODS TRANSACTIONS

Figure 1.8



2.35

Five (5) Items recorded Revenue below the amounts estimated for a total of \$2,085,234.61; and three (3) Items recorded Revenue in excess of the Estimates for a total of \$16,097,487.58.

Licences

2.36

The Statement recorded thirteen (13) types of Licences from which Revenue was to be realized. The following represents the Responsibility Centres and the type of Licence collected.



- Customs-(Television, Yacht, Private Warehouse).
- Inland Revenue-(Dealers Liquor, Drivers, Motor Vehicle, Professional, Gaming, Traders, Telecom and Broadcast, Other).
- Legal Affairs-(Marriage).

2.37

This Category exceeded the Estimates of \$16,722,000.00 by an amount of \$7,535,477.36; with seven (7) Items recording Revenue in excess of the Estimates for a total of \$8,772,512.54 and six (6) recording Revenues below the Estimates for a total of \$1,237,035.18.

Fines, Fees & Permits**2.38**

The Estimated Revenue for this Category was \$18,191,000.00, comprising twenty-four (24) accounts. Actual Revenue was \$17,483,329.59, an amount \$707,670.41 less than Estimated. Of the twenty-four (24) accounts listed under this category fifteen (15) recorded amounts below that estimated (including three (3) of the Accounts which recorded *NIL* Revenue) for a total of \$2,721,120.65. Nine (9) accounts recorded Revenue in excess of the amounts originally estimated for a total of \$2,013,450.24. Listed hereunder are the Responsibility Centres and the type of Revenue raised

- Judiciary (Registry, Magistrates)-Court Fines
- Prime Minister's-Resident Permits, Work Permits
- Police-Inspections, Registration, Personnel Fees
- Ministry of Finance-Off-Shore Financial Services
- Ministry of Telecommunications-Data Processing Services
- Treasury-Agency Fees
- Ministry of Housing-Planning Fees
- Customs-Merchant Shipping –Local & International
- Ministry of Education-Examination Fees- Local, School Fees, Adult Classes



- Ministry of Transport-Electrical Inspections
- Airport-NAVCOM Charges, Landing Dues
- Ministry of Health (Hospital)-Hospital Fees, Lab Fees, Radiology Fees
- Commerce & Intellectual Property Office (CIPO)- Registration

Interest, Rent and Dividends**2.39**

There were differences observed between amounts posted to the Accounts and the amounts listed on the Statement as indicated hereunder:-

- ❖ The *Estimates* Total was listed on the Statement as \$12,416,700.00 – even though the figures presented amounted to \$12,316,700.00. One (1) Account was short–stated by an amount of \$100,000.00.
- ❖ *Total Actual Revenue* was recorded on the Statement as \$4,838,307.79, instead of \$4,872,846.59- a difference of \$34,538.80.
- ❖ The *Less Than Estimated Column* was recorded as \$7,935,752.70, instead of \$7,801,213.90- the correct total.

2.40

The Statement therefore recorded this category as having Estimates of \$12,416,700.00 and Actual Revenue of \$4,838,307.79. Five (5) Accounts recorded Nil Revenue with Estimates totaling \$7,325,000.00.

2.41

The under-mentioned represents the several Responsibility Centres for this Category

- ❖ Ministry of Finance
- ❖ Treasury/Accounting Division
- ❖ Customs
- ❖ Ministry of Education
- ❖ Ministry of Transport & Works
- ❖ Ministry of Agriculture



- ❖ Airport
- ❖ Ministry of Telecommunications

Other Revenue**2.42**

This Category comprised thirteen (13) sub-categories as follows:-

- ❖ Sale of Forms
- ❖ Passports
- ❖ Travel Permits
- ❖ Repayment of Loans
- ❖ Reimbursements
- ❖ Pension Contributions
- ❖ Sale of Plants
- ❖ Sale of Drugs & Chemicals
- ❖ Fishing Operations
- ❖ Prison Industries
- ❖ Petro-Caribe Surplus
- ❖ Other Revenue

2.43

The Estimates totaled \$11,524,050.00 with Actual Revenue of \$11,101,146.55. The Sub-Category “***Other Revenue***” was recorded on the Statement as \$5,810,200.17, whereas, the Accounts showed an amount of \$486,650,043.71- a difference of \$480,839,843.54. Adjustments to the Account for errors were not effected, which would account for the difference. The matter was brought to the attention of the Accountant General.



CAPITAL REVENUE

2.44

The Statement recorded Capital Revenue according to account numbers and Source of Funds (SOF). There were twenty (20) Accounts listed on the Statement with total Estimates of \$217,262,813. Of the twenty (20) Accounts listed ten (10) related to Grant Funds. The other Sub-Categories were as follows:-

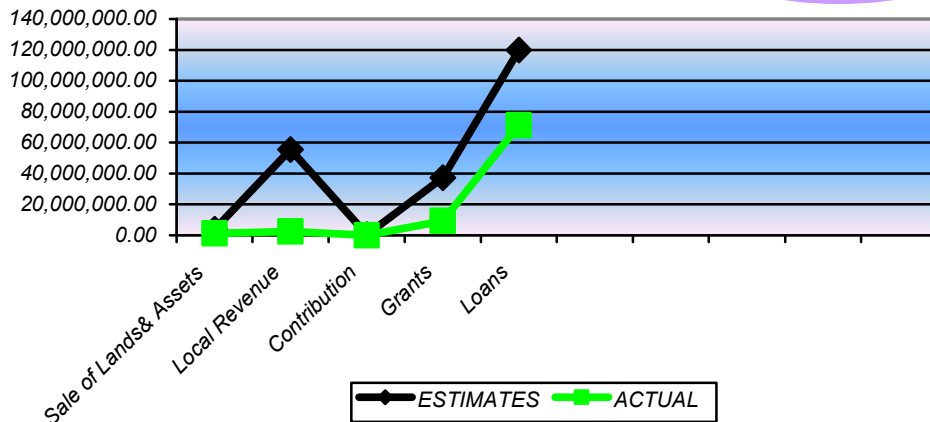
- ❖ Sale of Land
- ❖ Sale of Assets
- ❖ Local Revenue
- ❖ Contribution
- ❖ Loans

2.45

Total Actual Revenue was \$84,235,974.11, an amount of \$133,026,838.89 below the Estimates. Seven (7) Accounts recorded NIL Revenue, which had Estimates totaling \$2,981,040.00.

CAPITAL REVENUE BY CATEGORY

Figure 1.8





DETAILED STATEMENT OF EXPENDITURE

2.46 The Appropriation Act #1 of 2006 was passed on 31st January 2006 authorising the withdrawal of \$580,873,271.00 from the Consolidated Fund for meeting expenditure of St. Vincent and the Grenadines for the year ending 31st December, 2006.

2.47 The total expenditure of \$580,873,271.00 was comprised of \$165,462,320.00 for Capital expenditure and \$415,410,951.00 as Recurrent expenditure.

2.48 There were three (3) new Ministries added during 2006.

CAPITAL EXPENDITURE

2.49 The Actual Capital Expenditure recorded by the Treasury was \$118,145,054.57 while the Revised Estimated Capital Expenditure for the year was \$197,521,456.02 resulting in an under expenditure of \$79,376,401.43. Actual Capital Expenditure exceeded that of the previous year by \$21,417,017.03.

2.50 The table and chart below show the Actual Capital Expenditure incurred by the various Ministries and Departments.

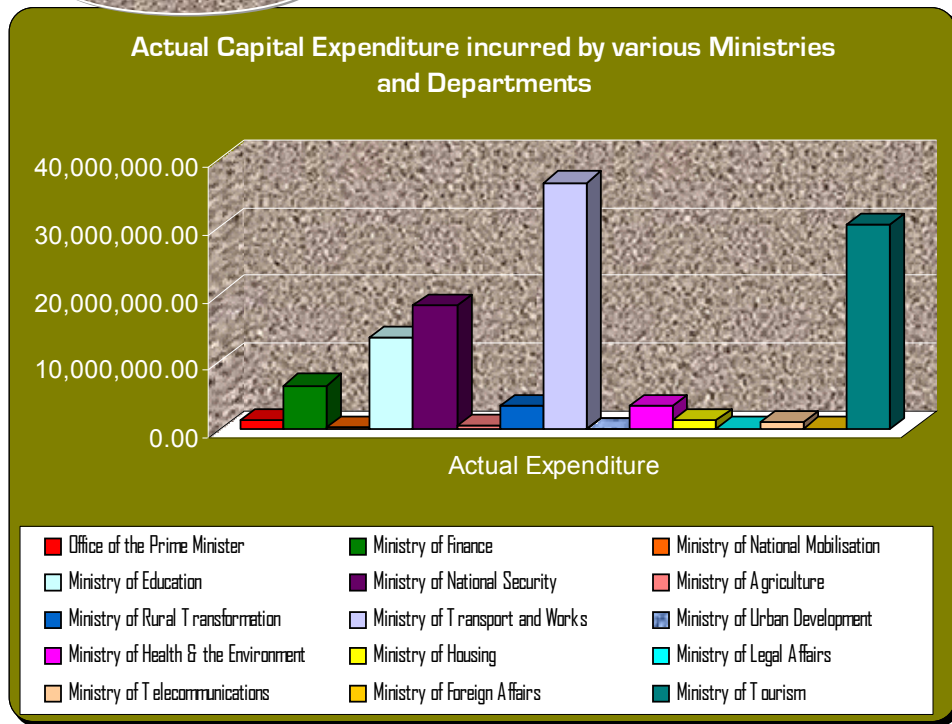


Department/ Ministry	Actual Expenditure (\$)
Office of the Prime Minister	1,396,533.94
Ministry of Finance	6,581,780.27
Ministry of National Mobilisation	299,324.01
Ministry of Education	13,724,917.99
Ministry of National Security	18,404,694.96
Ministry of Agriculture	662,897.44
Ministry of Rural Transformation	3,485,906.93
Ministry of Transport and Works	36,575,673.63
Ministry of Urban Development	158,114.75
Ministry of Health & the Environment	3,570,673.56
Ministry of Housing	1,442,697.92
Ministry of Legal Affairs	204,099.37
Ministry of Telecommunications	1,096,508.95
Ministry of Foreign Affairs	214,800.83
Ministry of Tourism	30,326,430.02
TOTAL	118,145,054.57

T
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Figure 1.9



**Ministry of Transport and Works**

2.51 The Ministry of Transport had the highest actual expenditure of \$36,575,673.63 or 68% of its revised budget of \$53,960,176.00 as compared to \$36,206,337.92 or 38% of the revised budget of \$95,065,625.50 the previous year. From the thirty-five (35) projects allocated under this Ministry's expenditure, nineteen (19) projects incurred expenditure. Actual expenditure increased by \$369,335.70 from the previous year.

2.52 A total of \$20,913,735.00 was budgeted for the four (4) sub projects designated for the Rehabilitation of the Windward Highway. Three (3) of the sub projects incurred expenditure within their budget. Spending on the other sub-projects (Mt. Grenan and Diamonds) exceeded projections by \$3.8 million.

Prime Minister's

2.53 The Office of the Prime Minister spent 74% of its budget and 1% of the total capital budget. The Special Works and Services programme had an expenditure level of 97% whilst the Constitution Reform spent 85% of its budget.

Ministry of Finance

2.54 The Ministry of Finance spent \$6,581,780.27 or 66% of its capital budget. The project with the highest expenditure level was the St. Vincent and the Grenadines Recovery and Disaster Management Project with an expenditure of \$3,682,508.10 representing 56% of the Ministry's spending.

**Ministry of Education****2.55**

The Ministry of Education spent \$13,724,917.99 or 51% of its projected expenditure of \$27, 104,735.00. There were twenty (20) projects under the ambit of this Ministry. Work was executed on sixteen (16) of these projects.

2.56

Six (6) of these projects incurred expenditure in excess of \$1 million as tabulated hereunder:-

Table 1.5	Revised Estimates	Actual Expenditure	% of Revised Budget
Basic Education Project II	5,500,000.00	1,951,048.90	35
Expansion of Secondary Schools	2,366,413.00	1,663,088.63	70
OECS Education Development Project	2,000,000.00	1,997,261.11	99.9
EU Education Support Project	5,300,000.00	1,774,705.26	33
Book Loan Scheme Phase II	1,500,000.00	1,430,952.08	95
Adult Literacy Crusade	2,770,600.00	1,923,946.11	69

2.57

The expenditure of \$1,951,048.90 for the Basic Education Project II included payment of salary to the staff of the project unit (\$159,866.37), the purchase of one (1) Hyundai Sante Fe Vehicle (\$68,993.65) and the payment of Economic costs to the University of the West Indies for students who were awarded scholarships under the project (\$369,052.25).

**Ministry of Rural Transformation**

2.58 The Ministry of Rural Transformation incurred expenditure on four (4) of its seven (7) projects. Two (2) of these projects had expenses exceeding \$1.5 million. The Ministry spent \$3,485,906.93 or 50% of its budget which represented 2% of the total capital budget.

2.59 The NBC/API Improvement Project expenditure of \$1,576,296.21 included payments made to Mac Construction Ltd. who was awarded the contract for the renovation and extension of the buildings.

Ministry of National Security

2.60 The Ministry of National Security recorded the third highest expenditure level with actual expenditure of \$18,404,694.96 or 65% of its budget and 9% of the total capital budget for the year.

2.61 Expenditure in excess of \$10 million was incurred on the Canouan Airport Improvement Project. The expenditure included payments made to Kocks Consultant GMBH for providing Consultancy services and to CCA Ltd for construction work carried out under the project.

2.62 Two (2) other projects that had an expenditure level in excess of \$1million were the correctional facility at Belle Isle (\$3,889,153.95) and the Machine Readable Passport Project (\$1,299,999.92).

**Ministry of Health****2.63**

The Ministry of Health and the Environment had a total of twenty-two (22) projects earmarked for the year. Nine (9) of these projects incurred nil expenditure, while the remaining thirteen (13) had expenditure totaling \$3,570,673.56 or 32.83% of the Ministry's budget and 2% of the total capital budget.

Ministry of Housing**2.64**

\$0.9 Million or 64% of the Ministry of Housing's expenditure of \$1,442,677.92 was used for land acquisition for various purposes. Purposes for these acquisition included the extension of cemeteries at Diamonds (\$65,700.00) and Georgetown (\$124,450.00), the provision of sporting facilities at the Emmanuel High School Mespo (\$26,640.00), the construction of a hard court at Riley (\$89,344.00) and the construction of a learning resource centre at Evesham (\$76,100.00).

Ministry of Tourism**2.65**

The Ministry of Tourism had the second highest level of expenditure with spending of \$30,326,430.02 or 15% of the total capital budget. This was mainly attributable to the upgrading of the Arnos Vale playing field along with the Stubbs and Sion Hill playing fields in preparation for the Cricket World Cup 2007. The expenditure for this project represented 80% of the Ministry's budget.

**2.66**

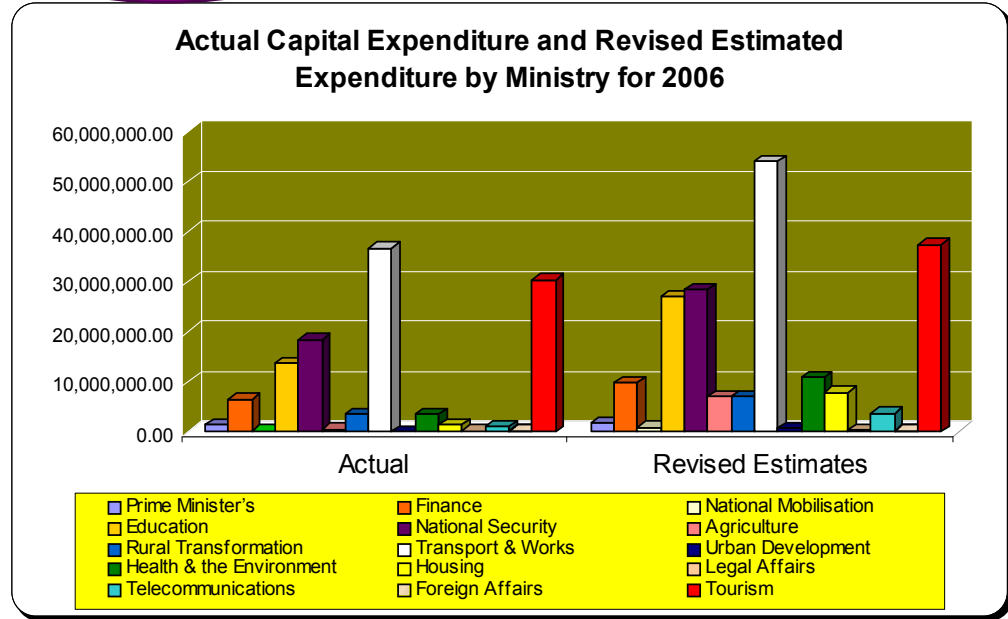
The following table and chart show the variance between the Actual Capital Expenditure and the Revised Estimated Expenditure by Ministry for 2006.

Table 1.6

Ministry	2006 Revised Estimates (\$)	2006 Actual (\$)	Variance (\$)
10 Prime Minister's	1,880,010.00	1,396,533.94	483,476.06
20 Finance	9,932,682.00	6,581,780.27	3,350,901.73
30 National Mobilisation	1,002,963.00	299,324.01	703,638.99
35 Education	27,104,735.00	13,724,917.99	13,379,817.01
40 National Security	28,348,391.00	18,404,694.96	9,943,696.04
45 Agriculture	7,141,050.00	662,897.44	6,478,152.36
50 Rural Transformation	6,981,000.00	3,485,906.93	3,495,093.07
55 Transport & Works	53,960,176.00	36,575,673.63	17,384,502.37
60 Urban Development	705,000.00	158,114.75	546,885.25
65 Health & the Environment	3,570,673.56	10,877,239.00	7,306,565.44
70 Housing	7,918,180.00	1,442,677.92	6,475,302.08
75 Legal Affairs	360,010.00	204,099.37	155,910.63
80 Telecommunications	3,722,010.00	1,096,508.95	2,625,501.05
85 Foreign Affairs	300,010.00	214,800.83	85,209.17
90 Tourism	37,288,000.00	30,326,430.02	6,961,569.98
TOTAL	197,521,456.00	118,145,034.57	79,376,421.43



Figure 1.10



2.67

The Gap between the Actual capital expenditure and the capital projections had shown a significant reduction with a difference of \$79,376,421.43 for 2006 as compared to \$168,682,788.96 in 2005.

2.68

Shown hereunder also is a comparison of actual expenditure with estimated expenditure for the three (3) years 2004 to 2006.

Table 1.7

Year	Estimated Expenditure (\$)	Actual Expenditure (\$)	Variance (\$)
2004	166,745,750.33	87,049,825.29	79,695,925.04
2005	265,410,826.50	96,728,037.54	168,682,788.96
2006	197,521,456.00	118,145,034.57	79,376,421.43

**2.69**

A comparison of the Actual Capital Expenditure with the Actual Capital Revenue for 2004- 2006 as shown hereunder indicates significant variances.

Table 1.8

Year	Actual Capital Expenditure (\$)	Actual Capital Revenue (\$)	Variance (\$)
2004	87,049,825.29	27,190,181.20	59,859,644.09
2005	96,728,037.54	56,920,153.95	39,807,883.59
2006	118,145,034.57	84,235,974.11	33,909,060.46

It is not clear how the variances were financed.

General**2.70**

The Capital Budget Out-Turn does not compare well with what was budgeted. Large differences between what was budgeted and the actual out-turn have persisted for several years. This situation contributes to lower budget credibility and has the potential to call into question the capacity of the relevant Government Officials to prepare this element of the budget.

RECURRENT EXPENDITURE**2.71**

The revised estimated recurrent expenditure for 2006 was \$435,616,192.00 while the actual expenditure recorded was \$407,969,879.02 resulting in an under expenditure of \$27,646,312.98. The Actual recurrent expenditure for the financial year surpassed that of the previous year by \$42,695,723.00.



2.72

The Ministry of Finance recorded an increase of \$22,409,759.79, the National Security an increase of \$6,023,558.17 and the Ministry of Health \$5,197,380.55. These increases were over those for the year 2005.

2.73

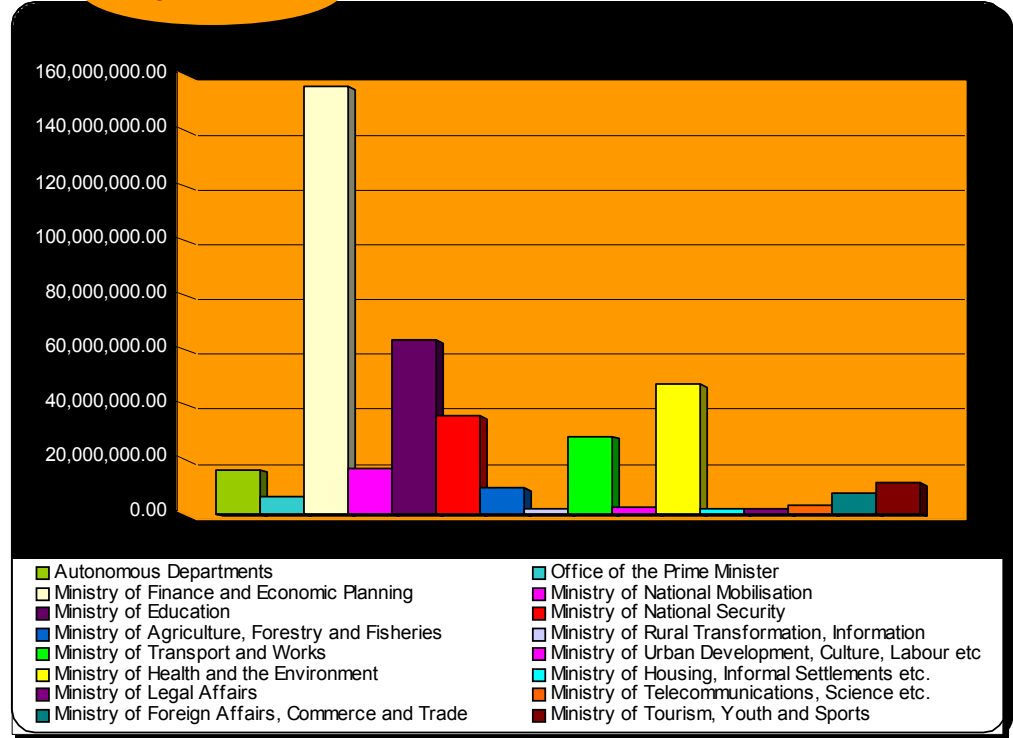
The chart below apportions the Actual Recurrent Expenditure incurred by the various Ministries and Departments.

Table 1.9

MINISTRIES/DEPARTMENTS	ACTUAL (\$)
Autonomous Departments	16,141,066.04
Office of the Prime Minister	6,056,634.25
Ministry of Finance and Economic Planning	155,924,385.47
Ministry of National Mobilisation	16,274,921.09
Ministry of Education	63,178,939.51
Ministry of National Security	35,714,462.24
Ministry of Agriculture, Forestry and Fisheries	9,604,109.31
Ministry of Rural Transformation, Information	1,841,432.82
Ministry of Transport and Works	28,313,959.15
Ministry of Urban Development, Culture, Labour etc	2,518,088.00
Ministry of Health and the Environment	47,388,853
Ministry of Housing, Informal Settlements etc.	1,965,092.14
Ministry of Legal Affairs	1,690,633.91
Ministry of Telecommunications, Science etc.	2,817,948.62
Ministry of Foreign Affairs, Commerce and Trade	7,411,336.25
Ministry of Tourism, Youth and Sports	11,127,948.62
TOTAL	407,969,879.02



Figure 1.11



2.74 Expenditure in respect of Personal Emoluments amounted to \$141,075,562.37 or 34.6% of total recurrent expenditure of \$407,969,879.02 for the financial year. The inclusion of wages and allowances would increase the expenditure to \$171,292,659.43 or 42% of total recurrent expenditure.

2.75 The figure of \$171,292,659.43 for salaries, wages and allowances is \$12,192,533.44 more than the figure of \$159,100,125.99 for Financial Year 2005.



2.76

The chart below shows the apportionment of Personal Emoluments in the total recurrent expenditure of the Government. **Table 1.10**

	ACTUAL (\$)	%
Personal Emoluments and Wages	159,766,007.69	39
Allowances	11,526,651.74	3
Others	236,677,219.59	58
TOTAL	407,969,879.02	100

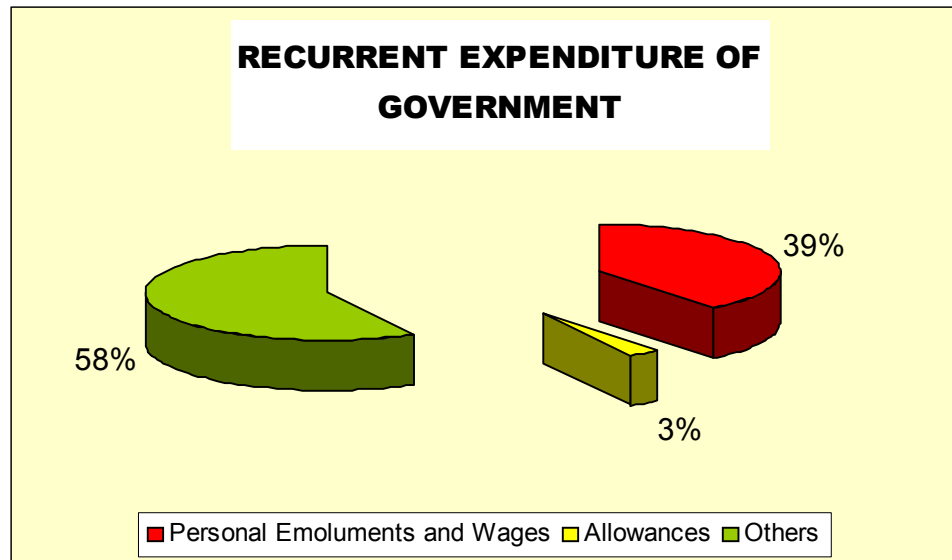


Figure 1.12

Autonomous Departments

2.77

The Autonomous Departments were allocated a budget of \$15,833,019.00 to meet their recurrent expenditure for 2006. The actual expenditure incurred by these departments was \$16,141,066.04 exceeding the previous year's expenditure of \$15,277,258.81 by \$863,807.23. The Service Commission was the lone autonomous department to record expenditure in excess of its revised estimated budget, thus contributing to the excess expenditure. The over expenditure of \$1,276,000.46 and \$196,690.11 were



from the Personal Emoluments and Allowances object codes respectively. Savings realized on other object codes reduced the overall excess expenditure to \$1,420,510.86.

All other departments realized overall savings on their programmes.

Office of the Prime Minister

2.78 The Office of the Prime Minister received a revised budget of \$6,526,122.00 as compared to \$10,086,359.00 in 2005. The expenditure level in 2006 was \$6,056,634.26 a reduction of \$2,707,243.25 from the 2005 expenditure.

Ministry of Finance and Planning

2.79 The Ministry of Finance and Planning spent \$155,924,385.47 approximately 97% of its budget of \$160,597,345.00 as compared to \$133,514,625.68 or 91% of the previous year's budget.

2.80 For this Ministry, the Servicing of External Debt programme recorded the highest expenditure of \$58.9 million or 38% followed by the Servicing of Internal Debt with an expenditure level of \$35.9 million or 23% of recurrent spending.

2.81 The Accounting Division from its budget of \$8.0 million, spent \$7.7 million. The major area of expenditure was Retiring Benefits with a spending level of \$5.5 million.

2.82 The Customs and Excise Department recorded expenditure of \$9.0 million from a budget of \$9.36 million. There was over expenditure on both the Personal Emoluments and Wages object code by \$ 45,701.65 and \$99,802.39 respectively. The net savings by the department was \$263,053.59.

**2.83**

The Inland Revenue Department from its allocation of \$4,691,750.00 spent an amount of \$4,041,665.42, hence savings of \$650,084.58.

2.84

Expenditure on Pensions & Retirement benefits was \$27,586,837.19 - \$3,356,837.19 in excess of its allocation of \$24,230,000.00, showing an increase of \$3,433,377.19 or 12.5% when compared to retirement benefits paid in 2005 as shown below.

Table 1.11

YEAR	REVISED ESTIMATES	ACTUAL EXPENDITURE (\$)	UNDER/ EXCESS (\$)
2005	24,230,000.00	24,153,460.00	(76,540.00)
2006	24,230,000.00	27,586,837.19	3,356,837.19

Ministry of National Mobilisation**2.85**

This Ministry was allocated \$17.4 million or approximately 4% of the total recurrent expenditure of \$408 million. Actual Expenditure was \$16,274,921.09. There was over expenditure of \$26,035.37 and \$10,635.20 for Wages and Allowances respectively.

2.86

The Family Services programme spent \$10,289,987.29 of its allocation of \$11,310,192.00. 93% of the allocation was spent on its Social Welfare activity recording expenditure of \$9,540,158.66 as compared to \$10,252,598.44 in the previous year.

**2.87**

The total grants and contributions paid for the year was \$3,060,959.55, an increase of 11% over last year's expenditure of \$2,725,825.15. Grants and contributions includes payments to the Local Authorities.

Ministry of Education**2.88**

The Ministry received an allocation of \$66.4 million to cover expenditure for the nineteen (19) programmes it was responsible for administering. Operations of these programmes resulted in a net savings of \$3.3 million or 5% of its allocation.

Ministry of National Security**2.89**

This Ministry received an allocation of \$38,545,886.00 for the operation of its eleven (11) programmes. Actual expenditure was \$35,714,462.24 with savings of \$2,831,423.76.

Ministry of Agriculture**2.90**

This Ministry was responsible for administering twelve (12) programmes for which an amount of \$11,422,495.00 was allocated. The Actual Expenditure was \$9,604,109.31 realising a net savings of \$1,818,385.69. There was an over expenditure of \$17,080.53 for wages on one (1) programme and \$70,203.55 for Personal Emoluments on another.

***Ministry of Transport and Works*****2.91**

A budget of \$33,840,380.00 was allocated for the administering of the sixteen (16) programmes under the ambit of this Ministry. Actual Expenditure incurred was \$28,313,959.15 recording savings of \$5, 526,420.85. All programmes incurred net savings on their budget.

Ministry of Health and the Environment**2.92**

The Ministry received a budget of \$50.1 million, approximately 12% of the total recurrent expenditure budget as compared to \$45.52 million in 2005.

2.93

Medical Administration programme overspent its Allowances by \$119,732.95, but realized net savings of \$57,726.02 on its programme due to the significant savings on the other activities. The School of Nursing programme exceeded its Personal Emoluments and Allowances vote by \$187,020.76 and \$15,355.00 respectively resulting in a net over expenditure of \$165,056.55.

2.94

The Rural Hospital and Health Centre had a net over expenditure of \$133,754.52 after incurring expenditure of \$1,618, 170.52.

2.95

The other programmes to over spend their budgeted allocation were the National Family Planning with an excess of \$7,867.78, the Nutrition Unit spending an excess of \$772.36 and the HIV/AIDS/STI Prevention & Control with a net over expenditure of \$36,511.57.

2.96

All other programmes operated within their budget allocations providing savings contributing to the Ministry's net savings of \$2.7 million.

***Ministry of Telecommunications, Science, Technology*****2.97**

All programmes within this Ministry operated within their budgets, contributing an overall savings of \$898,071.30 from its budget of \$3,716,058.00.

Ministry of Foreign Affairs, Commerce and Trade**2.98**

The Ministry of Foreign Affairs, Commerce and Trade from its allocation of \$9,130,101.00 spent \$7,411,336.25 on its programmes recording a savings of \$1,718,764.75. The New York Mission, High Commission London, the Toronto Consulate, and the New York Consulate all overspent their Personal Emoluments votes but maintained a net savings on their accounts.

Others**2.99**

The three (3) new ministries which were added in 2006 namely Ministry of Rural Transformation, Ministry of Urban Development and Ministry of Housing and Informal Settlements all realized savings on their budgets.

2.100

The table below shows a comparison of the Revised Estimated Expenditure with Actual Recurrent Expenditure for the year.

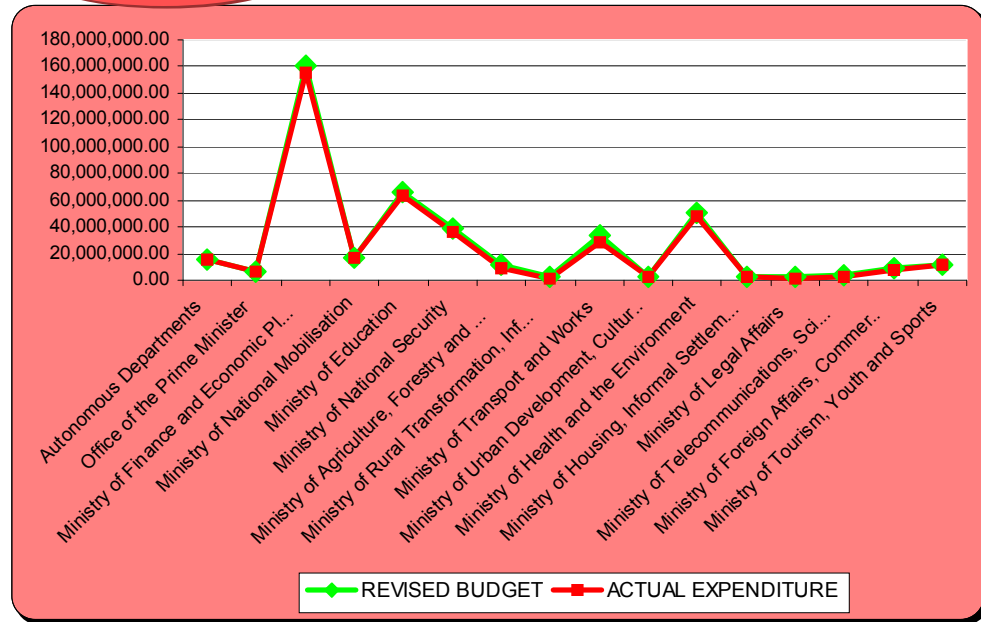
Table 1.12

MINISTRIES/DEPARTMENTS	REVISED BUDGET (\$)	ACTUAL (\$)
Autonomous Departments	15,833,019.00	16,141,066.04
Office of the Prime Minister	6,526,122.00	6,056,634.25
Ministry of Finance and Economic Planning	160,597,345.00	155,924,385.47
Ministry of National Mobilisation	17,412,704.00	16,274,921.09
Ministry of Education	66,450,905.00	63,178,939.51
Ministry of National Security	38,545,886.00	35,714,462.24
Ministry of Agriculture, Forestry and Fisheries	11,422,495.00	9,604,109.31
Ministry of Rural Transformation, Information	2,335,097.00	1,841,432.82



MINISTRIES/DEPARTMENTS	REVISED BUDGET (\$)	ACTUAL (\$)
Ministry of Transport and Works	33,840,380.00	28,313,959.15
Ministry of Urban Development, Culture, Labour etc	3,062,507.00	2,518,088.00
Ministry of Health and the Environment	50,131,031.00	47,388,853
Ministry of Housing, Informal Settlements etc.	2,589,306.00	1,965,092.14
Ministry of Legal Affairs	2,064,968.00	1,690,633.91
Ministry of Telecommunications, Science etc.	3,716,058.00	2,817,948.62
Ministry of Foreign Affairs, Commerce and Trade	9,130,101.00	7,411,336.25
Ministry of Tourism, Youth and Sports	11,958,268.00	11,127,948.62
TOTAL	435,616,919.00	407,969,879.02

Figure 1.13



Conclusion

2.101

There appear to have been better use of the Funds Control module on SMARTSTREAM whereby there was less over expenditure on items with the exception of the Personal Emoluments, Wages and Allowances.



STATEMENT OF ADVANCES

2.102

Section (5) of the Finance and Audit Act provides for the issue of advances from public funds to other Governments, public bodies, trusts, institutions or individuals where such advances are in the public interest. These advances are recoverable within a period not exceeding twelve (12) months after the close of the financial year in which they were made.

2.103

Advances to Government officials (individuals), public bodies and institutions and Government overseas offices show an aggregate balance of \$32,336,548.70 as at 31st December, 2006. The requisite law stipulates that total advances authorized for the categories named in this paragraph should not at any time exceed ten (10) million dollars.

2.104

Theoretically, the advance statement should consist of debit balances, however, there were six (6) credit balances totaling \$271,527.98 which is prima facie evidence that there are errors in the statement. The Accountant General should analyze the items in question to determine the reason(s) for the credit balances and to effect the appropriate adjustments.

2.105

Many of the advances are quite old and action should be taken to clear them from the books. Others can be more properly characterized as purchases or investments and as such should not appear in an advance account, for example, "Purchase of Leeward Estate" \$217,850.00 "Renovation Cove Creek Place Dallas" \$118,798.00 "Acquisition of shares Balcombe Investment" \$453,225.00. Action should be taken to clear those accounts which are chargeable to the Consolidated Fund and to purge the statement of items that are not bonafide advances.

**Government Officers**

2.106 Three hundred and eighty-four (384) Advance Warrants were approved in 2006 for a total of \$1,158,111.14 to facilitate activities of Government officers overseas.

2.107 The warrants stipulate the terms of repayment and accounting for these advances. In general terms, advances to public officers including ministers should be cleared upon return to the state.

2.108 In spite of the foregoing Personal Advances totaling \$455,286.23 remained on the books as at 31st December, 2006.

Other Advances

2.109 This category showed a net debt balance of \$31,873,650.82 at the end of 2006.

Overseas Offices

2.110 Included among the advances are those approved for the financing of the operations of the Overseas Office. During 2006 twenty-nine (29) warrants totaling \$2,885,918.26 were issued to the Overseas Offices. As at the end of the year the combined balance at the Overseas Offices stood at \$2,189,140.62. These advances should be cleared on a monthly basis against the amounts provided in the estimates.

*DEVCO*

2.111 The account balance of \$8,099,317.59 constitute the repayment of several DEVCO loans by the Central Government. The amount should therefore be cleared as a charge to the Consolidated Fund.

DEVCO – Call Centre

2.112 This advance was granted in 2000. The purpose of the advance was stated in this way “to renovate the Industrial Building which will house the Call Centre to be established by Government.”

2.113 The Balance of \$400,000.00 remains on the books and has not changed over the years.

ECCB

2.114 The account balance of \$5,106,325.90 represents reimbursement to the East Caribbean Central Bank. The amount appears to be a legitimate charge to the Consolidated Fund and should be cleared from the Statement of Advances.

Campden Park Container Port

2.115 The balance on this account (\$2,000,000.00) remained unchanged for several years.

2.116 The terms and conditions of this advance could not be readily determined by the Audit Office. A memorandum to the Accountant General seeking clarification on this advance evoked the under-mentioned response:-



MF/Proj/12 dated 31st May, 1995. Cabinet granted approval for advance to complete purchase of port equipment and provide working capital, to be repaid by company from proceeds of sales from remaining shares.



DETAILED STATEMENT OF LOANS REPAYABLE TO THE STATE

2.117

The Loans which are reflected on the statement are loans which were granted between 1956 and 1971 all of which should have been repaid to the State years ago. A total of \$262,793.39 remains outstanding.

Consideration should be given for the writing off of these loans since the possibility of recovering the loans seems quite remote.



STATEMENT OF GENERAL DEPOSITS

2.118

None of the necessary analyses or reconciliations were seen for the balances on the accounts. In spite of the several requests made to the Treasury to have these accounts analysed with a view of purging the statement of obsolete accounts the exercise has not been undertaken.

2.119

Where deposits have served their purpose they should be promptly removed from the books.

2.120

The balance as at 31st December 2006 of -\$262,123,907.30 represents monies held on deposits. The composition of the figure at 31st December 2006 with comparative figures for 31st December 2005 is shown below.

Table 1.13

	31.12.06	31.12.05
	\$	\$
Other Governments	-558,844.92	-559,065.39
Statutory Bodies	-11,317,596	-10,571,362.87
Departmental Accounts	-246,366,249.60	-240,758,197.27
Individuals	-3,362,317.34	-3,357,781.12
Local Government	-854,547.95	-806,097.71
ECCB	-1,373,447.00	-1,373,447.00
TOTAL	-262,123,907.30	-257,425,951.36

Other Governments

2.121

These deposits are operated on account of Other Governments within the region. The balances held on five (5) of these accounts had a debit balance which totaled \$359,095.05, whereas the other six (6) balances in credit totaled \$918,160.44 resulting in a net credit balance of \$558,844.92.

**2.122**

No analysis of the balances has been undertaken and no confirmation of these balances was sought from the other Governments.

Statutory Bodies**2.123**

The balance on the deposits that are held on behalf of the statutory bodies showed a net credit balance of \$11,317,596.39 an increase of \$ 746,233.52 over last year's balance of \$10,571,362.87.

*Port Authority***2.124**

Payments from this account included an amount of \$440,000.00 which was for the repayment due on KWD Loan # 469, and \$135,000.00 for the rental of the Port Administration Building. Included among the receipts was a total of \$180,000.00 which was paid by the Ministry of Tourism for the rental of the Cruiseship Berth for the period November 2005 to November 2006

*Port Authority Cruise Ship Berth***2.125**

The sum of \$220,000.00 was disbursed to meet part payment of principal for KWD Loan # 469.

*CWSA- Environmental Levy***2.126**

An amount of \$643,294.80 was paid over to the Solid Waste Management Unit during the year. This amount represents levy collection for the period December 2005 to September 2006

Individuals**2.127**

Monies collected and held on behalf of private citizens and other non – governmental organizations showed a net credit balance of \$3,362,317.34.

**2.128**

Twenty four (24) accounts showed credit balances totaling \$3,367,475.37, while the remaining three (3) carried debit balances of \$5,158.03. Included in this balance is an amount of \$66,294.63, which represents individual accounts which were “written off” but still remain in the accounts.

Local Government

2.129

There are twelve (12) accounts maintained on behalf of the Local Authorities and these should be reconciled with annual statements which are to be prepared by the Authorities to account for their operations.

2.130

CAP 257 45 (4) stipulates “a local authority shall prepare and submit to the Director of Audit in the month of February every year a financial statement in duplicate of its accounts for the previous year”. No such statements have been submitted for many years, therefore, it was not possible to verify the balances shown on the Detailed Statement of General Deposits.

2.131

A summary of the balances as recorded in the Treasury accounts shows that the net position is one of an overdrawn account expressed as follows:-

Table 1.14

No of Accounts	Status	Amount
10	Debits	\$918,978.22
2	Credits	(\$64,430.27)
	Net Debit	\$854,547.95.

2.132

No authority has been seen for the overdrawn deposits on the ten (10) accounts which are in essence loans to the Local Authorities.

During the year, allotments totaling \$1,436,188.00 was paid over to the various Town Boards and District Councils.

**Departmental Accounts**

2.133 The departmental accounts are maintained on behalf of the various Ministries and Departments and they should exhibit some interest in the accounts. There appears to have been no control exercised by the Accounting Officers and the balances have not been analysed.

2.134 The balances were comprised of one hundred and sixty three (163) credit balances totaling \$246,366,249.60 and ten (10) debit balances amounting to \$3,051,038.60. Included in the debit balances was a total of \$1,002,179.39 which were classified as inactive accounts.

2.135 It has been pointed out in several audit reports that the debit balances represent unauthorized advances/loans which may finally have to be borne by the Consolidated Revenue Fund. Many of them may have resulted from overpayments and it is apparent that recovery of the amounts at this late stage will prove impossible. The accounts showing debit balances have not been authorised. The indications are that all of these amounts will eventually have to be cleared against the Consolidated Revenue Fund.

Suspense account

2.136 The balance on the suspense deposit account was reduced from \$2,541,754.87 at the end of 2005 to \$312,514.89 in December 2006.

2.137 There were several entries made for receipts and payments in this account. Likewise funds were transferred from this account to recurrent revenue.



2.138 Included in the transfers from this account to recurrent revenue – other receipts, was the sum of \$1,826,933.36 which was recorded as monies received from International Development Association in 2001. The purpose of these funds could not be established.

2.139 The Accountant General should make a serious effort to have this account analyzed so that monies deposited to this account as a temporary measure could be transferred to the correct account(s) without delay.

Sight Entries

2.140 The closing balance as at 31st December 2006 was \$6,288,865.33. A total of \$726,605.79 was recorded as transferred to the respective recurrent revenue accounts. The Customs and Excise Department has responsibility for this account and should take the necessary steps to have this account analyzed and monies paid to the appropriate account or person(s) thereby reducing the balance on the account to reflect the true and correct balance.

Trade Bottle Levy Deposit

2.141 The balance on the account increased from \$1,700,374.69 to \$1,921,050.52 – a difference of \$220,675.83. Transfers to recurrent revenue totaled \$682,596.00.

Auction Sale Government Vehicles

2.142 The balance on this deposit account continues to rise yearly without no indication of any steps being taken to have this account analyzed and reconciled and monies transferred to the appropriate recurrent revenue account.

**2.143**

The balance at the end of the financial year was \$895,242.08, an increase of \$254,597.44 over last year's closing balance of \$640,644.64.

Revolving Fund Drugs

2.144

The Ministry of Agriculture is responsible for the administering of the Revolving Fund which was set up to purchase specific drugs for resale at the Veterinary Division. Monies received from the sale of these drugs were to be used for the replenishing of the stock.

2.145

Although a register is maintained by the Ministry no reconciliation with the Treasury balances are being done. This shortcoming has been drawn to the attention of the Accounting Officer for a number of years during the annual audit of the Ministry's records. To date no analysis has been carried out on the account to ascertain whether

1. all charges made to the accounts are correct charges.
2. all charges to be made to the account were made.
3. reasons for difference between the balance in the Register and that in the Treasury Accounts.

As a result of the foregoing the credit balance of \$111,443.12 which remains on the accounts at the end of the year could not be verified.



STATEMENT OF INVESTMENTS

2.146

The Statement of Investment prepared and submitted by the Accountant General includes investments held at both the National Commercial Bank and the Eastern Caribbean Central Bank in the form of Trust Funds, Sinking Funds and Special Deposits.

2.147

The Statement of Investment should be prepared from the Treasury accounts, yet differences were seen between the balances in the Treasury accounts and the Statement of Investment.

2.148

The differences, between the balances on the NCB Certificate of Balances and the Treasury accounts are normally attributable to the interest earned on the accounts. Hence when the interest is brought to account both balances would agree.

2.149

It is not clear why there were instances where the balances on the Statement of Investment agreed with that of the NCB Certificate of Balances but not with the Treasury accounts.

2.150

Errors which were detected on the statement were brought to the attention of the Accountant General by memorandum.

TRUST FUNDS

2.151

Of the five (5) trust funds recorded on the Statement, only two (2) of these trust funds appear on the Certificate of Balances namely, Graham Bequest and Simmons Bequest.



2.152

Interest of \$4,121.46 and \$471.68 brought to account in 2006 included interest earned for 2005 and not brought to account previously as shown in Table

Table 1.15

Trust Funds	2005	2006	TOTAL
Graham Bequest	\$1,512.57	\$2,608.89	\$4,121.46
Simmons Bequest	\$264.99	\$206.69	\$471.68

2.153

The other three (3) trust funds remained unchanged in the Treasury accounts and on the Statement of Investment from 2004 with the following balances.

Table 1.16

Trust Funds	Balance
Lady Musgrave	\$300.82
Major Bain Gray	\$1,066.84
Haywood X-Ray	\$13,120.58

2.154

The Accountant General has once again been asked to indicate if these accounts have been closed at the National Commercial Bank and are being held elsewhere and to provide the necessary documentation. No response was received within the time given.

SINKING FUND

7 ½ Development Bonds 2006/07

2.155

A market value of \$27,294,659.96 was reflected on the Statement of Investment while the Treasury accounts showed a value of \$4,930,335.82 at the end of 2006.

2.156

It could not be ascertained if the difference was solely attributable to sinking fund contributions and interest earned on the Investment.



7 % Development Bonds 2012/2013

2.157

The table below shows a comparison of balances indicating that no adjustments were made to the accounts to reflect the contributions made and interest earned on the sinking fund for a period of time.

Table 1.17

Sinking Fund	Certificate of Balance (NCB)	Statement of Investment	Treasury Accounts
7% Development Bonds 2012/2013	\$15,219,139.43	\$15,219,139.43	\$1,927,4277.40

2.158

During 2006 a total of \$11.8 million was paid as sinking fund contributions as follows.

Table 1.18

7 ½ Development Bonds 2006/07	\$5,900,000.00
7 % Development Bonds 2012/2013	\$5,900,000.00

This amount was not transferred to either Sinking Fund in the Treasury Accounts.

SPECIAL DEPOSITS

2.159

No entries were made in the Treasury accounts to adjust for interest earned on the *Electricity Development Reserve Fund* and the *Canouan Development Fund* during the year. The Certificate of Balances for accounts held at the National Commercial Bank showed year end balances of \$409,031.16 and \$945,113.89 for the Electricity Development Reserve Fund and the Canouan Development Fund respectively, while the Treasury accounts showed balances of \$367,190.71 and \$601,085.69. These balances has remained unchanged in the Treasury accounts from 2003 indicating that no adjustments for interest earned were made since 2003.



2.160

The closing balance on the *Accountant General Balcombe* at the end of the year was \$1,612,012.40. A total of \$38,100.39 was brought to account during the year. This represented interest and other charges not previously brought to account for the years 2003-2005 and interest and other charges for the current year.

2.161

Below is a summary of the balances on the special funds according to the specified records.

Table 1.19

Account	Treasury Accounts	Statement of Investment	NCB Certificate of Balances
Reserve Fund Electricity	\$367,190.71	\$409,0131.16	\$409,0131.16
Canouan Development Fund	\$601,085.69	\$945,113.89	\$945,113.89
Accountant General Balcombe	\$1,612,012.40	\$1,599,914.42	\$1,612,012.40

2.162

The **Fiscal Reserve Account** which is held at the Eastern Caribbean Central Bank earned interest of \$62,317.52 on the account for September 2005 and January to November 2006.



STATEMENT OF PUBLIC DEBT

The Statement

2.163

The following is a summary of the Public Debt Statement as presented by the Accountant General.

Table 1.20

PARTICULARS	ORIGINAL DEBT (\$)	AMOUNT OUTSTANDING (\$)
Public Sector Investment Loan	20,000,000	2,694,615.53
Development Bonds 2006/2007 (7%)	30,000,000	30,000,000.00
Domestic Bonds 2012/2013 (7%)	30,000,000	30,000,000.00
Domestic Bonds 2014	30,000,000	30,000,000.00
Domestic Bonds 2016	40,000,000	40,000,000.00
TOTAL	150,000,000	132,694,615.53

2.164

Attached to the Statement also is a Schedule with a list of Creditors/Lenders and a number of Projects which have been funded by the Creditors or the Source of Fund; as well as the amounts outstanding as at January 1, 2006 and December 31, 2006. The under-mentioned represents a Summary of the Schedule.

Table 1.21

Creditors/Particulars	Outstanding JAN 1, 2006 (\$)	Outstanding Dec 31, 2006 (\$)
1. ROC Loans	7,919,983.00	6,479,981.00
2. Bank of Nova Scotia	40,500,002.00	36,000,001.00
3. Caisse Centrale D' Cooperation	3,058,108.00	2,720,946.00
4. CDB	128,535,354.00	136,036,430.00
5. Caribbean Money Market	105,879,556.00	93,666,667.00
6. European Investment Fund	20,174,846.00	18,086,457.00
7. Govt. T&T	10,492,233.00	9,789,738.00
8. Int'l Bank Reconstruction (IBRD)	2,531,737.00	9,164,980.00
9. Int'l Dev Association (IDA)	41,485,872.00	43,632,081.00
10. Int'l Fund Agric. Dev. (IFAD)	2,365,920.00	2,044,060.00
11. Kuwait Fund	13,410,122.00	12,286,892.00
12. PEEK TRAB.V	1,969,457.00	1,969,457.00
13. Royal Merchant Bank-T&T	27,578,126.00	24,312,501.00
14. USAID	17,900,609.00	16,938,110.00
15. Westdeutsche Landesbank	130,234,552.00	119,815,788.00
16. Export/Import Bank of China	8,864,980.00	7,874,977.00
TOTAL	562,901,457.00	540,819,066.00



2.165 There were some calculation errors on the Schedule in relation to Items #s 4, 5, 6 with respect to the outstanding amounts as at December 31, 2006. The Summary/Table above however, reflects the correct amount according to the figures presented on the Schedule.

2.166 **The Estimates**
The 2007 Estimates of Revenue and Expenditure-(Appendix 1) quotes Disbursed Outstanding Debt as at 30/9/ 06 as follows:-

Table 1.22

PARTICULARS	AMOUNT (\$)
1. Internal Debt:-	
Bonds and Debentures	92,000,000
Overdrafts-NCB	71,261,681
Loans	162,574,106
Treasury Bills	48,000,000
Insurance Deposits	18,959,497
Accounts Payable	7,764,810
	400,560,094
2. External Debt:-	
CDB	131,724,285
Govt.Guaranteed	28,841,382
Republic Of China (ROC)	15,299,961
European Investment Bank	35,677,908
USAID	16,938,109
Agence Francaise de Development	23,911,148
Kuwait Fund	16,198,607
World Bank	51,980,707
Ottley Hall	164,824,125
Bonds	160,970,488
Others	15,219,440
	661,586,160

The total of Items 1 & 2 listed above is \$1,062,146,254.00.



The Accounts-(SMARTSREAM)

2.167

The Accounts indicate the following with respect to the Servicing of Public Debt.

Table 1.23

PARTICULARS	AMOUNT (\$)
Internal Debt:-	
Amortization	3,883,244.06
Sinking Funds	11,800,000.00
Interest	20,220,685.00
	35,903,929.06
External Debt:-	
Amortization	35,888,400.85
Interest	23,009,734.38
	58,898,135.23

Total Debt Servicing was therefore \$94,802,064.29 for the year under review.

2.168

The Accounts also reflect the following with respect to Public Debt

PARTICULARS	AMOUNT (\$)
1. Domestic Bonds 2006/2007	30,000,000.00
2. Sinking Funds 2006/2007	4,930,335.82
3. Domestic Bonds 2012/2013	30,000,000.00
4. Sinking Funds 2012/2013	1,927,477.30
5. Domestic Bonds 2014	30,000,000.00
6. Domestic Bonds 2016	40,000,000.00
7. Public Sector Investment Loan	2,694,615.53
	139,552,428.65

Table 1.24

2.169

Memorandum Accounts should be set up to reflect all Bond Issues as well as all other Outstanding Loans or Debts by the Government. Monies raised by Development Bonds should have Sinking Funds set up for each Issue. No Sinking Funds were seen set up for the 2014 and 2016 Bond Issues. The Accounts revealed that an amount of \$2,694,615.53, remain outstanding on the Public Sector Investment Loan. A foot-note to the Public Debt



2.170

Statement stated that the Loan has been paid off; however, the transaction was not effected in the Accounts. The same information was recorded on the 2005 Public Debt Statement. The necessary adjustments should be made to reflect the true status of the account.

2.171

Several items appear not to be included as Part of the Public Debt of the State in the Accounts at the Treasury. They include the following:-

Table 1.25

ITEM/PARTICULARS	AMOUNT (\$)
External Loans	540,819,066.00
Treasury Bills	47,308,699.06
Royal Merchant Bank Loan Monies	83,631,758.77
National Commercial Bank Loan Monies	11,986,056.28
	683,745,580.11

Comparisons

2.172

The Estimates of Revenue and Expenditure for the Year 2007 quotes Disbursed Outstanding Debt (as at 30/9/06) as follows:-

Domestic Debt- \$400,560,094.00
 External Debt- \$601,586,160.00
\$1,062,146,254.00

2.173

Gross Domestic Product for the Year 2006 was quoted as 1,321,990,000.00 Based on Statistics provided the following comparisons with respect to Public Debt can be made.

1. **Debt to GDP Ratio:** - $\frac{1,062,146,254}{1,321,990,000}$
 =0.8034



2.174

This means that the public debt at 31st December, 2006 represents approximately eighty percent (80%) of the Gross Domestic Product (GDP) of the country. The bench mark level recommended by the Monetary Council of the ECCB is sixty percent (60%) of the GDP.

2. **Debt Service to Recurrent Revenue:** - $\frac{94,802,064.00}{396,606,869.46}$
=0.2390

The Ratio suggests that approximately twenty-four percent (24%) of Recurrent Revenue was used for Debt Servicing.

The 2006 Budget Call projected that the Debt Service to Recurrent Revenue Ratio to be twenty-six percent (26%).

Conclusion

2.175

1. The Public Debt Statement presented by the Accountant General does not adequately reflect the Public Debt of the State.
2. The Accounts-SMARTSTREAM does not reflect many of the components of Public Debt, such as all External Loans.
3. Transactions executed were not always effected in the Accounts.



STATEMENT OF ASSETS AND LIABILITIES

LIABILITIES

2.176

The Statement of Assets and Liabilities does not record all of Government assets and liabilities, it is merely a summary of some of the below- the-line accounts and the Consolidated Fund. No fixed assets or long term liabilities are reflected on the face of the statement. The Statement only records cash assets and liabilities.

CURRENT ACCOUNT

Bank

2.177

The Statement shows an amount of \$136,163,120.14 as “Overdraft at Bank”, whereas the Certificate from the bank states a figure of \$62,781,523.55, a difference of \$73,381,596.59. While the difference in balances may be partly attributable to cheques issued by the Accountant General and not yet presented to the Bank, the Audit was not in a position to verify the correctness of the overdraft position as no bank reconciliation has been done. Failure to carry out this vital exercise must give cause for concern and the longer the delay, the more difficult the task will be. The approved overdraft limit for the year ending 31st December 2006 was forty million dollars (\$40m).

2.178

The following table is a comparison of the overdraft balances and the approved overdraft limit for the last three (3) years.



Period	Balance as per Treasury Accounts (\$)	Balance as per NCB Certificate of Balances (\$)	Overdraft Limit (\$)
2004	(100,386,681.31)	(44,325,626.43)	(30,000,000.00)
2005	(93,258,476.87)	(48,700,974.75)	(30,000,000.00)
2006	(136,163,120.14)	(62,781,523.55)	(40,000,000.00)

Table 1.26**Crown Agents****2.179**

No analysis has been done on this account whose balance has remained unchanged since 1999 at which time an amount of \$2,094,257.24 representing unprocessed transactions from 1996 were credited to the account resulting in a net closing balance of \$2,206,646.32.

Development Aid Cash**2.180**

This account has remained dormant for several years and recommendations were made in previous reports for it to be analyzed in an effort to have it cleared from the accounts.

In Transit**2.181**

The following represents balances on the remittance accounts for the sub-treasuries at the end of 2006. The total balance on the accounts has increased by \$303,755.75. This account records funds remitted by the Accountant General's Office for the running of the various sub treasuries. This account should have a nil balance since it is an in transit account indicating it is just an account that funds pass through. These balances are an indication that there maybe several errors within the accounts which may be due to incorrect classification or monies not being transferred to the respective cash accounts.

**Table 1.27**

SUB-TREASURY	Balance as at 01/1/06 (\$)	Balance as at 31/12/06 (\$)	Difference (\$)
Georgetown	(1,933,467.09)	(2,140,090.20)	-206,623.11
Bequia	(2,602,900.92)	(2,655,541.71)	-52,640.79
Union Island	(601,218.49)	(645,710.34)	-44,491.85
Barrouallie	830,432.56	830,432.56	0.00
TOTAL	(4,362,866.59)	(4,610,909.71)	(303,755.75)

DEPOSITS**Development Aid****2.182**

It was reported in the 1985/1986 Annual Audit report that the balance on this account is comprised of two (2) amounts outstanding from the period when the Development Aid was granted on an advance basis. There has been no movement on this account since 1974/75. No analysis has been undertaken and the possibility of having a proper analysis is very remote. Attempts should be made to have this balance charged against the Consolidated Fund and cleared from the accounts.

2.183

Comments on the other Deposit accounts, namely; Individuals, Local Government, Statutory Bodies, and Sundry Deposits can be found at paragraphs -2.118-2.145 Statement of General Deposits.

**UNRECONCILED DIFFERENCES****2.184**

The unreconciled differences as at the close of the financial year 2006 were shown as follows:-

Table 1.28

ACCOUNT	NARRATIVE	AMOUNT (\$)
490	Kingstown Cash	12,580.12
432	A.D.P Salaries Account	15,041.44
431	A. D.P Salaries Account	557.87
	Assets/Liabilities Difference	877.33
		29,065.76

These closing balances include balances dating back from the old Accounting system - TREACC

GENERAL**2.185**

The following items which were listed on the appendix and reflected in the Treasury accounts were not recorded on the face of the balance sheet.

Table 1.29

ITEM	AMOUNT (\$)
LOANS	
National Commercial Bank	9,000.00
NCB Loan Account	0.02
DEPOSITS	
National Provident Fund	180,000.00

2.186

The balance on the deposit in respect of the National Provident Fund has been shown in the accounts for many years and could not be verified. It is not shown in the accounts of the National Insurance Services (formerly the National Provident Fund) and its origin could not be ascertained.

Recommendations have been made in previous reports to have these accounts cleared against the Consolidated Fund.



ASSETS

Kingstown Treasury

2.187

This account is the cash account maintained at the Accountant General’s office. In 2000 a system was introduced at the Accountant General’s Office in which all payments in excess of \$100.00 were made by cheques thereby reducing the amount of cash on hand at the Treasury. The Treasury was expected at all times to maintain a cash balance of \$10,000.00. This balance was maintained for the financial years 2000, 2001 and 2002. However, from financial years 2003 the cash balance began to rise. The Accountant General was then asked to indicate the reason for the high balances on the accounts. No response has been forthcoming to date.

Cash is an asset and therefore should always reflect a debit balance, having a credit balance is an indication that there are errors within the account which could be as a result of incorrect postings of transactions. Listed hereunder is the cash position as depicted in the Treasury accounts for the last three (3) years inclusive of the financial year under review.

Table 1.30

PERIOD	CASH BALANCE (\$)
2004	(110,057.31)
2005	711,559.41
2006	5,256,834.35

2.188

A Board of Survey report was submitted on the findings of the survey conducted at the Treasury on 2nd and 3rd January 2007. The report did not highlight the cash book balance as at 31st December 2006, only highlighting the cash receipts of \$59,073,335.89 for 29th December 2006 and deposits of \$58,996,777.55 made for that day. The only cash recorded was a total of \$1,500.00 being the amounts in the possession of the Senior and Junior Cashiers.

**Sub-Treasuries****2.189**

The total balance in the Cash Books of the four (4) sub-treasuries as at 31st December 2006 was \$231,309.65 whereas the statement showed a balance of \$4,369,412.58 a variance of \$4,138,102.93 summarised as follows:-

Table 1.31

Sub-Treasury	Balance on Statement	Cash Book Balance	Variance
Georgetown	\$744,267.77	\$47,670.31	\$696,597.46
Bequia	\$2,031,479.63	\$33,764.97	\$1,997,714.66
Union Island	\$436,430.71	\$48,901.12	\$387,529.59
Barrouallie	\$1,157,234.47	\$100,973.25	\$1,056,261.22
TOTAL	\$4,369,412.58	\$231,309.65	\$4,138,102.93

2.190

There were several adjustments made to the accounts as a result of incorrect postings to the various sub-treasuries. The high variance indicates that there are further errors in the accounts which would require a detailed analysis by the Accountant General and the necessary adjustments made. No Board of Survey reports were seen in respect of cash held at any of the sub-treasuries.

Crown Agents & JCF**2.191**

There was no change to the accounts for the year under review. The balance listed on the Statement is comprised as follows:

Crown Agents	\$3,039,396.39
Joint Consolidated Fund	<u>\$172,576.53</u>
	<u>\$3,211,972.92</u>

**ADVANCES****2.192**

The Statement of Advances consists of Advances categorized as follows:- Public Officers, Other Governments, Departmental and Other Advances. The comments on these advances are made at paragraphs 2.102 – 2.116.

Local Government**2.193**

The twelve (12) Town Boards and District Councils operate deposit accounts. Subventions are paid over to these Offices for their functioning. Ten (10) of these deposit accounts recorded debit balances at the end of 2006. This is an indication that their balances have been overdrawn and is in effect unauthorized advances hence the reason for the accounts being classified as advances on the statement. A listing of the year end balances of the Town Boards and District Councils are attached to the statement.

Imprests**2.194**

Imprests represent cash advanced to Government Ministries and Departments to effect payment for specific purposes. Financial Rule 61 states that “Imprests will be accounted for in full on or before the date stated in the Imprest Warrant, any unexpended balance being paid into the Treasury”. Quite frequently Accounting Officers failed to have the Imprest warrants issued in their name retired, resulting in several outstanding Imprests at the year end. Also, quite frequently there are classification errors in the accounts.

Thirty four (34) Imprests showed uncleared balances at the end of the year. Seven (7) of these accounts have been recorded as inactive Imprests dating back several years. Of the seven (7) inactive Imprest accounts one (1) account recorded a credit balance while the remaining six (6) showed debit balances as follows.



ACCOUNT NO.	DR (\$)	CR (\$)
1-56098		1,990.67
10-56098	24,956.59	
20-56098	39,617.28	
35-56098	3,180.81	
45-56098	12,831.99	
65-56098	96,073.91	
80-56098	3,116.48	
TOTAL	179,777.06	1,990.67

Table 1.32

2.195

Despite adverse comments in previous reports, no serious attempt has been made to analyze these imprests - active and inactive. Further, the inactive imprests should be cleared from the accounts if they are indeed inactive. This situation provides scope for irregularity and fraud and must not be overlooked therefore the matter should be treated with the prompt attention it deserves.

INVESTMENTS

2.196

The statement classifies the following nine (9) items into three (3) categories as outlined below.

Table 1.33

NARRATIVE	TOTAL (\$)	TOTAL (\$)
INVESTMENTS		
Special Deposits NCB (EDRF)	367,190.71	
		367,190.71
SPECIAL FUNDS		
ECCB Fiscal Reserve	1,381,676.00	
Accountant General Balcombe	1,612,012.40	
Canouan Development	601,085.69	
		3,594,774.09
TRUST FUNDS		
Lady Musgrave Prize Fund	300.82	
Haywood X-Ray Fund	13,120.58	
Simmons Bequest	7,096.39	
W.B.Gray Prize Fund	1,066.84	
Graham Bequest	71,029.44	
		92,614.07

**2.197**

Comments on the status of these accounts can be found at paragraphs 2.146-2.162 under Statement of Investments.

CONSOLIDATED FUND**2.198**

The Consolidated Fund has maintained a deficit balance for many years. The following table represents the balance on the Consolidated Fund for the year 2006.

Bal b/fwd 01/01/06	\$313,323,066.73
Deficit for 2006	<u>\$45,272,090.02</u>
Balance 31/12/06	<u>\$358,595,156.75</u>



MINISTRIES AND DEPARTMENTS

GOVERNMENT HOUSE

- 3.1 A query on the non-production of wages cards for daily paid workers for audit examination went unanswered.
- 3.2 The maintenance of proper records with respect to wages is very important for several obvious reasons including the computation of benefits under the National Insurance Services and the Protection of Employment Acts.
- 3.3 Failure to keep these records could result in the workers being deprived of benefits for which they may have otherwise become eligible.

HOUSE OF ASSEMBLY

Legislation 2006

- 3.4 A total of thirty-eight (38) Acts were passed in the House of Assembly during the year 2006. All Acts were assented to by the Governor General and Published in the Gazette.

Hansards 2006

- 3.5 Listed among the 2006 result indicators of the House of Assembly published in the 2006 Estimates is the following:- “Edit the Hansards for 2006”.

**3.6**

At the time of drafting this report the Hansards in question were not edited. The Clerk of the House of Assembly sited the absence of appropriate personnel as the principal reason for not achieving this particular indicator.

MAGISTRATES

3.7

A total of \$1,345,722.00 was provided in the 2006 Estimates for the administration of the Magistracy. This amount was subsequently revised to \$1,533,093.00. A total of \$1,324,776.91 was spent during the period under review, \$20,945.09 less than the Original Estimate.

3.8

The issue of Magistrates failing to affix their signatures in the Order Books persisted during 2006. The signature of the Magistrate is evidence that the orders or convictions recorded in the Order Books are authentic.

3.9

There were instances where the orders made by the Magistrates were not recorded in the Order Books and a significant number of Commitment Warrants with fines totaling \$97,860.00 remained unexecuted several months after they were issued by the Magistrates.



FAMILY COURT

3.10

The records at the Family Court are generally properly maintained, with some exceptions which are highlighted hereunder:-

3.11

There were instances where the appropriate warrants were not issued when the time within which payments should have been made had elapsed. This apparent lapse compromises the order of the court and can create further hardship for complainants.

3.12

The Imprest maintained by the department for the purpose of paying witnesses was not retired at the end of the year. The Vote Accounts were not reconciled with the Treasury records and no Equipment Ledger was maintained.

REGISTRY

General

3.13

The Registry had five (5) main Result Indicators for the year 2006 according to the Estimates of Revenue and Expenditure. Among them are the following:-

- ❖ Timely disposal of cases coming before the Court
- ❖ Establish Possessory Titles Unit to facilitate the obtaining of title to land by persons claiming through adverse possession
- ❖ Continue to enter birth, marriage and death data with a view to issuing computer- generated Certificates.



3.14

According to the Estimates of Revenue and Expenditure 2007, the following were the Status of the 2006 Results Indicators:-

- ❖ Of the seventy-seven (77) cases which came up for hearing at the February and October Assizes, only thirty-eight (38) were heard. This represents forty-nine percent (49%) of the total brought up for hearing.
- ❖ The Possessory Title Unit was established on September 1, 2006 under the direction of Justice Albert Mathews
- ❖ The Registry began issuing electronically generated Certificates in March 2006.

Revenue

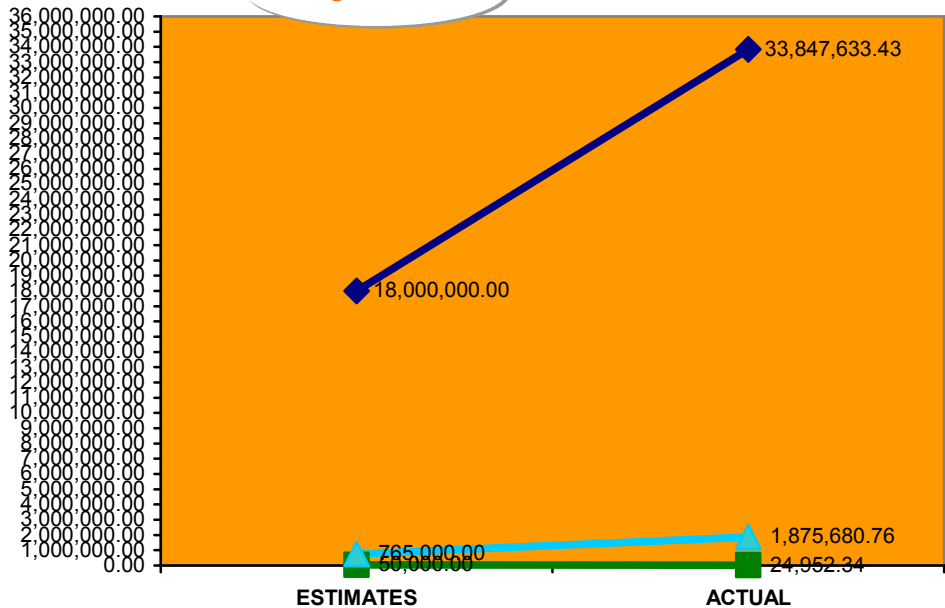
3.15

The following were the main Revenue generating items

- ❖ Stamp Duty-(Taxes on Domestic Goods Transactions)
- ❖ Court Fines-(Fines, Fees and Permits)
- ❖ Registrar Supreme Court-(Fines, Fees and Permits)

The under-mentioned represents the *Estimates* and *Actual Revenue* for these Items.

Figure 1.14





3.16

The Actual Revenue for Stamp Duty (\$33,847,633.43) was \$15,847,633.43 in excess of the Estimates of \$18,000,000.00 while for the Court Fines the Actual Revenue of \$24,952.34 was \$25,047.66 below the Estimates. The Actual Revenue for Registrar Supreme Court (\$1,875,680.760.00) more than doubled the Estimates of \$765,000.00.

The *category* Registrar Supreme Court represents amounts collected for the Registration of Documents, fees collected for Birth Certificates as well as for the photocopying of documents.

The *monthly* performance for this category (*Registrar Supreme Court*) as well as the other top performer-*Stamp Duty* is depicted below.

Monthly Performance- Registrar Supreme Court

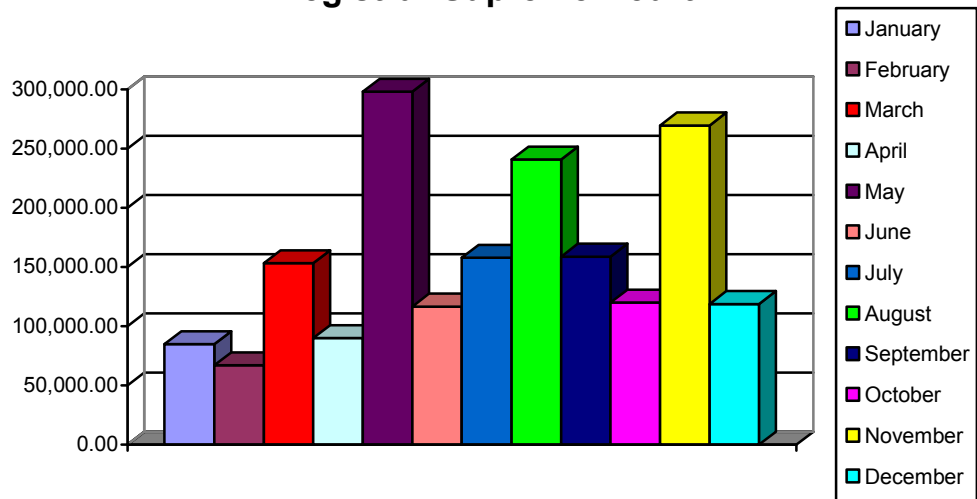


Figure 1.15



Monthly Performance-Stamp Duty

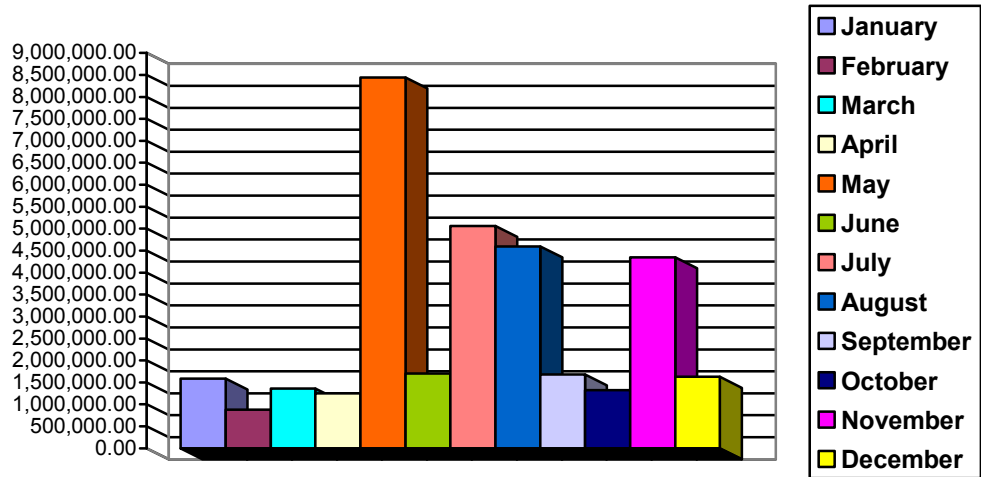


Figure 1.16

Expenditure

3.17

An amount of \$1,825,471.00 was voted originally for the running of the Registrar’s Office. This was supplemented by a Special warrant in the sum of \$12,572.00. A total of \$1,719,646.02 was expended for the year. The Items *Personal Emoluments* and *Allowances* exceeded their estimates by \$17,342.97 and \$6,604.00 respectively. These two (2) Items or Accounts are not subjected to the Budgetary Control Measures as the other Expenditure Items.



SERVICE COMMISSIONS

3.18

The record purported to monitor the fulfillment of the Terms of Bonds undertaken by officers/students who were granted bursaries and study leave does not readily lend itself to the objective. As a consequence, the Audit Office cannot vouch whether or not the conditions outlined in the agreements between the Service Commissions and the Students were fulfilled.

OFFICE OF THE PRIME MINISTER

Resident Permit

3.19

The Office of the Prime Minister is responsible for the issue of permits of permanent and temporary residence under the Residence Act.

3.20

Four hundred and fifty-two (452) such permits were granted in 2006. The Law which governs the grant of Residence Permits does not appear to include any qualifying conditions for the grant of the permits.



3.21 A memorandum to the relevant Government official seeking clarification of the issue did not evoke a response. Revenue amounting to \$1,323,200.00 was collected by the Office as fees for the grant of Residential Permits, Citizenship and Work Permits as against the estimated amount of \$1,063,000.00.

Equipment

3.22 Although all items acquired by the Office during 2006 were seen by the Audit Team, the associated records, Inventories and Equipment Ledger, were not produced for audit inspection.

Result Indicators

3.23 Listed among the 2006 Result Indicators for the Prime Minister's Office is the undermentioned:-

- **To complete the process of Local Government Reform.**

No recent information on the status of the above process has come to the attention of the Audit Office.

GOVERNMENT PRINTERY

3.24 The shortcomings highlighted in the Director of Audit Report 2004 and 2005 have not been addressed. The department spent \$411,990.00 on Supplies and Materials during fiscal year 2006. This amount cannot be considered as insignificant or immaterial. The Accounting Officer must therefore pay more attention to the record keeping at the Government Printery.



MINISTRY OF FINANCE AND PLANNING

General

3.25

The Ministry is the administrative head for the following Departments

- ❖ Customs & Excise Department
- ❖ Inland Revenue Department
- ❖ Accounting Division/Treasury
- ❖ Central Planning Division
- ❖ Budget Research & Policy Division

Budget Circular

3.26

A Budget Circular signaling the start of the 2006 budget process was issued by the Ministry of Finance on the 17th June, 2005.

3.27

The circular included the under-mentioned macroeconomic and fiscal targets:-
Based on recent assessments, the GDP at market prices is anticipated to grow by 4.0 percent in 2006. The expected inflation rate is 2.5 percent Preliminary fiscal projections done within the context of the economic conditions that are expected to prevail in the upcoming fiscal year are summarized below in the form of some key fiscal ratios:

• <i>Current Revenue to GDP</i>	<i>28.0%</i>
• <i>Current Expenditure to GDP</i>	<i>25.5%</i>
• <i>Capital Expenditure to GDP</i>	<i>10.0%</i>
• <i>Total Expenditure to GDP</i>	<i>35.5%</i>
• <i>Debt Service to Current Revenue</i>	<i>25.0%</i>
• <i>Wages and Salaries to Current Expenditure</i>	<i>46.0%</i>
• <i>Recurrent Surplus to GDP</i>	<i>3.0%</i>



These fiscal targets and the policy priorities outlined above provide the broad parameters within which the 2006 Estimates will be discussed and allocation of resources made.

3.28

Given that the projected Gross Domestic Product (GDP) figure/amount) was not provided, it is not clear whether the fiscal ratios were meant for general information or for the consideration of Accounting Officers in the preparation of the Corporate Plans.

EXPENDITURE

Recurrent

3.29

A total of \$1,848,782.00 was voted for the expenses of the Office. The sum of \$1,583,434.65 was expended.

Capital

3.30

Several Capital projects were listed under the auspices of the Ministry as follows:-



Project#	Narrative	Estimates (\$)	Actual (\$)
200507	UNDP Tech. Assistance 2005-2007 (1)	20,000.00	0.00
200507	UNDP Tech. Assistance 2005-2007 (2)	136,139.00	37,803.00
200203	Capital Subscription CDB/IBRD	1,300,000.00	0.00
200206	SVG Recovery & Disaster Mgmt Project (1)	1,319,523.00	1,266,957.50
200206	SVG Recovery & Disaster Mgmt Project (2)	2,500,000.00	2,415,550.60
200408	Project Implementation Unit	600,000.00	548,785.50
200503	Integrated Project Mgmt System	10.00	0.00
200602	Refurbishment of Administrative Building	300,000.00	63,750.00
200605	2010 Population & Housing Census	50,000.00	0.00
200505	Country Poverty Assessment	400,000.00	0.00
200606	Canouan Administrative Center	600,000.00	0.00
200606	International Airport Development	500,000.00	500,000.00
		7,725,672.00	4,832,846.60

Table 1.34***Bond Register*****3.31**

Government Officers granted Study Leave and Scholarships are bonded to serve the Government for a specified period. These persons receive paid leave, and the amount of the Bond bears close relation to the amount so paid during the period of leave. Bonding arrangements are done by the Services Commissions Department- entrusted with the Human Resource Development of the Civil Services. Repayments of Bonds however, are vested with the Ministry of Finance. There appears to be no legal obligation by the Sureties to repay un-served bonds. A total of \$3,675,201.05 appears to be outstanding at the year 2006.

**3.32*****Board of Surveys***

The Financial Rules provide for Board of Surveys, to be held after the close of business on the last business day of each year. The principal function of the boards is to examine cash, stamps and bank balances at the Treasury, other revenue collectors and storekeepers and to report the findings to the Director General of Finance and Planning.

3.33

One (1) Board of Survey report was received at the Audit Office for the year ended 31st December, 2006. The Board of Survey did not report on the state of the Bank Balance at the Treasury.

3.34***Furniture & Equipment***

The Ministry is responsible for the procurement of furniture for the General Civil Service. A total of \$400,000.00 was voted in the Estimates for this item. This was further supplemented by a Special warrant in the sum of \$150,000. A total of \$549,989.71 was expended. It was noted that even though all of the furniture bought was taken on charge; there was no mechanism in place to verify that the Issues purported to have been made *were* in fact made and taken on charge by the receiving Departments.

3.35***Stores***

The Ministry is also vested with the responsibility for the procurement of general stores such as stationery for the Civil Service. A total of \$253,565.00 was expended under this item. More care needs to be taken with the record keeping since several errors were observed with the issuing and balancing of the records/Ledgers. Purchases during the period were duly accounted for.



INLAND REVENUE DEPARTMENT

General

3.36

Among the major Revenue Objectives for the Department for the year 2006 were the following:-

- ❖ The assessment of all Tax types and the collection of Revenue as detailed in the Budget Estimates
- ❖ The examination of Financial Statements in accordance with the Income Tax Act and other Regulations
- ❖ To detect and discourage Tax Evasion
- ❖ To provide valuations for the purpose of Stamp Duty and the assessment of Property Tax
- ❖ To identify new Taxpayers and encourage voluntary compliance

3.37

A further breakdown of the Categories revealed the following:-

1. Taxes on Income & Profits

- ❖ Income Tax-Individual
- ❖ Income Tax-Corporate
- ❖ Income Tax-Withholding

Revenue

3.38

Revenue was estimated at \$117,340,000.00 to be generated under the following five (5) Headings or Categories:-

- Taxes on Income & Profits
- Taxes on Property
- Taxes on International Trade & Transactions
- Taxes on Domestic Goods & Transactions
- Licenses



3.39

Below is a comparison of the Estimates and Actual Revenue for the categories listed above.

Table 1.35

CATEGORY	ESTIMATED (\$)	ACTUAL (\$)
1. Taxes on Income & Profits	89,500,000.00	98,810,175.86
2. Taxes on Property	2,800,000.00	2,626,357.76
3. Taxes on Int'l Trade & Transactions	3,260,000.00	3,629,890.58
4. Taxes on Domestic Trade & Transactions	12,110,000.00	12,629,475.72
5. Licenses	9,670,000.00	8,562,769.02
	117,340,000.00	126,258,668.94

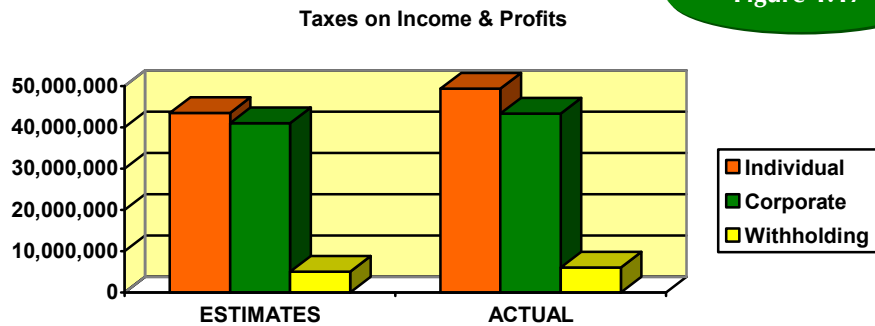
3.40

A further breakdown of the Categories revealed the following:-

1. Taxes on Income & Profits

- ❖ Income Tax-Individual
- ❖ Income Tax-Corporate
- ❖ Income Tax-Withholding

Figure 1.17



2. Taxes on Property

- ❖ Property
- ❖ Estate & Succession Duty



3. Taxes Int'l Trade & Transactions

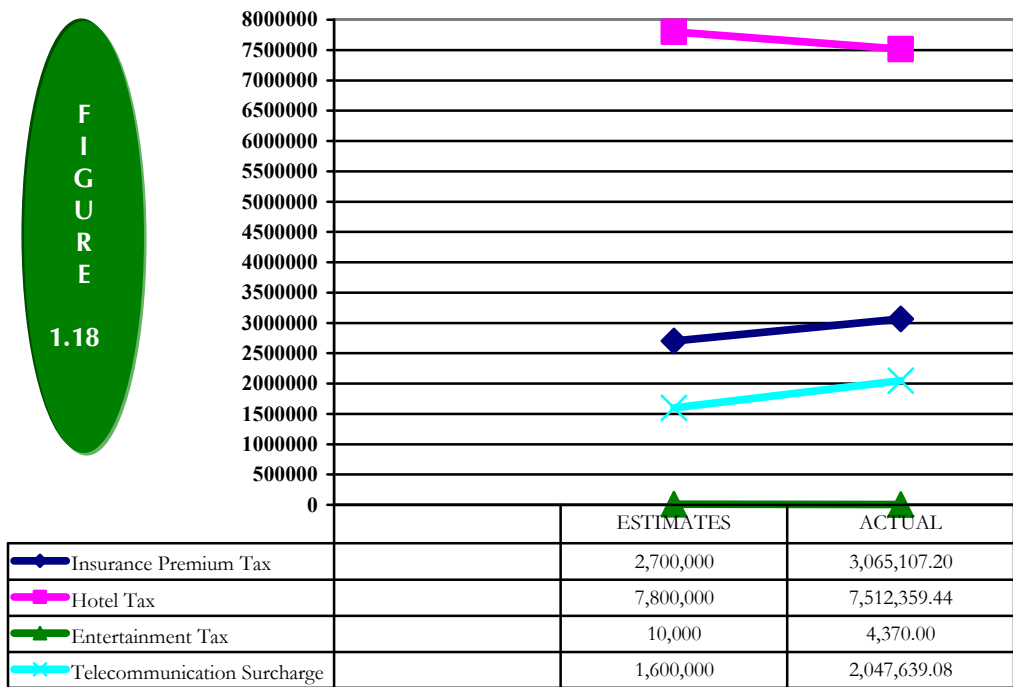
- ❖ International Telecommunication Surcharge
- ❖ Travel Tax

4. Taxes on Domestic Trade & Transactions

- ❖ Insurance Premium Tax
- ❖ Hotel Tax
- ❖ Entertainment Tax
- ❖ Telecommunication Surcharge

3.41 The under-mentioned represents a synopsis of the Estimates and Actual Revenue for the Category *Taxes on Domestic Trade & Transactions*. This was the second largest of the five (5) Categories presented.

TAXES ON DOMESTIC TRADE TRANSACTIONS



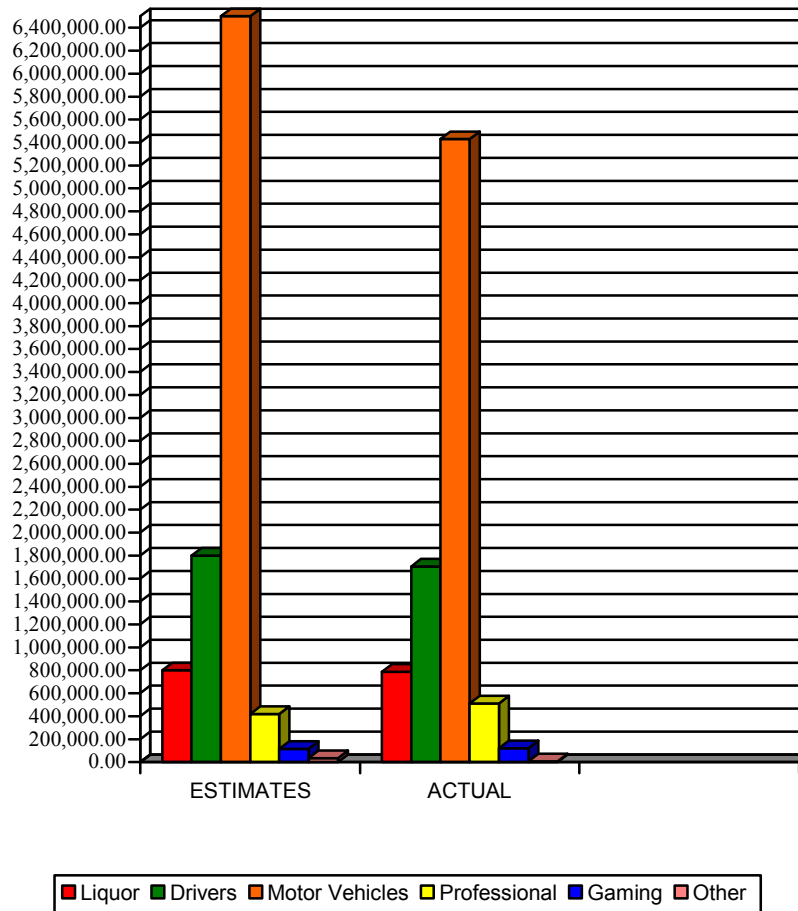


5. Licences

- ❖ Liquor
- ❖ Drivers
- ❖ Motor Vehicles
- ❖ Professional
- ❖ Gaming
- ❖ Other

LICENCES

Figure 1.19



**EXPENDITURE*****Recurrent***

3.42 An amount of \$4,393,262.00 was voted for the operations of the Inland Revenue Department. Special Warrants totaling \$298,488 were approved to supplement three (3) Accounts. Revised Estimates was therefore listed as \$4,691,750.00. Actual Expenditure amounted to \$4,041,665.42.

Capital

3.43 Two (2) Capital Projects were listed as follows:-

- VAT Implementation Project
- Property Tax Reform Programme

3.44 The two (2) Projects had Estimates of \$350,000.00 and \$10.00 respectively. An amount of \$349,183.75 was incurred under the VAT Implementation Project and zero Expenditure under the Property Tax Reform Programme/Project.

CUSTOMS & EXCISE DEPARTMENT**General**

3.45 Among the general objectives for **2006** put forward by the Customs were the following:-

- ❖ To provide for the processing of all documents relating to International Trade
- ❖ To process Customs Declarations for the clearance of Goods
- ❖ To ensure an efficient systems of Customs valuation is maintained in accordance with GATT/WTO System of Valuation



- ❖ To provide for the deposit of goods imported by sea and not yet cleared from Customs charge, including goods not yet reported or entered in accordance with Law
- ❖ To ensure the maintenance of a proper system of cargo examination, verification and valuation of cargo (including the valuation of used vehicles and equipment).
- ❖ To ensure an efficient system is in place for the collection of Local Consumption Tax, payable on locally manufactured or produced goods consumed in the country
- ❖ To identify impediments to International Trade and provide solutions to facilitate Imports and Exports, through the streamlining and simplification of Customs Trade Procedures, Information flows and Documentation complimentary to the ASYCUDA⁺⁺ Programme

Revenue

3.46 Estimated Revenue for the Department was \$167,637,700.00. Total Actual Revenue was \$178,934,650.49 an amount of \$11,296,950.49 in excess of the Estimates. This Revenue was generated under the following Headings or Categories as defined by the Estimates of Revenue and Expenditure 2006.

- ❖ Taxes on International Trade and Transactions
- ❖ Taxes Domestic Trade and Transactions
- ❖ Licenses
- ❖ Fines Fees and Permits
- ❖ Interest, Rent and Dividends
- ❖ Other Revenue



3.47

The under-mentioned represents a synopsis of the different Categories as well as the Estimates and Actual Revenue generated.

Taxes on International Trade and Transactions included the following:-

- Import Duty
- Consumption Duty-Imports
- Customs Service Charge
- Vehicle Surcharge/Surtax

3.48

The **Estimates and Actual Revenue** generated under these Items were as follows:-

Taxes Int'l Trade Transactions

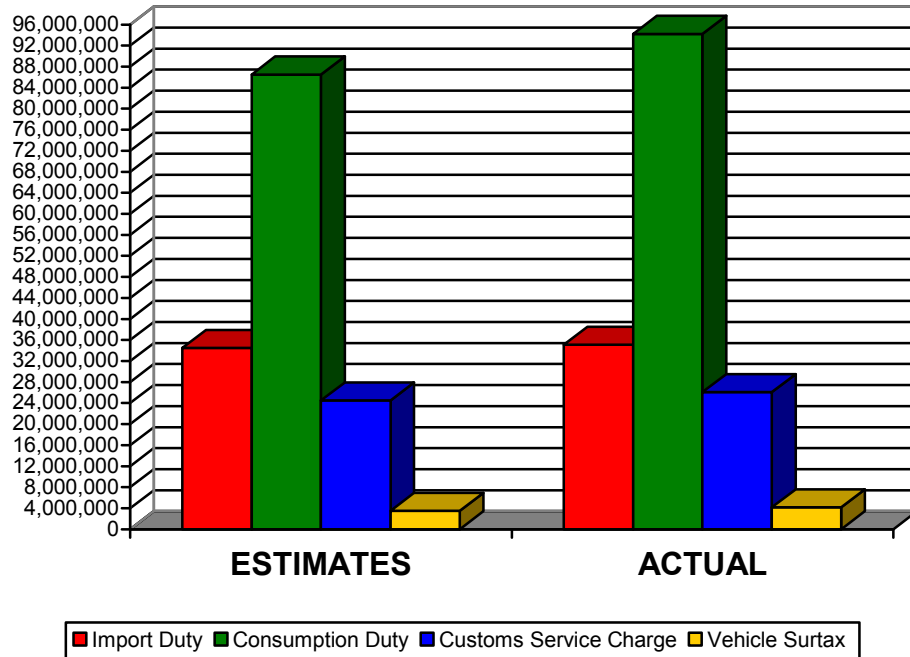


Figure 1.20



3.49

All Items in this Category exceeded the Estimates. The Item-Vehicle Surcharge was introduced in 1999 vide *Act#3 1999*. The under-mentioned is a graphical representation of the Estimates and Actual Revenue for this Category for the years 2000-2005.

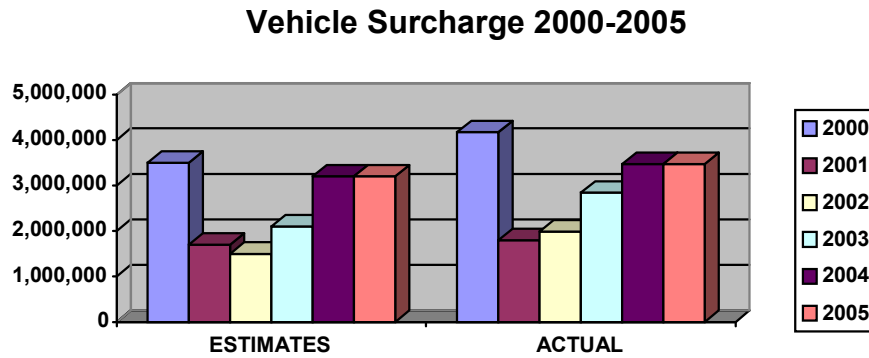


Figure 1.21

3.50

Taxes on Domestic Trade and Transactions included the following:-

- Stamp Duty
- Excise Duty
- Consumption Duty –Local

3.51

The *Estimates and Actual Revenues* generated under these Items were as follows:-



Taxes Domestic Trade Transactions

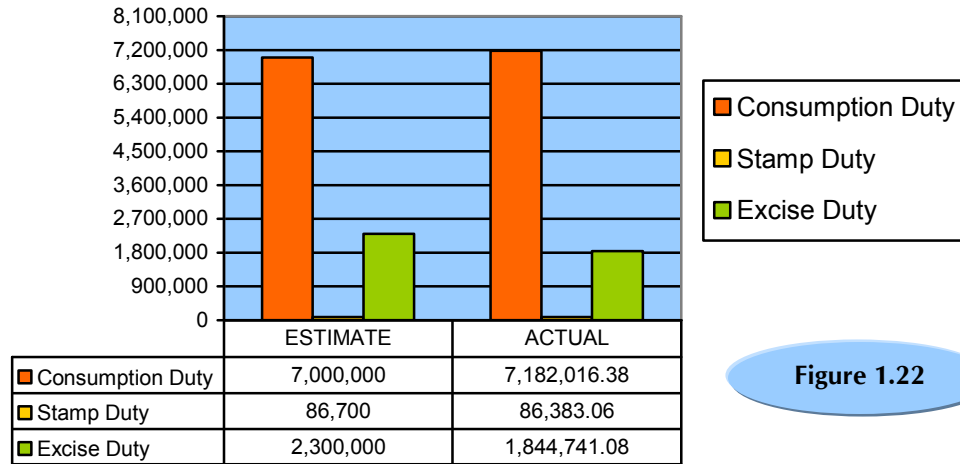


Figure 1.22

3.52 Consumption Duty collected here refers to the tax levied on Local Manufacturers or on locally produced goods. It is not certain whether any mechanism is in place to determine if all Local Manufacturers are in fact captured or if all Local Manufacturers in fact do pay the required taxes.

Licences

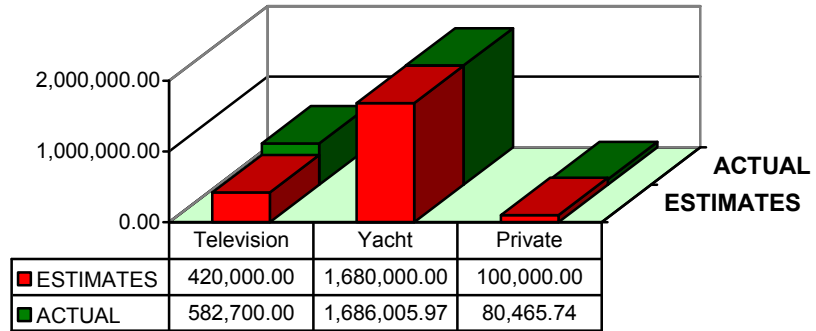
- Television
- Yacht
- Private Warehouse

3.53 The *Estimates* and *Actual Revenue* generated under these Items were as follows:-



Figure 1.23

LICENCES

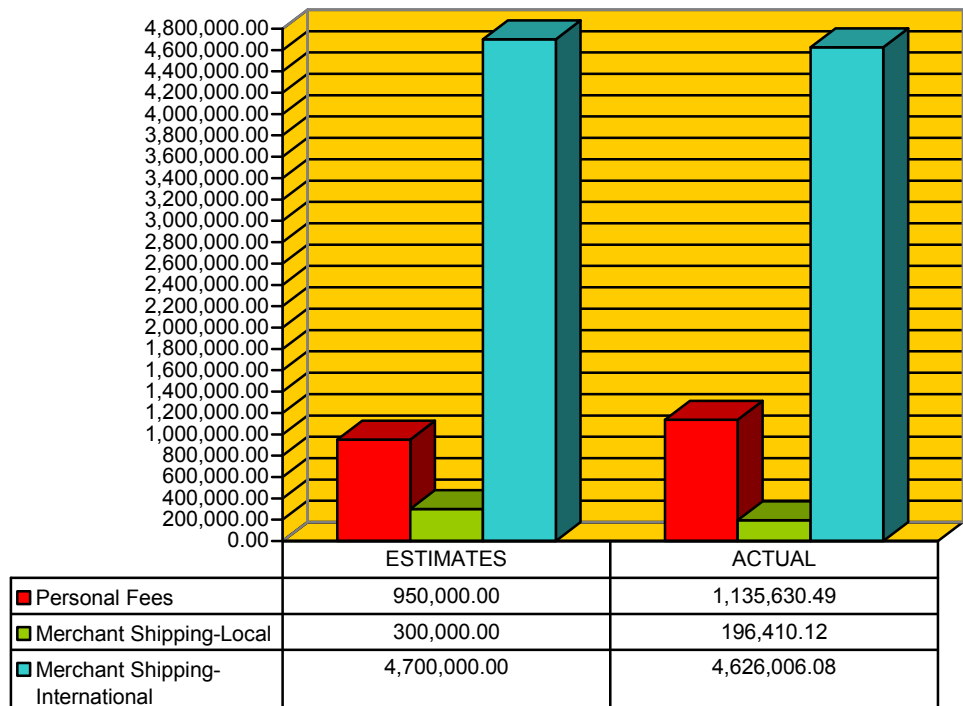


Fines, Fees and Permits

- Personal Fees
- Merchant Shipping-Local
- Merchant Shipping-International

Figure 1.24

Fines Fees Permits



**3.54**

The Estimates and Actual Revenue for the Category *Interest Rent and Dividends* as well as *Other Revenue* were as follows:-

Table 1.36

CATEGEORY	ITEM	ESTIMATES	ACTUAL
Interest Rent and Dividends	Warehouse Rent	\$350,000.00	\$513,346.54
Other Revenue	Overtime etc	\$750,000.00	\$1,454,306.18

Deposit Accounts/Below-the-Line Accounts***Sight Entries*****3.55**

This facility allows for Importers to clear goods after the payment of the estimated Duty, Consumption Tax and Customs Service Charge and other Fees pending the detailed examination of entries. The process is such that, monies so collected are paid into a Below- the- Line Account. Entries are later examined and if the estimated amount paid is less than the amount payable, Importers are required to pay the difference. On the contrary if the estimated amounts paid are greater than the amount payable the difference is refunded. The total amount for the Duty, Consumption Tax and Customs Service Charge should then be transferred to the appropriate Revenue Heads or Above-the-Line Accounts.

3.56

It was noted that the Deposit Account set up for this facility had a balance of \$6,288,865.33 (CR) as at 31/12/2006. An amount of \$726,605.79 was transferred from this account to the various Revenue Accounts. It is therefore unclear why this Account should show such large Credit Balance if the process works as outlined above. A detailed analysis of the account should therefore be undertaken by the Customs to determine whether monies are owing to Importers or whether the funds should be transferred to General Revenue.

**Customs Sales****3.57**

The balance on the Accounts as at 31/12/2006 was \$13,707.18 (CR). This balance was the same for the period 2000-2005.

Trade Bottle Deposit Levy**3.58**

The balance brought forward January 2006 was \$1,700,374.69 (CR). The under-mentioned represents a synopsis of the Account for the year.

Table 1.37

20-73201-4070	B/FWD (\$)	Receipts (CR) (\$)	Payments (DR) (\$)	Transfers (DR) (\$)	Adjustments (\$)
	1,700,374.69				
Jan		54,736.00			
Feb		9,933.00	396.00		
Mar		42,722.00			10,358.62(DR)
Apr		70,329.00			
May		63,061.00			
Jun		183,309.35			
Jul		100,511.00			
Aug		80,944.00			
Sep		23,481.00		186,472.00	
Oct		112,355.00	6,000.00	292,238.00	5,350.00(DR)
Nov		47,861.00		203,886.00	
Dec		132,476.00			3,658.10 (Net Cr)
		921,718.35	6,396.00	682,596.00	12,050.52 (Net Dr)
BALC/FWD	1,921,050.52 (CR)				

**Auction Sales**

3.59 The balance brought forward January 1, 2006 was \$640,644.64 (CR). The table below represents a summary of the transactions for the year. The Account balance was therefore \$895,242.08.

Table 1.38

20-73201-4002	B/FWD Jan 2006 (\$)	RECEIPTS (\$)	PAYMENTS (\$)	ADJUSTMENTS (\$)
	640,644.64 (CR)			
Jan		0.00		
Feb		0.00		
Mar		0.00		
Apr		0.00		
May		0.00		
Jun		152,110.00		
Jul		13,390.00		
Aug		9,240.00	11,079.70	
Sep		0.00		
Oct		0.00		
Nov		0.00		
Dec		85,313.00		5,624.14 (CR)
		260,053.00	11,079.70	5,624.14
	BAL C/FWD 895,242.08			

Imprests

3.60 Five (5) Imprests were issued to the Comptroller of Customs for the following purposes as indicated hereunder:-

- ❖ Expenses in relation to the hub at Hewanora St. Lucia-\$3,000.00
- ❖ Float for Cashiers-\$800.00
- ❖ Expenses in relation to CCLEC Executive Committee Meeting re: travel to the Grenadines and also for the travel of Officers to Bequia-\$1,200.00.
- ❖ Wages to cleaners on the occasion of a flooding on 20/12/2006-\$700.00
- ❖ Wages to Relief workers during the Christmas season-\$7,200.00.



All of the above Warrants were duly cleared at the close of the Financial Year 2006.

EXPENDITURE

Recurrent

3.61

An amount of \$9,250,453.00 was originally approved for the expenses of the Office for the year 2006. A total of \$106,000.00 was approved in Special Warrants to supplement the vote. The Revised Estimates was therefore \$9,356,453.00. Of the \$9,356,453.00 a total of \$9,093,399.41 was spent representing 97.18%-of the Revised Estimates. Two (2) Expenditure Items- *Personal Emoluments* and *Allowances* exceeded the amount voted in the Estimates. These two (2) Items are **not** subjected to Budgetary Controls measures as the other Expenditure Items.

Capital

3.62

There were two (2) main Projects for the year namely:-

- ❖ Modernization of Customs (including ASYCUDA) in the sum of \$700,000.00. This Project was intended for the purchase of Equipment and for Training. Of this amount (\$700,000.00) a total of \$672,397.66 was expended.
- ❖ Reconstruction of Customs & Excise Building in the sum of \$2,500,000.00, of which \$482,161.98 was spent. The Contract was signed in September 2005 in the sum of \$4,481,673.44, this figure was later revised to \$5,321,619.80. The first Certificate of Payment was dated December 2006 in the sum of \$482,161.98.

**ACCOUNTANT GENERAL'S OFFICE*****Overdraft Balance***

3.63 The balance on the Current Account held at the National Commercial Bank, and the SMARTSTREAM (Accounts) balance continues to show significant differences. A proper Reconciliation System should be able to identify the major differences. Listed hereunder are the balances for the year 2001-2006.

The balance in 2006 exceeded the legal limit of \$40 Million.

Table 1.39

YEAR	TREASURY BALANCE (\$)	BANK BALANCE (\$)
2006	(136,163,120.14)	(62,781,523.55)
2005	(93,258,476.87)	(48,700,974,.750)
2004	(100,386,681.18)	(44,325,626.43)
2003	(58,784,473.54)	(34,780,211.03)
2002	(16,901,475.15)	(16,558,894.62)
2001	6,796,169.60	(5,014,910.72)

3.64 *Treasury Bills*

The Accounts indicated a balance of \$47,308,699.06 (CR) as at 31/12/2006.

In **2003** the Account was credited as follows:-

Table 1.40

MONTH	AMOUNT
April	15,767,837.74
April	15,767,837.76
June	15,773,023.56
Total	47,308,699.06

**3.65**

The Amounts were received from the ECCB. No transactions were recorded since 2003 on this Account. The Accountant General should indicate whether the amounts should be transferred to General Revenue.

Audit Queries**3.66**

Two hundred and five (275) Queries were issued to date on the 2006 Accounts. Of this ninety-four (94) were issued to the Accountant General-this represented approximately 46% of the total number of Queries issued. A further breakdown indicated the following:-

- Payment/Expenditure Vouchers-52
- Receipt/Credit Vouchers-18
- Consulate/Missions-12
- Others-12

Of the ninety-four (94) queries issued to the Department, replies were received on thirty-eight (38) queries.



**MINISTRY OF NATIONAL MOBILISATION, SOCIAL
DEVELOPMENT, GENDER AFFAIRS, NON-
GOVERNMENTAL ORGANISATION RELATIONS, LOCAL
GOVERNMENT AND PERSONS WITH DISABILITY**

Family Services Department

3.67

The Audit Office conducted a Value for Money (VFM) Audit of the Family Services Department in 2004 and a report was issued to the Ministry in October 2004 and extracts of the report were included in the 2004 and 2005 Director of Audit Report.

3.68

To date this Office has not received any official feedback on the study from the officials in the Ministry.

3.69

The Ministry may wish to establish an Audit Committee to proactively conduct an examination of the findings and recommendations of the Director of Audit to facilitate the Management in taking appropriate rectificatory action.



MINISTRY OF EDUCATION

3.70

Apart from the Votes Accounts, most of which were reconciled with the Treasury Accounts, the records at the Ministry of Education were not properly maintained. These records include Stores Ledgers, Vehicle Log Books, Equipment Ledgers and Inventories.

Technical College

3.71

The records maintained at the Technical College were not produced for examination by the Audit. The reason provided for the non-production of the records is that an internal audit/investigation was in progress at the time.

MINISTRY OF NATIONAL SECURITY

Police

3.72

The computerized system for the issue of machine readable passport was rolled out on 1st June 2005. However, no provision has been made for the Audit Office to access the database.

Prisons

3.73

The system used to account for purchase, custody and issue of Dietary supplies has broken down. The queries raised in this regard were not answered by the Accounting Officer and they remained unattended and unsettled at the time of drafting. A total of \$771,985.61 was expended under the Dietary Account during fiscal year 2006.



MINISTRY OF AGRICULTURE AND FISHERIES

3.74

The issues raised in the Director of Audit Report 2004 and 2005 paragraphs 3.91, 3.92 and 3.93 are still relevant.

3.75

Eight (8) queries issued to the Accounting Officer highlighting specific shortcomings in the record keeping at the Ministry of Agriculture and Fisheries were not answered and remain unsettled.

MINISTRY OF TRANSPORT AND WORKS

Institutional Strengthening

3.76

The Ministry of Transport and Works is the agency of the Government of St. Vincent and the Grenadines with primary responsibility for the execution of public sector infrastructure development projects in support of national priorities.

3.77

For several years, the Ministry has experienced considerable difficulty in fulfilling its mandate due to a shortage of the required mix of technical staff, resulting in inefficiency in the implementation of the public sector investment programme.

3.78

In response to the forgoing a project was designed in 2003 to provide the Ministry with top level professionals in critical areas and to establish mechanisms to build greater local capacity over a five (5) year period. One (1) of the main component of the Institutional Strengthening Programme was to



provide long-term professional training in the areas of Civil Engineering, Architecture and Quantity Surveying.

3.79 Four (4) persons were awarded bursaries under the programme and completed their professional training in the disciplines named above.

3.80 Of the four (4) persons trained two (2) are currently employed at the Ministry of Works. One (1) other is employed in the Private Sector and the fourth scholar did not return to St. Vincent and the Grenadines.

The bursaries were budgeted to cost the taxpayers \$332,301.20.

3.81 The Ministry of Works, the Service Commissions Department and the Ministry of Finance must ensure that the persons who were trained under the Institutional Strengthening Project satisfy their obligations to the Ministry of Works or move to enforce the terms of the bonds undertaken by the delinquent bursary recipient

Road Maintenance

3.82 During the period under review the Ministry of Transport and Works executed a special programme of cleaning of roads and drains – Christmas Cleaning - under Programme 595.

3.83 Special Warrants totaling \$1.9 million were issued under four (4) accounts to facilitate the works.

3.84 It is obvious that this activity has become entrenched in the road maintenance programme of the Ministry and as such the expenditure does not meet the acid test (urgent and unforeseen) set out in the relevant Act.



- 3.85** The Ministry should give consideration to including the activity “Christmas Cleaning” in its Corporate Plan.

MINISTRY OF HEALTH

- 3.86** Forty-two (42) Result Indicators were recorded in the 2006 Estimates with respect to the Ministry of Health.

Among those listed are the following:-

1. Enact legislation to support the Milton Cato Memorial Hospital governance initiative, by year end 2006.
2. Introduce an electronic patient registration system at the Milton Cato Memorial Hospital by year-end 2006.
3. Refurbish the Health Centre at Lowmans Windward by year end 2006.

None of the above indicators were achieved during the period specified and were repeated in the 2007 Estimates with revised time frame.



LEGAL AFFAIRS

Law Library

3.87

Act # 9/91 provides for the establishment of St. Vincent and the Grenadines Law Library made up of a Law Library Committee and a Law Librarian. The Library Committee being responsible for the collection of fees and fines payable by members of the legal fraternity.

3.88

It appears that the provisions of the Act have not been implemented and the Library continues to operate as a function under the Ministry of Legal Affairs instead of an autonomous body as provided by the legislation.

MINISTRY OF TELECOMMUNICATIONS, SCIENCE AND TECHNOLOGY

3.89

Apart from the reconciliation of the Vote Accounts with the Treasury records, there was no marked improvement in the record keeping over the period.

3.90

Eleven (11) Capital Projects totaling \$3,722,010.00 were approved in Appropriation Act 2006. A total of \$1,096,508.95 was expended on eight (8) of the projects provided for. A twenty-nine percent (29%) implementation rate.

3.91

There were no expenditure on the following project:-

1. National Information and Communication Technology (NICT) Bursaries Project
2. National Institute of Technology (NIT) Centre of Excellence
3. Government PBX



A sum of \$69,045.95 was spent on the Private Sector Development Programme

OVERSEAS OFFICES

3.92

The records at the High Commission in London and the Toronto Consulate were recently examined. Audits were also conducted at the Tourist Offices in London and Toronto.

3.93

The review covered the period June 2006 to July 2008 and the requisite Inspection Reports/ Management Letters were issued.

3.94

The Audit Office awaits the response of the relevant Government officials and any outstanding audit issues will be highlighted in the Director of Audit Report 2007.



THE CERTIFICATE OF THE DIRECTOR OF AUDIT

I have examined the Public Accounts of St. Vincent and the Grenadines for the Financial year 2006 in accordance with the provision of Section 75 (2) of the Constitution of St. Vincent and the Grenadines and the Finance and Audit Act, Cap 182 (10).

The Accountant General is responsible for the preparation of the Financial Statements and for ensuring the regularity of financial transactions. My responsibility is to form an opinion on the accounts based on the audits carried out by my Office.

I conducted my audit in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) and Generally Accepted Auditing Standards (GAAS) to provide reasonable assurance as to whether the statements are free from material misstatements.

Except for my comments in this report, it is my opinion the Statements of Accounts for the financial year 2006 properly present Government's Financial Transactions.

Mr. Leon Snagg

DIRECTOR OF AUDIT

AUDIT OFFICE

ST. VINCENT AND THE GRENADINES

29TH APRIL 2009



OUTSTANDING QUERIES FOR THE YEAR 2006

DEPARTMENT	NO. ISSUED	NO. SETTLED	OUTSTANDING
Accountant General	87	12	75
Comptroller, Inland Revenue	1	---	1
Customs & Excise	1	---	1
Chief Magistrate	4	---	4
President Family Court	4	---	4
Government Printer	1	---	1
Director, Financial Intelligence Unit	2	2	---
Chief Personnel Officer	2	---	2
Superintendent of Prisons	7	---	7
Revenue Officer/ Union Island	1	---	1
District Officer/ Southern Grenadines	1	---	1
Administrative Officer/Bequia Revenue Office	4	---	4
Local Government Officer/ Bequia District Council	1	---	1
Administrative Officer/ Union Island	1	---	1
Cabinet Secretary	2	---	2
PS/ Tourism	11	---	11
PS/ Education	3	---	3
PS/ Health & the Environment	4	---	4
PS/ Agriculture	9	---	9
PS/ National Security	10	3	7
PS/ Transport & Works	1	---	1
PS/ National Mobilization	7	---	7
Clerk, House of Assembly	1	---	1
PS/ Telecom	1	---	1
PS/ Foreign Affairs	8	---	8
DG/ Finance and Planning	5	---	5
TOTAL	179	17	162



The following is a summary of the queries outstanding in respect of the last five (5) years.

DEPARTMENT	2001	2002	2003	2004	2005
Registrar, High Court	7	22	7	1	36
Chief Magistrate	4	---	2	9	7
Chief Personnel Officer	---	2	1	1	---
PS/Prime Minister's	13	5	3	7	3
Government Printer	5	---	2	---	---
Commissioner of Police	3	4	---	---	5
PS/Social Development	3	8	2	2	3
Finance	5	---	---	6	---
Director of Planning	---	---	---	3	---
Accountant General	123	61	24	59	---
Comptroller of Customs & Excise	3	16	13	5	5
Comptroller, Inland Revenue	12	1	3	6	1
Ministry of Housing	2	---	---	---	3
Warden, Kingstown Town Board	2	---	8	24	8
Ministry of Education	2	1	1	---	---
Director of Libraries	---	---	---	---	---
Ministry of Agriculture	8	1	1	9	8
Min. of Communications & Works	13	---	---	---	---
Min. of Transport Works & Housing	---	---	---	8	8
Director of Airports	3	2	---	4	---
Postmaster General	2	---	---	---	---
Min. of Health & the Environment	1	13	2	---	---
Milton Cato Memorial Hospital	---	---	---	9	1
Superintendent of Prisons	---	2	3	9	4
Ministry of Foreign Affairs & Trade	1	6	9	9	5
Clerk, House of Assembly	---	---	---	1	---
District Officer Southern Grenadines	---	4	4	---	---
Canouan Revenue Office	---	---	---	6	4
Barrouallie Revenue Office	---	---	1	---	---
Union Island Revenue Office	---	---	---	9	4
President, Family Court	1	---	1	7	3
Data Processing	3	---	---	---	---
PS/National Security	4	1	15	---	1



DEPARTMENT	2001	2002	2003	2004	2005
Bequia Revenue Office	---	9	10	5	7
Union Island Revenue Office	---	---	---	9	4
President, Family Court	1	---	1	7	3
Data Processing	3	---	---	---	---
PS/National Security	4	1	15	---	1
Bequia Revenue Office	---	9	10	5	7
PS/ Tourism & Culture	---	---	---	2	3
PS/ Telecom	---	---	---	2	---
Bequia District Council	---	1	1	---	---
PS/Education	---	---	---	---	3
Urban Development	---	---	---	---	2



Appendix II

ARREARS OF REVENUE RETURNS – 2006

DEPT	ACCOUNT	DESCRIPTION	AMOUNT	REMARKS	
INLAND REVENUE	11001	Individual Income Tax		None Submitted	
	11002	Corporate Tax		None Submitted	
	11003	Withholding Tax		None Submitted	
	12001	Property Tax		None Submitted	
	12002	Estate & Succession Duty		None Submitted	
	14005	Hotel Turnover Tax		None Submitted	
	13006	Travel Tax		None Submitted	
	14007	Entertainment Tax		None Submitted	
	15007	Vehicles Licence		None Submitted	
	15005	Liquor Licence		None Submitted	
	15099	Other Licence - Tutors		None Submitted	
	15008	Professional Licence		None Submitted	
	15006	Drivers Licence		None Submitted	
	CUSTOMS	13001	Import Duties		None Submitted
		13002	Export Duties		None Submitted
13003		Consumption Duties- Local		None Submitted	
13004		Customs Service Charge		None Submitted	
16007		Personal Fees Rev. Officers		None Submitted	
17011		Warehouse Rent		None Submitted	
16012		Merchant Shipping		None Submitted	
MINISTRY OF FINANCE	14004	Insurance Premium Tax		None Submitted	
LAND AND SURVEYS	17014	Rent of Crown Lands		None Submitted	
				None Submitted	
JUDICIAL		Fees/Forfeitures			
POLICE	18003	Travel Permits		None Submitted	
	18002	Vehicle Inspection Fee Passports		None Submitted	
PRISONS		Prisons Industries		None Submitted	



DEPT	ACCOUNT	DESCRIPTION	AMOUNT	REMARKS
MEDICAL	16022	Hospital Rental Nurses Hostel		None Submitted None Submitted
AGRICUL- TURE	18007	Sale of Plants /Seeds		None Submitted
	18009	Campden Park Fishing Operations - Grenadines		None Submitted None Submitted None Submitted
	18010	Operations – Sawmill		None Submitted
	21001	Sale of Crown Lands		None Submitted
PUBLIC WORKS	16018	Electrical Inspection Soils Laboratory		None Submitted None Submitted
	17016	Royalties		None Submitted
	17017	Royalties		None Submitted
	18011	Sale of Stores & Equipment		None Submitted
AIRPORT	16019	Landing Dues		None Submitted
	16020	NAVCOM Charges		None Submitted
	17012	Rent -862,621.45		Computed by Audit
TELECOM	15010	Telecom & Broadcast Licence		None Submitted



**STATEMENT OF LOSSES DUE
TO FRAUD, THEFT OR NEGLIGENCE
SINCE THE DATE OF LAST REPORT 2006**

A. REQUIRED BY REGULATION TO BE REFERRED TO CABINET

DEPT. & PARTICULARS OF LOSS	GROSS AMT. INVOLVED	AMOUNT RECOVERED	PRESENT STATUS
<u>TREASURY</u>			
<i>Overpayment of Salary</i>	<i>1,752.24</i>	<i>Nil</i>	
	<i>1,109.00</i>	<i>Nil</i>	
	<i>2,118.00</i>	<i>Nil</i>	
	<i>868.89</i>	<i>Nil</i>	<i>Abandonment</i>
	<i>1,657.23</i>	<i>Nil</i>	<i>“</i>
	<i>1,384.41</i>	<i>Nil</i>	<i>Resignation</i>
	<i>897.00</i>	<i>Nil</i>	
	<i>40,772.50</i>	<i>Nil</i>	
	<i>873.57</i>	<i>Nil</i>	
	<i>1,205.77</i>	<i>Nil</i>	
	<i>1,403.13</i>	<i>Nil</i>	
	<i>2,745.73</i>	<i>Nil</i>	
	<i>3,732.28</i>	<i>Nil</i>	
	<i>1,064.65</i>	<i>Nil</i>	
	<i>1,203.16</i>	<i>Nil</i>	
	<i>1,319.00</i>	<i>Nil</i>	
	<i>1,108.64</i>	<i>Nil</i>	
	<i>873.57</i>	<i>Nil</i>	
	<i>1,184.27</i>	<i>Nil</i>	
	<i>873.57</i>	<i>Nil</i>	
	<i>3,410.34</i>	<i>Nil</i>	
	<i>1,066.65</i>	<i>Nil</i>	
	<i>1,426.62</i>	<i>Nil</i>	
	<i>2,236.08</i>	<i>Nil</i>	
	<i>1,271.37</i>	<i>Nil</i>	
	<i>1,786.03</i>	<i>Nil</i>	
	<i>2,438.17</i>	<i>Nil</i>	
	<i>2,048.42</i>	<i>Nil</i>	
	<i>734.54</i>	<i>Nil</i>	<i>Abandonment</i>
	<i>943.78</i>	<i>Nil</i>	<i>“</i>
	<i>3,556.11</i>	<i>Nil</i>	<i>“</i>
	<i>1,074.77</i>	<i>Nil</i>	<i>Resigned</i>



DEPT. & PARTICULARS OF LOSS	GROSS AMT. INVOLVED	AMOUNT RECOVERED	PRESENT STATUS
<u>TREASURY</u>			
<i>Overpayment of Salary</i>	609.19		<i>Abandonment</i>
	1,747.14		<i>Resigned</i>
	1,342.76		<i>“</i>
	1,552.24		<i>“</i>
	873.57		<i>“</i>
	1,064.65		<i>Abandonment</i>
	1,066.65		<i>Resigned</i>
	1,405.75		<i>Abandonment</i>
	2,336.36		<i>Abandonment</i>
<i>Stamp Shortage</i>	18,000.00	14,400.00	<i>Written off</i>
		2,400.00	<i>Recovered</i>
		1,200.00	<i>Pending</i>



**STATEMENT OF LOSSES DUE
TO FRAUD, THEFT OR NEGLIGENCE
SINCE THE DATE OF LAST REPORT 2006**

B. NOT REQUIRED BY REGULATION TO BE REFERRED TO

DEPT. & PARTICULARS OF LOSS	GROSS AMT. INVOLVED	AMOUNT RECOVERED	PRESENT STATUS
<u>TREASURY</u>			
<i>Overpayment of Salary</i>	285.00		pending
	359.03		resignation
	402.30		resigned
	440.00		resigned
	213.33		
<u>REGISTRY</u>			
<i>Transport Imprest</i>	324.00		

*Appendix IV***STATEMENT OF AUTHORITIES FOR EXPENDITURE 2006**

ESTIMATES:	Passed in the House of Assembly 17 th January, 2006
APPROPRIATION ACT:	Enacted as Act 1/06
GENERAL WARRANT:	Signed by the Honorable Minister of Finance on 27 th January, 2006
SPECIAL WARRANTS:	One hundred and twenty-two(122) Special Warrants were approved for a total of \$59,255,889.51.
APPROPRIATION:	Supplementary Appropriation to date \$59,255,530.00

Amount expended from Loan Funds as follows:

Local Loans	\$50,866,239.91
CDB	\$4,106,780.94
Other Loans	\$41,300,638.64