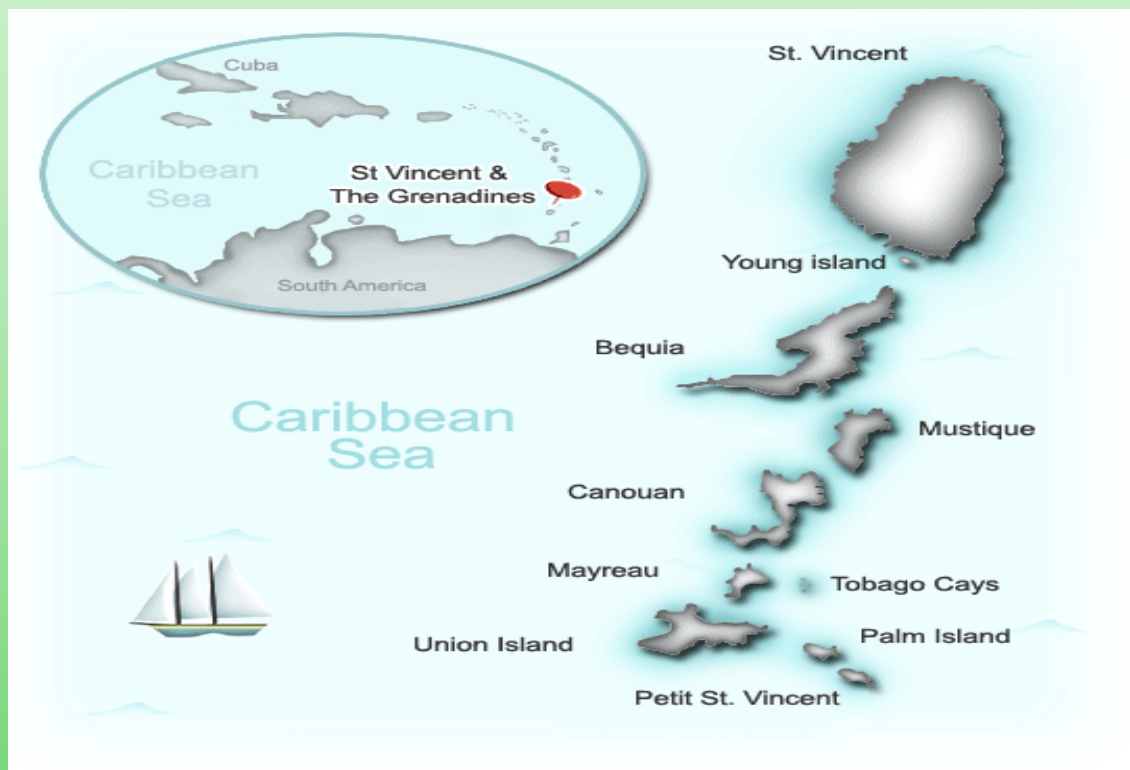


REPORT OF THE



DIRECTOR OF AUDIT



ON THE PUBLIC ACCOUNTS OF THE GOVERNMENT OF ST. VINCENT AND THE GRENADINES

2018



*R*eport of the Director of Audit

On the

Public Accounts

Of the Government Of

St. Vincent and the Grenadines

2018



To: The Honourable Minister of Finance

Sir,

Pursuant to section 75 (4) of the St. Vincent and the Grenadines Constitution Order 1979, Chapter 10 and section 12 (2) of the Audit Act, Chapter 245 of the Laws of St. Vincent and the Grenadines, Revised Edition 2009, I have the honour to submit my report on the results of the examination of the Public Accounts of St. Vincent and the Grenadines for the financial year ended December 31, 2018, for tabling in the House of Assembly.

A handwritten signature in black ink, appearing to read 'M. Browne', written over a horizontal line.

Mrs. Joan Browne

DIRECTOR OF AUDIT

20th December, 2022



MISSION

To serve the people of St. Vincent and the Grenadines by conducting independent audits and reporting on how government is managing its responsibilities and resources.

VISION

An independent, professional, and respected Supreme Audit Institution conducting innovative and efficient audits to advance transparency and accountability in government operations.



AUDIT OPINION

Report on the Audit of the Financial Statements of the Government of St. Vincent and the Grenadines

Opinion

I have audited the Public Accounts of St. Vincent and the Grenadines, which comprise the Statement of Annual Abstract, Statement of Detailed Revenue, Statement of Detailed Expenditure, Statement of Assets and Liabilities, Statement of Contingencies Fund, Statement of General Deposits, Statement of Investments, Statements of Public Debt and Statement of Advances, for the financial year ended December 31, 2018.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Government of St. Vincent and the Grenadines as at December 31, 2018, in accordance with Cash Basis of Accounting.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and section 11 of the Audit Act, Chapter 245 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009. My responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. I am independent of the Accountant General's Office in accordance with the ethical requirements that are relevant to the audit of the financial statements in St. Vincent and the Grenadines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accountant General for the Financial Statements

The Accountant General is responsible for the preparation and fair presentation of the financial statement in accordance with Cash Basis of Accounting, and for such internal control as the Accountant General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
 - obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion;
- and

- evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events.

I communicated with the Accountant General regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identified during my audit.



Mrs. Joan Browne

DIRECTOR OF AUDIT

AUDIT OFFICE

SAINT VINCENT AND THE GRENADINES

20th December, 2022

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*Report of the Director of Audit on the Public Accounts of
St. Vincent and the Grenadines for the Period
1st January to 31st December 2018*

CHAPTER 1

INTRODUCTION

1.1

The Annual Report of the Director of Audit, submitted to the Parliament of St. Vincent and the Grenadines, has been presented in accordance with Chapter 10, section 75 (2) of St. Vincent and the Grenadines Constitution Order, and Chapter 245, section 11 (a) of the Audit Act of the Laws of Saint Vincent and the Grenadines, Revised Edition, 2009, which require the Director of Audit, at least once annually, to audit and report on the Public Accounts of St. Vincent and the Grenadines.

1.2

Section 11 (b) of the Audit Act, also requires the Director of Audit to express an opinion on the financial and other statements in the Public Accounts that have been presented by the Accountant General.

1.3

In addition to the statements referred to above, results of the audits of the activities of Ministries and Departments for the financial year 2018 are included in this report.



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

1.4

This report is divided into four (4) chapters as follows:

1.5

Chapter 1 highlights the audit mandate, responsibilities of the Public Accounts Committee and Audit Office Activities in 2018.

1.6

Chapter 2 consists of the financial statements of the Government presented by the Accountant General.

1.7

Chapter 3 articulates general audit observations and non-compliance issues.

1.8

Chapter 4 articulates the results of the audits of the Ministries and Departments for the fiscal year. The main challenges of these audits are the recurrences of deviations and the failure of the Accounting Officers to take corrective actions to implement recommendations made by the Audit Office, to assist the entities in improving their performance.

1.9

The main purpose of the audit was to obtain the necessary information for the issuing of an opinion on the accounts and provide Parliament with the assurance that the funds appropriated by Parliament have been applied to the purposes intended.

1.10

I have examined the financial statements of the Accountant General and the records of selected Ministries and Departments of the Government of Saint Vincent and the Grenadines for the year ended December 31, 2018, in accordance with section 75 (2) of St. Vincent and the Grenadines Constitution Order, Chapter 10; section 10 (1) of the Audit Act, Chapter 245; and the Finance Administration Act and Finance Administration Act –



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

Subsidiary Legislation, Chapter 252 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009.

1.11

This report is prepared for laying in the House of Assembly pursuant to section 75 (4) of St. Vincent and the Grenadines Constitution Order, Chapter 10 and section 12 of the Audit Act, Chapter 245 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009.

AUDIT MANDATE

1.12

The Director of Audit's mandate is derived from the Constitution and Audit Act. Section 75 (2) of St. Vincent and the Grenadines Constitution Order, requires the Director of Audit, at least once annually, 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 of Assembly. The mandate of the Office is further outlined under sections 10 to 12 of the Audit Act, Chapter 245.

1.13

The Director of Audit is authorised to have access to all books, records, returns, reports and other documents, which, in *her* opinion, relate to any of the accounts referred to in section 75 (2) of St. Vincent and the Grenadines Constitution Order, and section 10 (1) and (2) of the Audit Act. The Director of Audit is the independent auditor of Government, acting on behalf of the taxpayer, through Parliament, and it is on *her* investigation that Parliament has to rely for assurance about the fairness and regularity of the Public Accounts.



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

1.14

In fulfilling her responsibilities, the Constitution addresses the independence of the Director of Audit in section 75 (7) which states; *“in the exercise of [her] 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.”*

RESPONSIBILITY OF THE PUBLIC ACCOUNTS COMMITTEE

1.15

Section 76 of St. Vincent and the Grenadines Constitution Order provides for the appointment and duties of the Public Accounts Committee.

1.16

The Public Accounts Committee is responsible for considering all the accounts that the Director of Audit is mandated to audit in conjunction with [her] report on the public accounts, and report to the House on:

- i. the reasons for any excess unauthorised expenditure of public funds;
- ii. any measures it considers necessary in order to ensure that public funds are properly spent; and
- iii. such other duties related to public accounts as the House may periodically direct.

The Public Accounts Committee was appointed on the 6th February, 2018, for the financial year 2018.



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

AUDIT OFFICE ACTIVITIES

1.17

In 2018, the Office continued its focused on building capacity and developing staff competencies in Performance and Financial Audit, in order to increase our audit products; thus, creating greater impact.

1.18

Accordingly, two cohorts of auditors, selected from various units within the Office, were trained, and a Performance and Financial Audit Unit were established. As a result of the training, Compliance Audits were curtailed, as most of the experienced auditors were redeployed to the Performance Audit Unit.

1.19

The training in capacity development in the areas of Performance and Financial Audits was to enable the Office to fulfil its mandate in the conduct of audits with regards to economy, efficiency and effectiveness and financial statements in accordance with section 10 (2) of the Audit Act, which requires the Director of Audit to carry out examinations to determine whether a ministry, department or service has used its resources with economy, efficiency and effectiveness (Performance Audit); and section 13 (1), which requires the Director of Audit (Director), not later than six months after the end of the financial year, to audit the accounts of each statutory body for the previous year.

1.20

The training included the application of auditing precepts that are in line with the International Standards of Supreme Audit Institutions (ISSAIs) to enable compliance with section 8 of the Audit Act – Director of Audit to Follow International Audit Standards.

1.21

The Performance Audit training was facilitated by a Consultant and was funded by local funds from the Government's budget, while the Financial Audit training was facilitated



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

and funded by Cayman Islands Supreme Audit Institution and World Bank, respectively, during the period 2017 to 2018.

1.22 As a result of the Performance and Financial Audit training, the Office conducted two (2) Performance Audits of the School Feeding Programme and Value Added Tax for the financial years 2016 to 2018 and the first Financial Audit of the Zero Hunger Trust Fund, for the financial year ending December 31, 2017.

1.23 The Office was also involved in several development activities locally and regionally, organised by the Service Commissions Department, World Bank and the Caribbean Organisation of Supreme Audit Institutions (CAROSAI), during the course of the year.

1.24 The primary objectives of CAROSAI are to promote the exchange of ideas, experience, and to provide opportunities for training and continued education amongst audit institutions in the Caribbean. This Organisation has secured funding from international financial institutions to strengthen the training capacity of its members and has conducted a number of regional workshops at which the Audit Office was represented/ has benefited.

1.25 The attendance of staff at these regional workshops facilitates the sharing of knowledge and experiences with practitioners and other experts in auditing, which is required to enhance the capabilities of staff and the operations of the Office.

1.26 As a result of employees' participation in the aforementioned training, audits were conducted at a few Departments, the Government Offices in the Grenadines and at St. Vincent and the Grenadines High Commission, London and Embassy, Cuba, during 2018.



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

1.27

In addition, the Audit Office verified leave eligibility, salaries, pension and gratuity payments for public officers. The audit of pension and gratuity payments, is the only pre-audit that is undertaken by the Office. Also, surprise cash surveys were conducted at Government Offices throughout St. Vincent and the Grenadines. Reports, which included recommendations, were issued to the respective Accounting Officers and Heads of Departments. The results of the audits conducted at the Departments and Overseas Offices during the fiscal year, were analysed and are included in chapter 4 of the report.

ACKNOWLEDGEMENT

1.28

I wish to express thanks to the Accountant General, Accounting Officers and Heads of Departments and their staff, for their co-operation and courtesies extended to us, and we look forward to continuing our professional relationships. I must, also, commend my staff for their contribution and support.



CHAPTER 2

ANALYSIS OF GOVERNMENT'S FINANCIAL STATEMENTS

2.1

This section of the report provides an analysis of the financial statements of the Government, as presented by the Accountant General, for the financial year ended December 31, 2018.

2.2

Government's financial statements, prepared by the Accountant General's Office, do not represent all entities owned and controlled by Government. The statements are comprised of all Ministries and Departments and exclude Statutory Bodies and Government owned companies, which report the results of their operations separately.

2.3

The financial statements for the financial year ended December 31, 2018, were submitted by the Accountant General, on the 28th June, 2019.

2.4

There are no notes to the financial statements and as such, the statements do not provide adequate information for the proper interpretation of the accounts. The financial statements submitted and audited are included at Appendix IV of this Report.



SCOPE OF THE AUDIT

2.5

The financial statements for the year ended 2018, that were presented by the Accountant General and examined by my Office, are as follows:

- Statement of Annual Abstract
- Statement of Revenue Under Detailed Accounts (Recurrent)
- Statement of Revenue Under Detailed Accounts (Capital)
- Statement of Detailed Recurrent Expenditure
- Statement of Detailed Capital Expenditure
- Statement of Assets and Liabilities
- Contingencies Fund
- Statement of General Deposits
- Statement of Investments
- Statement of Public Debt
- Statement of Advances

2.6

The statements listed below were not presented with the Public Accounts to the Director of Audit, as is required by the Finance Administration Act.

- Statement of Contingent Liabilities of the Government
- Statement of Arrears of Revenue by Detailed Object Code
- Statement of Special Fund



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

2.7

METHODOLOGY

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the statements. The audit was not designed to disclose every error in the accounts but to ascertain whether the accounts were kept using acceptable systems, were punctually and properly posted, checks against irregularities and fraud were adequate and effective and to give reasonable assurance that the financial statements are free of material misstatements. Therefore, the Audit Report covers only matters which have been examined by the Audit Office. It does not draw conclusions upon matters not examined.



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

ANALYSIS OF THE FINANCIAL STATEMENTS

2.8 My analysis and observations related to the examination of these financial statements are detailed as follows:

APPROPRIATION AND SUPPLEMENTARY APPROPRIATION ACTS

2.9 The Appropriation Act No. 1 of 2018 was passed in the House of Assembly on 6th February, 2018, authorising total expenditure of \$993,352,634.00; an increase by \$16,592,012.00 or 1.7 percent of the budget for 2017. The total expenditure appropriated by Parliament comprised Recurrent Expenditure of \$776,696,924.00 and Capital Expenditure of \$216,655,710.00.

2.10 In 2018, seventy - nine (79) Special Warrants totalling \$32,318,330.82 were approved by the Minister of Finance to supplement the budgetary estimates; however, the Supplementary Estimates were not submitted for the approval of the House of Assembly; therefore, the amount remained unappropriated at the end of financial year 2018.

2.11 Additionally, the total of \$32,318,330.82 approved by Special Warrants, exceeded the sum of \$25,000,000.00, by \$7,318,330.82, which was the aggregate amount that may be authorised by Special Warrants in the financial year, pursuant to section 28 (1) of the Finance Administration Act, approved by Resolution of the House of Assembly on 29th April, 2010.



STATEMENT OF ANNUAL ABSTRACT

OVERALL RECURRENT AND CAPITAL BUDGET 2018

2.12

The Statement of Annual Abstract consists of Recurrent and Capital Revenue and Recurrent and Capital Expenditure which are classified by accounts. The original projected expenditure of \$993,352,634.00 which comprised of Recurrent Expenditure of \$776,696,924.00 and Capital Expenditure of \$216,655,710.00 was approved by Appropriation Act No.1 of 2018 for the fiscal year 2018. The difference of \$182,815.00 between the amount of \$776,696,924.00 approved for Recurrent Expenditure by Appropriation Act and the amount of \$776,879,739.00 reflected as estimates in the Estimates of Revenue and Expenditure and the financial statements for 2018, is attributable to the Governor General's Emoluments and allowances which is provided for by the Governor General's Emoluments and Pension Act, CAP 269 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009.

2.13

The Estimates of Recurrent Expenditure were recorded on the financial statements as \$777,160,982.00 instead of the \$776,879,739.00 that was approved by Parliament. This was due to an overstatement of the Estimates under the Ministry of Agriculture, etc. by \$281,243.00. Additionally, the financial statement has shown that the estimates for Recurrent and Capital Expenditure were revised by \$15,771,160.61 and \$16,594,992.71, respectively. However, the estimates of Recurrent Expenditure were shown as revised by \$15,771,160.61 instead of 15,723,338.18, which was approved by Special Warrants, a net difference of \$47,822.43. The difference is mainly attributable to the



posting errors of the amounts approved by Special Warrants in the Government's Accounting System – SmartStream; which contributed to a net overstatement of the Revised Estimates, as outlined at paragraph 3.18 on page 70 and 80.

OVERALL RECURRENT AND CAPITAL BUDGET OUT-TURN 2018

2.14

An examination and analysis of actual revenue and expenditure revealed that actual Capital Revenue and Capital Expenditure were understated by \$11,235,400 and \$11,200,000, respectively. Accordingly, the deficit was overstated by \$35,400. This was due to the following improper accounting in SmartStream:

2.15

The following debts were included in the Government Accounts and the Public Debt Statement for financial year ended December 2018; however, the related Bond Receipts and expenditure were not recorded in SmartStream. This resulted in the understatement of Capital Revenue and Capital Expenditure by \$11,200,000.00 for financial year 2018:

1. Government Bond 2028-5 of EC \$5,700,000.00, from National Insurance Services was shown as a new debt on the Public Debt Statement. However, the receipts for this Bond was not traced to the Domestic Bond Receipt Account;
2. Government Bond 2028-4 of EC \$5,500,000.00 from First Citizens Investment Services was shown as a new debt on the Public Debt Statement. However, the receipts for this Bond was not traced to the Domestic Bond Receipt Account; and



3. In addition, Government Bond 2028-2 of EC \$8,100,000.00 was shown as a new debt on the Public Debt Statement for the financial year ended December 2018; however, only \$8,064,600.00 was recorded as receipts for this Bond in SmartStream. This resulted in an understatement and an overstatement of Capital Revenue and the deficit, respectively, by \$35,400.00.

Accountant General's Comments:

1. 6469 Government Bond 2028-5 for \$5.7M with NIS – the bond was issued to cover outstanding NIS contribution from Statutory Bodies. The Treasury did not receive any funds from this Bond Issue. The funds were remitted directly to NIS.
2. 6468 Government Bond 2028-4 for \$5.5M with FCIS – this bond was issued to purchase the BICO building. The Treasury did not receive any funds from this Bond Issue. The funds were remitted directly to the Liquidator, for BICO.
3. Government Bond 2028-2 of EC \$8,100,000.00 was shown as a new debt on the Public Debt Statement for the financial year ended December 2018; however, only \$8,064,600.00 was recorded as receipts for this Bond in SmartStream.

2.16

Therefore, the analysis of the financial statements is based on actual revenue and expenditure reported by the Accountant General.



ANNUAL ABSTRACT STATEMENTS OF RECURRENT AND CAPITAL REVENUE **\$786,998,995.80**

2.17

The actual revenue of \$786,998,995.80 (which was understated by \$11,235,400 as outlined at paragraph 2.15) which comprised of Recurrent Revenue of \$596,402,693.07 and Capital Revenue of \$190,596,302.73 was collected to finance expenditure for the financial year ended 2018. The total revenue fell short of its Estimates of \$993,535,459.00 by \$206,536,463.20, and decreased by \$46,948,138.82 or 5.6 percent, when compared to the revenue of \$833,947,134.62 collected in financial year 2017.

2.18

Table 1 shows actual revenue versus estimated revenue for 2018 and actual revenue for 2018 as compared to 2017.

Table 1

Item a	Estimate 2018 (\$) b	Actual Revenue 2018 (\$) c	Actual Revenue 2017 (\$) d	Increase/ (Decrease) (\$) c-d
Recurrent Revenue	621,684,138.00	596,402,693.07	592,236,732.91	4,165,960.16
Capital Revenue	371,851,321.00	190,596,302.73	241,710,401.71	(51,114,098.98)
Total	993,535,459.00	786,998,995.80	833,947,134.62	(46,948,138.82)



AUDIT OFFICE

Report of the Director of Audit on the Public Accounts of St. Vincent and the Grenadines 2018

ANNUAL ABSTRACT STATEMENTS OF RECURRENT AND CAPITAL EXPENDITURE **\$824,581,644.96**

2.19

Actual expenditure of \$824,581,644.96, (*which was understated by \$11,200,000 as outlined at paragraph 2.15*) which comprised of Recurrent Expenditure of \$725,689,916.26 and Capital Expenditure of \$98,891,728.70 was realised for the financial year 2018. The actual expenditure fell short its Revised Estimates of \$1,026,182,825.32, by \$201,601,180.36. However, total expenditure increased by \$7,026,992.55, when compared to the actual expenditure of \$817,554,652.41 for 2017.

RECURRENT BUDGET OUT-TURN 2018

2.20

The original estimates of Recurrent Expenditure was overstated on the financial statements by \$281,243.00, as outlined at paragraph 2.13. Further, the revised estimates of Recurrent Expenditure was overstated by \$47,822.43, as outlined at paragraph 3.18.

2.21

The Estimates of Revenue and Expenditure projected a deficit of \$155,476,844.00 on the Recurrent Budget. The actual deficit of \$129,287,223.19 over the actual Recurrent Revenue of \$596,402,693.07 and Recurrent Expenditure of \$725,689,916.26, was realised on the Recurrent Budget for 2018, as depicted in Table 1.1.

2.22

Table 1.1 depicts the Actual Out-Turn of the Recurrent Budget for 2018.



2.23

Table 1.1

ITEM	ORIGINAL ESTIMATE (\$)	ACTUAL (\$)
Recurrent Revenue	621,684,138.00	596,402,693.07
Recurrent Expenditure	777,160,982.00	725,689,916.26
(Deficit)	(155,476,844.00)	(129,287,223.19)

2.24

CAPITAL BUDGET OUT-TURN 2018

The financial statement showed that the initial Capital Expenditure budget of \$216,655,690.00 was revised by \$16,594,992.71 or 7.6 percent to \$233,250,682.71; however, the revised amount was not approved via Supplementary Appropriation in financial year 2018.

2.25

A surplus of \$91,704,574.03 over the actual Capital Revenue of \$190,596,302.73 and actual Capital Expenditure of \$98,891,728.70 was realised for the financial year 2018, \$63,491,056.97 less than the original projected surplus of \$155,195,631.00, as depicted in Table 1.2.

2.26

Table 1.2 depicts the Actual Out-Turn of Capital Budget for 2018.



Table 1.2

ITEM	ORIGINAL PROJECTIONS (\$)	ACTUAL (\$)
Capital Revenue	371,851,321.00	190,596,302.73
Less Capital Expenditure	216,655,690.00	98,891,728.70
Surplus	155,195,631.00	91,704,574.03

OVERALL BUDGET OUT-TURN

ACTUAL NET DEFICIT – (\$37,582,649.16)

2.27

Actual revenue of \$786,998,995.80, fell short of actual expenditure of \$824,581,644.96, resulting in a deficit of \$37,582,649.16 on the budget for the financial year. The deficit was overstated by \$35,400, due to the error highlighted at paragraph 2.15. The movement from a surplus of \$16,392,482.21 in 2017 to a net deficit of \$37,582,649.16 in 2018, was due to a reduction in the collection of revenue and an increase in spending by 5.6 percent and 0.9 percent, respectively, over 2017. The overall net deficit comprised recurrent deficit of \$129,287,223.19 and capital surplus of \$ 91,704,574.03, as shown in Tables 1.1 and 1.2.

2.28

A summary of Government’s financial position over the five (5) year period 2014 to 2018 has shown that 2018 realised the largest deficit.



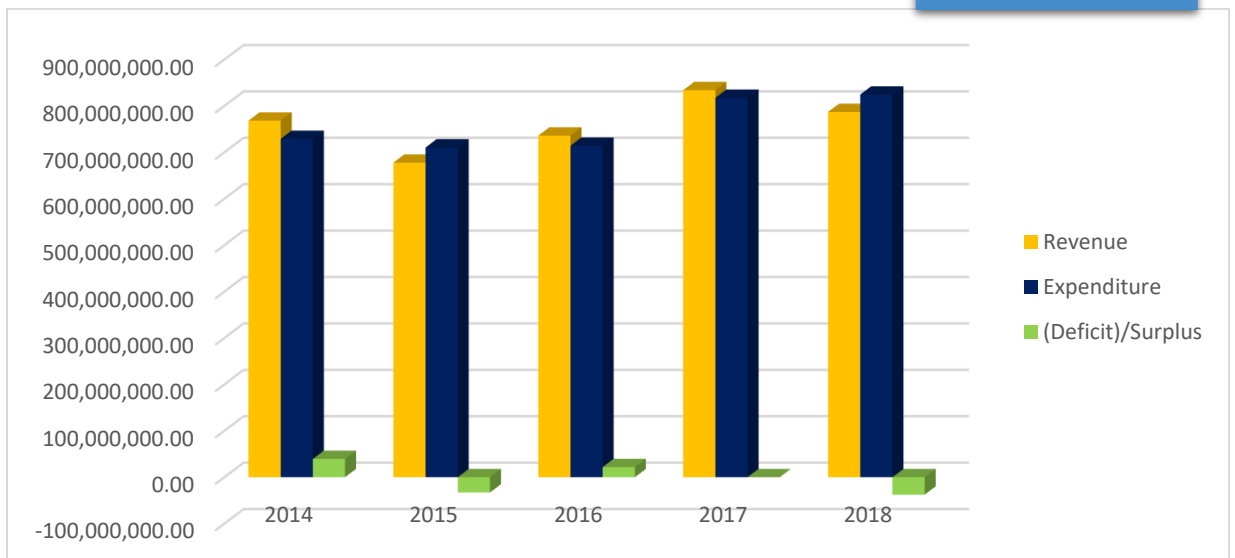
2.29

Table 1.3 and Figure 1 depict Government’s Financial Position over the five (5) year period 2014 to 2018.

Table 1.3

Year	2014	2015	2016	2017	2018
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	768,399,791.26	677,777,475.50	736,047,983.85	833,947,134.62	786,998,995.80
Expenditure	728,988,240.28	710,640,512.66	714,263,816.24	817,554,652.41	824,581,644.96
(Deficit)/Surplus	39,411,550.98	(32,863,037.16)	21,784,167.61	\$16,392,482.21	(37,582,649.16)

Figure 1



2.30

The actual budget out-turn for 2018, with comparison of the original estimates and actual revenue for 2017 are displayed in the Tables 1.4 and 1.5.



2.31

Table 1.4 shows the actual budget out-turn for the year as compared to the original estimates for 2018.

Table 1.4

ITEM	ORIGINAL ESTIMATES 2018 (\$)	ACTUAL 2018 (\$)
Recurrent Revenue	621,684,138.00	596,402,693.07
Recurrent Expenditure	776,879,739.00	725,689,916.26
(Deficit)	(155,195,601.00)	(129,287,223.19)
Capital Revenue	371,851,321.00	190,596,302.73
Capital Financing	216,655,710.00	61,309,079.54
Capital Expenditure	216,655,710.00	98,891,728.70
Deficit	-	(37,582,649.16)

2.32

Table 1.5 shows a comparison of the budget out-turn for 2017 and 2018.

Table 1.5

ITEM	ACTUAL 2017 (\$)	ACTUAL 2018 (\$)
Recurrent Revenue	592,236,732.91	596,402,693.07
Less Recurrent Expenditure	694,991,833.86	725,689,916.26
(Deficit)	(102,755,100.95)	(129,287,223.19)
Capital Revenue	241,710,401.71	190,596,302.73
Capital Financing	138,955,300.76	61,309,079.54
Less Capital Expenditure	122,494,232.95	98,891,728.70
Surplus/(Deficit)	16,461,067.81	(37,582,649.16)



STATEMENT OF DETAILED REVENUE

DETAILED REVENUE (RECURRENT AND CAPITAL) OUT-TURN

REVENUE (RECURRENT AND CAPITAL) OUT-TURN 2018 **\$ 786,998,995.80**

2.33

The introduction of the new Chart of Accounts in 2016, categorised Recurrent Revenue into three (3) headings: - Taxes, Social Contributions and Other Revenue, with new and additional sub-headings. Capital Revenue comprised of Domestic Receipts: - Capital Receipts and Other Capital Receipts, Local Loans; and External Receipts: - External Grants and Loans.

2.34

The total estimated revenue for 2018 was \$993,535,459.00. Recurrent Revenue was expected to yield \$621,684,138.00 or 62.6 percent and Capital Revenue \$371,851,321.00 or 37.4 percent.

2.35

The overall revenue for the year totalled \$786,998,995.80. This amount represented 79.2 percent of the estimated revenue of \$993,535,459.00. Thus, resulting in a short fall of \$206,536,463.20. The actual Recurrent Revenue realised was \$596,402,693.07 or 75.7 percent and Capital Revenue totalled \$190,596,302.73 or 24.3 percent of the actual revenue.

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2.36

Table 1.6 shows the Actual Revenue Vs the Original Estimates for 2018.

Table 1.6			
DETAILS OF REVENUE	ESTIMATES 2018 \$	ACTUAL 2018 \$	EXCESS/(SHORTFALL) \$
RECURRENT REVENUE			
<i>Taxes:</i>			
Taxes on Income, Profits & Capital Gains	155,800,000.00	147,804,803.44	(7,995,196.56)
Taxes on Property	49,990,000.00	37,432,386.61	(12,557,613.39)
Taxes on Goods and Services/Licenses	170,074,110.00	163,916,731.92	(6,157,378.08)
Taxes on International Trade and Transactions	151,866,000.00	162,138,166.84	10,272,166.84
Other Taxes	4,300,100.00	2,937,093.69	(1,363,006.31)
Sub Total	532,030,210.00	514,229,182.50	(17,801,027.50)
<i>Social Contributions</i>			
Social Security Contributions	26,000.00	17,545.52	(8,454.48)
Sub Total	26,000.00	17,545.52	(8,454.48)
<i>Other Revenue</i>			
Property Income	11,654,790.00	7,145,886.03	(4,508,903.97)
Sale of Goods and Services	66,980,734.00	66,936,211.64	(44,522.36)
Fines, Penalties and Forfeits	1,318,404.00	1,430,421.08	112,017.08
Transfers not Elsewhere Classified	2,574,000.00	2,634,908.84	60,908.84
Other Revenue not Elsewhere Classified	7,100,000.00	4,008,537.46	(3,091,462.54)
Sub Total	89,627,928.00	82,155,965.05	(7,471,962.95)
Total Recurrent Revenue	621,684,138.00	596,402,693.07	(25,281,444.93)



Table 1.6 Cont'd

DETAILS OF REVENUE	ESTIMATES 2018 \$	ACTUAL 2018 \$	EXCESS/(SHORTFALL) \$
CAPITAL REVENUE			
<i>Domestic Receipts</i>			
Capital Receipts	6,000,000.00	964,304.37	(5,035,695.63)
Other Capital Receipts	165,995,611.00	2,720,140.00	(163,275,471.00)
Local Loans	69,038,690.00	51,004,771.00	(18,033,919.00)
Domestic Bond	0	79,064,590.00	79,064,590.00
Sub Total- Domestic Receipts	241,034,301.00	133,753,805.37	(107,280,495.63)
<i>External Receipts</i>			
Grants	57,486,020.00	36,964,229.94	(20,521,790.06)
External Loans	73,331,000.00	19,878,267.42	(53,452,732.58)
Sub Total-External Receipts	130,817,020.00	56,842,497.36	(73,974,522.64)
Total Capital Revenue	371,851,321.00	190,596,302.73	(181,225,018.27)
Total Revenue	993,535,459.00	786,998,995.80	(206,536,463.20)

2.37

The actual revenue decreased by \$46,948,138.82 or 5.6 percent when compared to financial year 2017. This was due to a substantial decline in Capital financing, when compared to 2017, as shown in Table 1.7 and Figure 1.1.

2.38

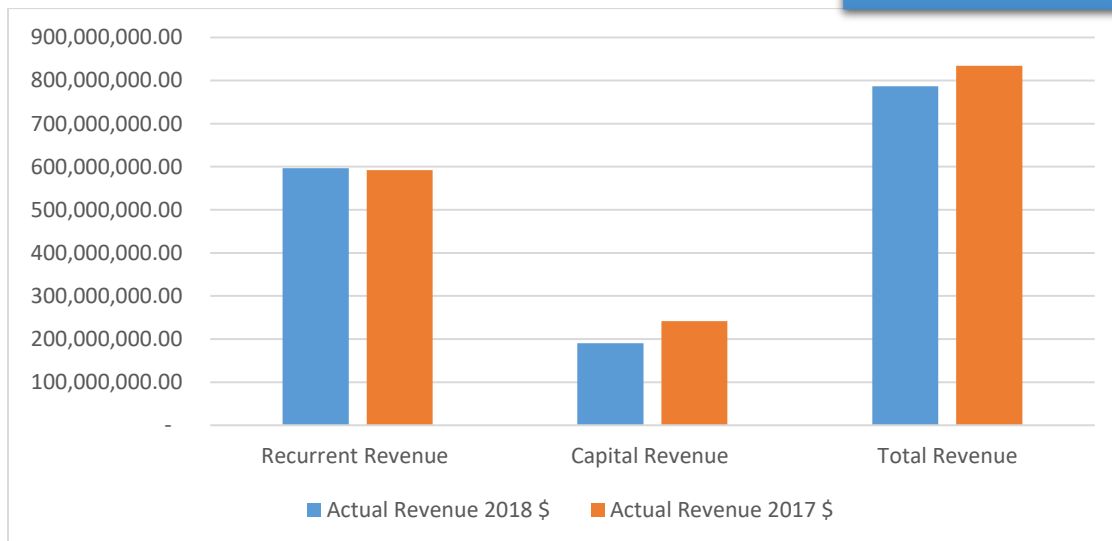
Table 1.7 and Figure 1.1 show revenue collected for the financial year 2018 with comparative figures for the financial year 2017.



Table 1.7

Details of Revenue	Actual Revenue 2018 \$	Actual Revenue 2017 \$	(Decrease)/Increase \$
Recurrent Revenue	596,402,693.07	592,236,732.91	4,165,960.16
Capital Revenue	190,596,302.73	241,710,401.71	(51,114,098.98)
Total Revenue	786,998,995.80	833,947,134.62	(46,948,138.82)

Figure 1.1



2.39

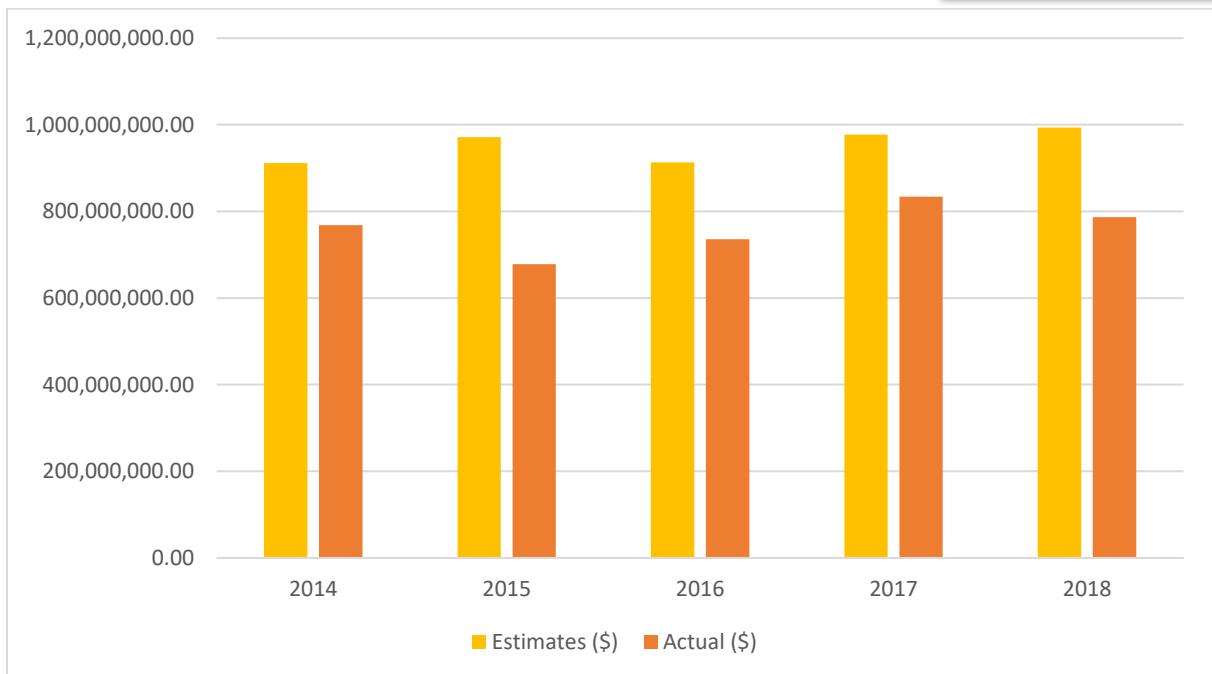
A comparison of estimates and actual revenue for the years 2014-2018, is depicted in Table 1.8 and Figure 1.2 with financial year 2015 showing the largest shortfall.



Table 1.8

YEAR	ESTIMATES (\$)	ACTUAL (\$)	VARIANCE (\$)
2014	911,571,046.00	768,399,791.26	143,171,254.74
2015	971,367,582.00	677,777,475.50	293,590,106.50
2016	912,897,311.00	736,047,983.82	176,849,327.18
2017	976,943,437.00	833,947,134.62	142,996,302.38
2018	993,535,459.00	786,998,995.80	206,536,463.20

Figure 1.2





STATEMENT OF DETAILED RECURRENT REVENUE

RECURRENT REVENUE 2018 **\$596,402,693.07**

2.40

Recurrent Revenue is comprised of three (3) categories: - Taxes, Social Contributions and Other Revenue. Taxes is comprised of five (5) items, Social Contributions has one (1) item, while Other Revenue consists of five (5) items. The total Recurrent Revenue collected was \$596,402,693.07. This was \$25,281,444.93 or 4.06 percent deficit of the estimated Recurrent Revenue. The figure is comprised of Taxes of \$514,229,182.50, Social Contributions of \$17,545.52 and Other Revenue of \$82,155,965.05, as shown in Table 1.6. The Recurrent Revenue grew by 0.7 percent of the amount of \$592,236,732.91 collected during 2017.

TAXES **\$514,229,182.50**

2.41

Taxes revenue fell short its projection of \$532,030,210.00 by \$17,801,027.50. This was due to a reduction in the collections of Taxes on Income, Profits & Capital Gains, and Taxes on Property. The composition of taxes collected in 2018, is shown in Table 1.9 and Figure 1.3.

2.42

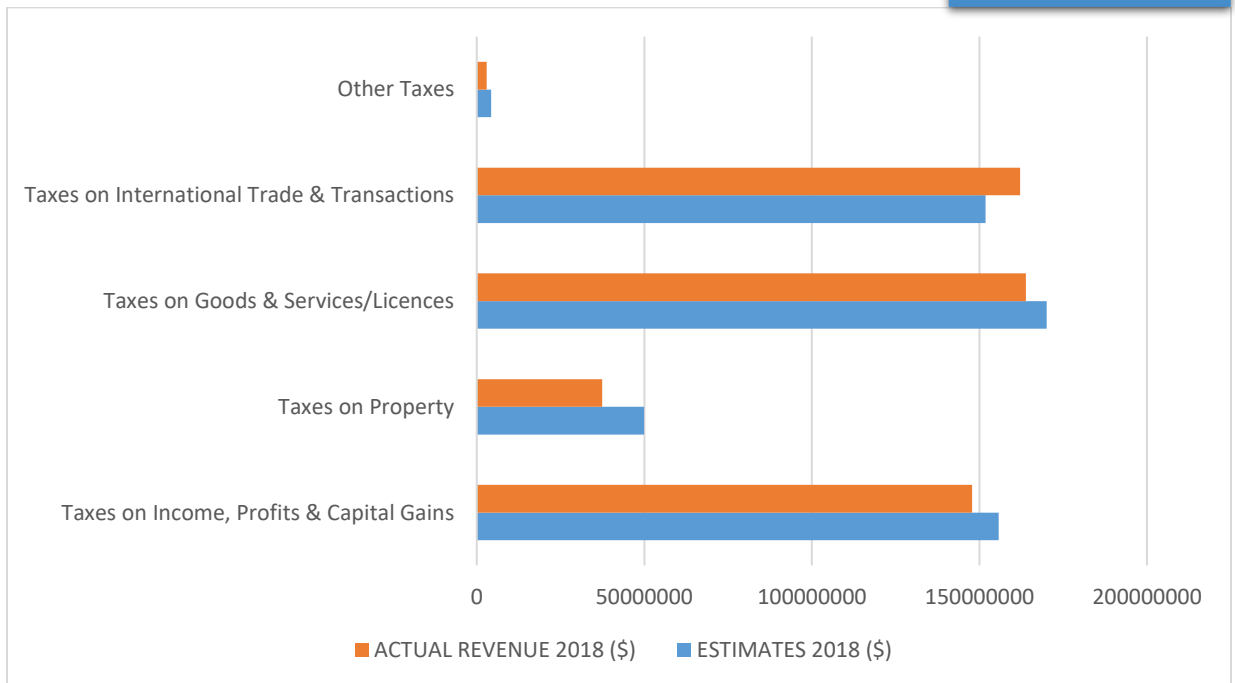
The estimates and actual revenue collected for Taxes in 2018, is shown in Table 1.9, Figures 1.3.



Table 1.9

DETAILS OF REVENUE	ESTIMATES 2018 (\$)	ACTUAL REVENUE 2018 (\$)	Surplus/(Shortfall) (\$)
Taxes on Income, Profits & Capital Gains	155,800,000.00	147,804,803.44	(7,995,196.56)
Taxes on Property	49,990,000.00	37,432,386.61	(12,557,613.39)
Taxes on Goods & Services/Licences	170,074,110.00	163,916,731.92	(6,157,378.08)
Taxes on International Trade & Transactions	151,866,000.00	162,138,166.84	10,272,166.84
Other Taxes	4,300,100.00	2,937,093.69	(1,363,006.31)
TOTAL	532,030,210.00	514,229,182.50	(17,801,027.50)

Figure 1.3





COMPOSITION OF TAXES REVENUE 2018

Taxes on Income, Profits and Capital Gains **\$147,804,803.44**

2.43

The revenue of \$147,804,803.44 collected for Taxes on Income, Profits and Capital Gains fell short of the estimated amount of \$155,800,000.00 by \$7,955,196.56. Only Taxes from Non-Resident exceeded its projections by \$31,481.84, while Income Tax- from Individuals and Companies which exceeded the Estimates in 2017 by \$7,221,969.86, fell short the projections by a total of \$8,026, 678.40 in 2018. The total revenue recorded in 2018, when compared to the collection for 2017, realised a net decrease of \$3,253,992.75.

2.44

The short collection in Taxes on Income, Profits and Capital Gains was due mainly to an increase in the standard deduction for Personal Income Tax and a reduction in the rate of tax paid on Personal Income Tax and Corporate Income.

2.45

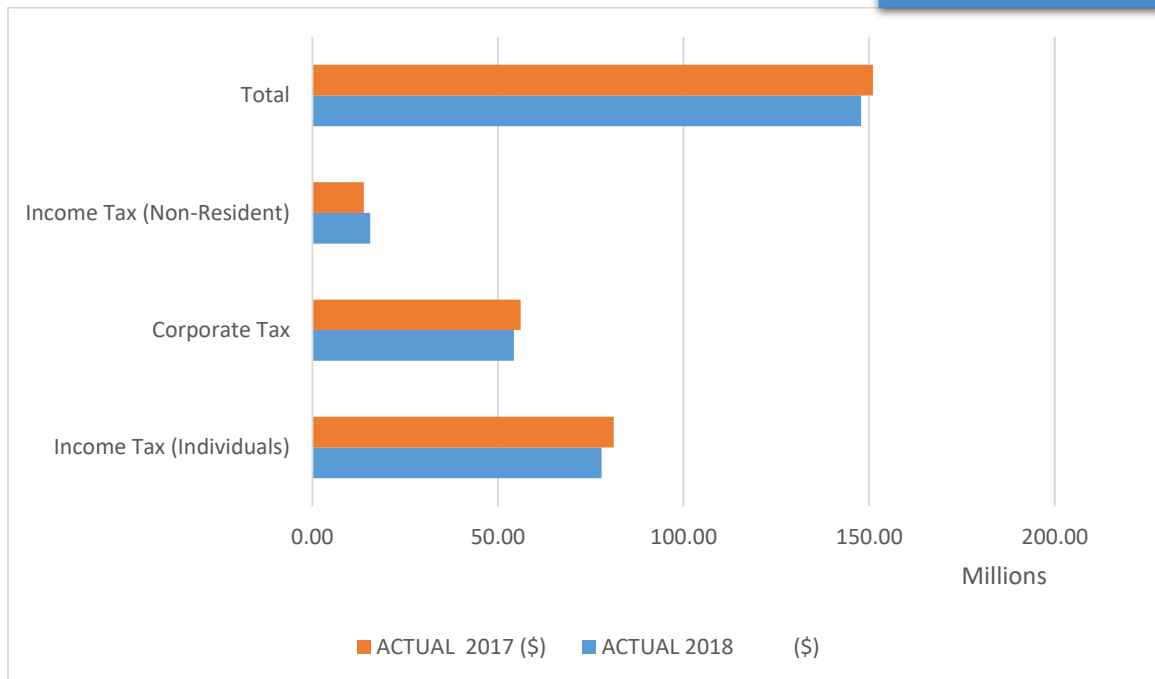
A comparison of collections of Taxes on Income on Profits and Capital Gains for 2018 and 2017 shows that there was a shortfall of \$3,253,992.75 in revenue for 2018, as shown in Table 1.10 and Figure 1.4.



Table 1.10

ITEM	ACTUAL 2018 (\$)	ACTUAL 2017 (\$)	EXCESS/(SHORTFALL) (\$)
Taxes on Income, Profits and Capital Gains			
Income Tax (Individuals)	77,878,529.28	81,156,949.92	(3,278,420.64)
Corporate Tax	54,294,792.32	56,065,019.94	(1,770,227.62)
Income Tax (Non-Resident)	15,631,481.84	13,836,826.33	1,794,655.51
Total	147,804,803.44	151,058,796.19	(3,253,992.75)

Figure 1.4





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2.46

Taxes on Property

\$37,432,386.61

The actual revenue of \$37,432,386.61 in Taxes on Property, fell short the estimated revenue of \$49,990,000.00 by a net amount of \$12,557,613.39. The four (4) items under this category fell short the projections. The revenue was reduced by \$18,695,031.25, when compared to the total collection of \$56,127,417.86 for 2017. This was primarily due to a large reduction in revenue collected under Aliens Land Holding and Stamp Duty on Property for the financial year.

2.47

Taxes on Goods and Services/Licences

\$163,916,731.92

The revenue of \$163,916,731.92 recorded a shortfall of \$6,157,378.08 from its estimated projection of \$170,074,110.00. Seven (7) items under this category exceeded the estimated budgeted projections for 2018. The actual revenue collection improved by \$5,649,303.32 over 2017.

2.48

Taxes on International Trade and Transactions

\$162,138,166.84

Revenue from International Trade and Transactions totalled \$162,138,166.84; \$10,272,166.84 more than the estimates of \$151,866,000.00. All of the five (5) items under this category exceeded the projections for the fiscal year 2018, and improved their performance by \$14,842,377.94, when compared to 2017. This was due to increased activity in Import Duty, Vehicle Surcharge and Value Added Tax.

2.49

Other Taxes

\$2,937,093.69

Climate Resilience Levy was included under this category in 2018. The Revenue of \$2,937,093.69 collected recorded a shortfall of \$1,363,006.31 from the Estimates of \$4,300,100.00.



COMPOSITION OF SOCIAL CONTRIBUTIONS 2018

2.50

Social Security Contributions \$17,545.52

The Statement has shown only one (1) item under Social Contributions – Pension Contributions. The actual revenue collection of \$17,545.52 showed a shortfall of \$8,454.48 or 32.5% of the estimated projection for the financial year 2018. The actual revenue for 2018 derived from Pension Contributions fell short by \$113.73, when compared to the previous year’s figure of \$17,659.25.

COMPOSITION OF OTHER REVENUE 2018

2.51

Property Income \$7,145,886.03

Revenue derived from Property was \$7,145,886.03, \$4,508,903.97 less than its estimates of \$11,654,790.00. Three (3) of the eleven (11) items recorded revenue in excess of their estimates, while eight (8) items fell short of their estimated projections.

2.52

Sale of Goods and Services \$66,936,211.64

Sale of Goods and Services fell short of its budgetary allocation of \$66,980,734.00 by \$44,522.36.

2.53

Fines, Penalties and Forfeits \$1,430,421.08

Revenue of \$1,318,404.00 was projected for the financial year 2018. The revenue of \$1,430,421.08 collected exceeded its projection by \$112,017.08. Only one (1) of the four (4) items under this category fell short of its budgetary projection.



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Transfers not elsewhere Classified

\$2,634,908.84

2.54

There were two (2) items under Non - Tax Revenue; Reimbursements and Repayment of Loans. The actual revenue of \$2,634,908.84 collected under these items was \$60,908.84 more than the estimated amount of \$2,574,000.00. This was an increase of \$62,483.35 or 2.4 percent of the 2017 revenue.

Other Revenue not elsewhere Classified

\$4,008,537.46

2.55

A total of \$4,008,537.46 was collected under this category. This revenue item fell short its budgetary projection of \$7,100,000.00 by \$3,091,462.54 or 43.5 percent.



STATEMENT OF DETAILED CAPITAL REVENUE

DETAILED CAPITAL REVENUE 2018 **\$190,596,302.73**

2.56

Capital Revenue of \$371,851,321.00 was projected for the financial year, to be derived from Domestic Receipts of \$241,034,301.00 and External Receipts of \$130,817,020.00. A total of \$190,596,302.73 was recorded as Capital Revenue for 2018. Domestic and External Receipts contributed \$133,753,805.37 and \$56,842,497.36, respectively, which resulted in a net variance of \$181,255,018.27, as depicted in the Table 1.11.

2.57

The Statement of Capital Revenue has shown that Domestic Bond Transactions of \$79,064,590.00, although not approved at the beginning of the financial year, was the highest contributor to Domestic Receipts and Public Sector Investment financing. It represented 59 percent and 41 percent of Domestic Receipts and Public Sector Investment financing for the year, respectively.

2.58

Local Loan of \$51,004,771.00 was the second highest contributor to Public Sector Investment financing; contributing 26 percent. This source of revenue was less than its budgetary projections of \$69,038,690.00 by \$18,033,919.00. The actual collections for all other sources of Capital Revenue were less than the budgeted allocations for the fiscal year, as depicted in Table 1.11.

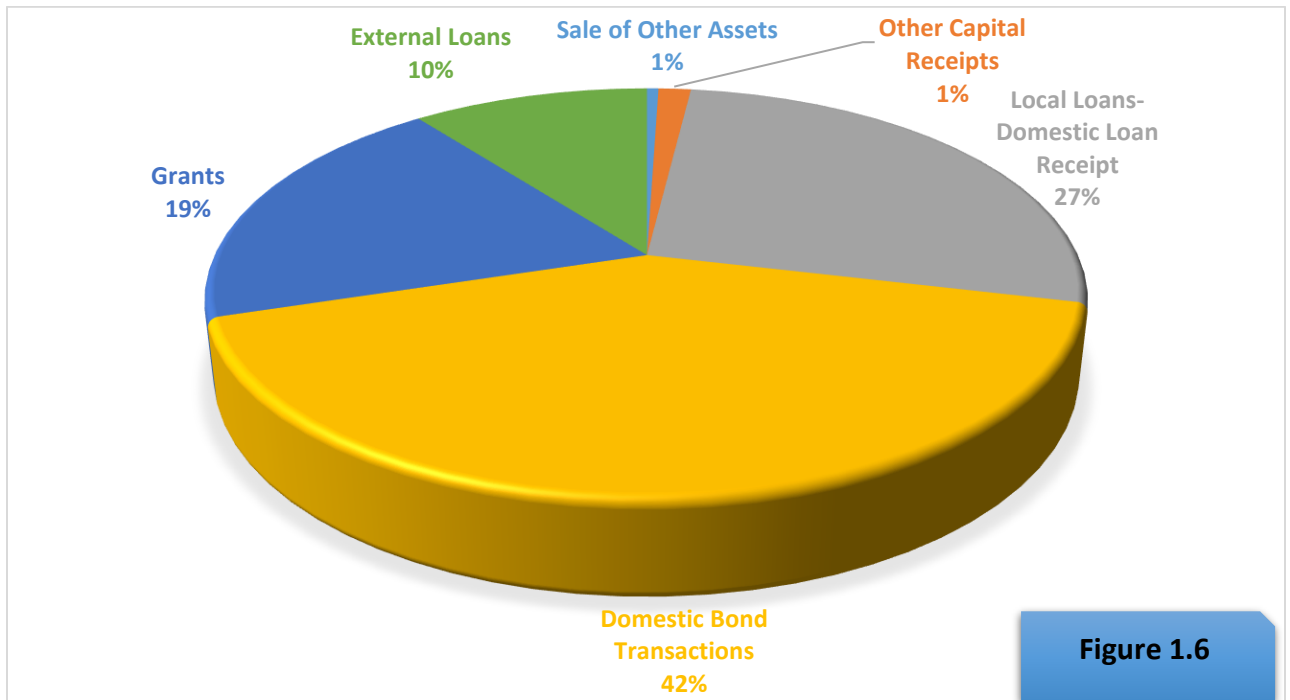
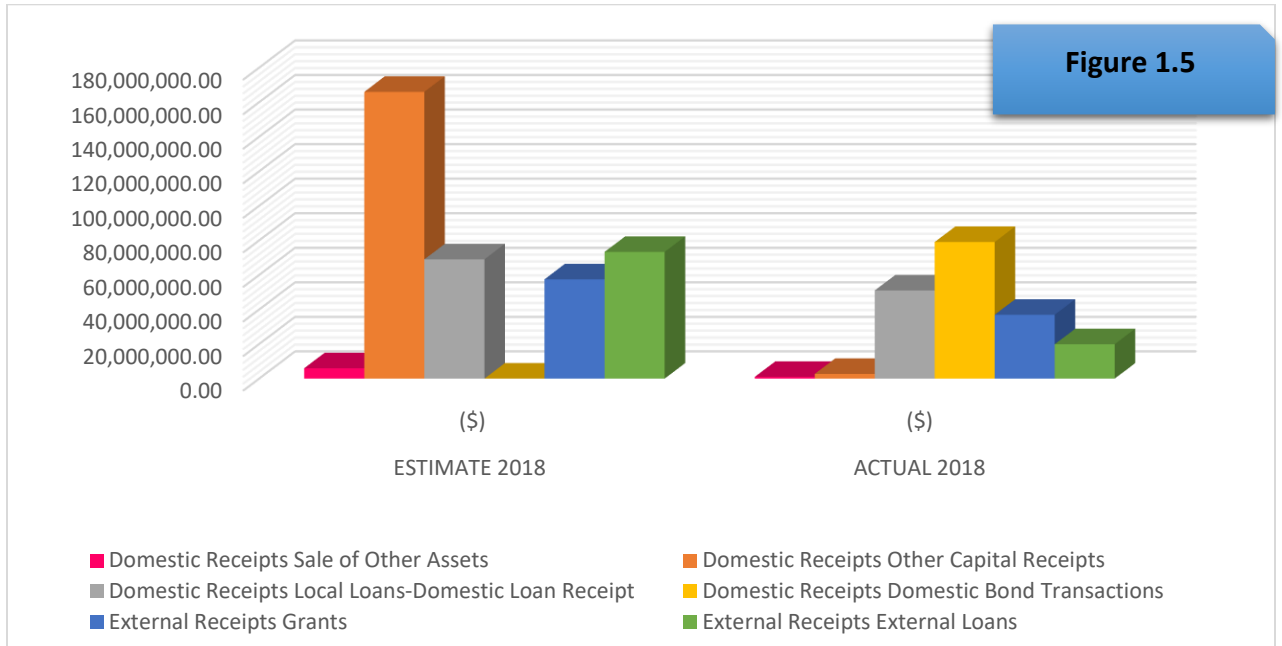


2.59

Table 1.11, Figures 1.5 and 1.6 show a comparison of estimated Capital Revenue with actual revenue for the sources of capital financing.

Table 1.11

TYPES OF FUNDS	ESTIMATES 2018 (\$)	ACTUAL 2018 (\$)	VARIANCE Increase/(shortfall) (\$)
<u>Domestic Receipts</u>			
Sale of Other Assets	6,000,000.00	964,304.37	(5,035,695.63)
Other Capital Receipts	165,995,611.00	2,720,140.00	(163,275,471)
Local Loans-Domestic Loan Receipt	69,038,690.00	51,004,771.00	(18,033,919.00)
Domestic Bond Transactions	0.00	79,064,590.00	79,064,590.00
Sub total	241,034,301.00	133,753,805.37	(107,280,495.63)
<u>External Receipts</u>			
Grants	57,486,020.00	36,964,229.94	(20,521,790.06)
External Loans	73,331,000.00	19,878,267.42	(53,452,732.58)
Sub total	130,817,020.00	56,842,497.36	(73,974,522.64)
Total	371,851,321.00	190,596,302.73	(181,255,018.27)





2.60

In addition, \$79,157,590.00 or 41.5 percent of the total financing was received under two (2) sources of Capital Revenue, which were not approved in the Estimates for the financial year, as shown in Table 1.12.

Table 1.12

Account	Description	Actual \$
33141 3303	Domestic Bond Transaction Receipt	79,064,590.00
13221 1522	Food and Agriculture Organisation	93,000.00
TOTAL		79,157,590.00

2.61

Further, there were thirteen (13) sources from which no revenue was recorded during the financial year. Table 1.13 shows the sources from which no revenue was recorded and their estimated projections.

Table 1.13

Account	Details/Source	Description	Projection \$
14621	1994	Capital Receipts	160,195,601.00
13121	1307	Government of Japan	1,000,000.00
13121	1399	Other Grants	570,000.00
13221	1513	Kuwait Fund for Arab Economic Development	1,290,000.00
13221	1519	United Nations	50,000.00
13221	1525	UK Caribbean Infrastructure Program	7,000,000.00
13221	1526	German Development Bank	1,500,000.00
13221	1529	UN Environmental Programme	376,000.00
13221	1530	United States Agency for International Development	298,600.00
13221	1531	Global Fund	130,000.00



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Table 1.13 Cont'd

Account	Details/Source	Description	Projection \$
33241	3277	Republic of China/Taiwan	1,021,000.00
33241	2206	Climate Investment Fund	8,000,000.00
33241	3876	ABN Dhabi Fund for Development	3,000,000.00
TOTAL			184,431,201.00



STATEMENT OF DETAILED EXPENDITURE

DETAILS OF TOTAL EXPENDITURE 2018 \$824,581,644.96

2.62

The analysis made hereunder is based on comparison of revised estimates with actual expenditure on the Statement of Detailed Expenditure for 2018.

2.63

Total Expenditure of \$824,581,644.96 was realised from the revised projections of \$1,026,182,825.32; a shortfall of \$201,601,180.36, for the fiscal year.

DETAILS OF RECURRENT EXPENDITURE 2018 \$725,689,916.26

2.64

The Statement has shown that actual Recurrent Expenditure was recorded as \$725,689,916.26, with the Autonomous Departments and Ministries spending a total of \$67,242,226.35 less than the revised estimates of \$792,932,142.61, as depicted in the Statement at Appendix IV, Table 1.14 and Figure 1.7.

Table 1.14

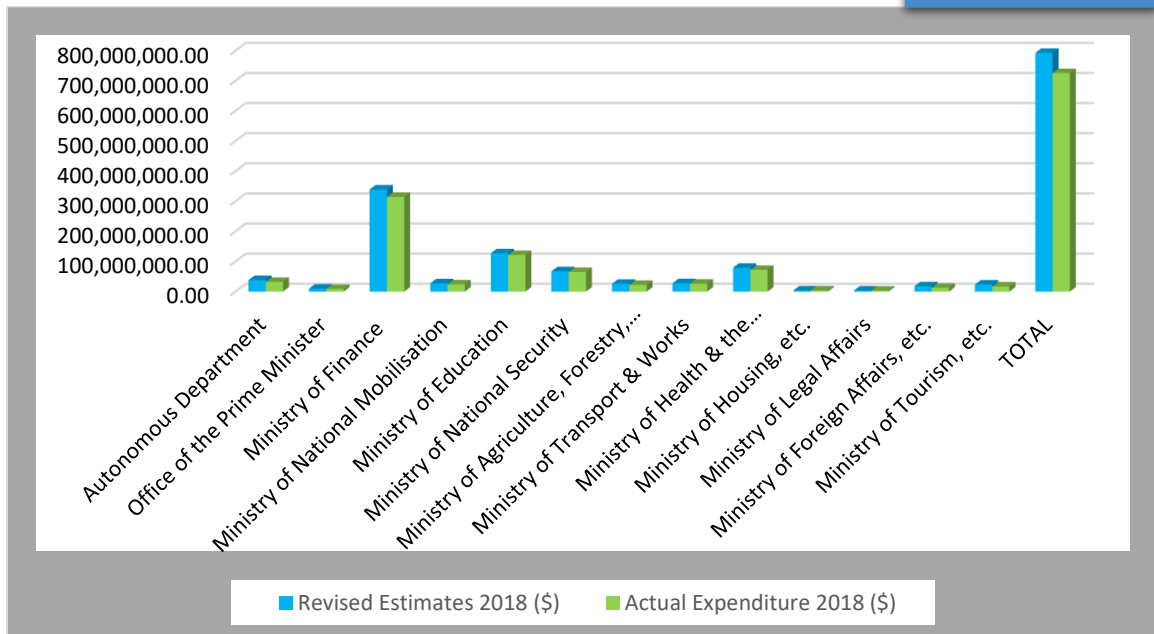
Ministry/Department	Revised Estimates 2018 (\$)	Actual Expenditure 2018 (\$)	Difference (\$)
Autonomous Departments	38,383,842.35	32,538,783.67	5,845,058.68
Office of the Prime Minister	9,958,162.00	9,007,187.99	950,974.01
Ministry of Finance, etc	339,128,465.52	314,419,877.58	24,708,587.94
Ministry of National Mobilisation	27,633,036.00	24,221,926.23	3,411,109.77
Ministry of Education, etc	127,418,471.60	121,703,967.06	5,714,504.54



Table 1.14 Cont'd

Ministry/Department	Revised Estimates 2018 (\$)	Actual Expenditure 2018 (\$)	Difference (\$)
Ministry of National Security	67,546,128.00	65,482,728.49	2,063,399.51
Ministry of Agriculture, Forestry, etc.	26,164,056.00	22,376,158.80	3,787,897.20
Ministry of Transport & Works	28,042,515.00	26,367,806.84	1,674,708.16
Ministry of Health & the Environment	79,169,893.64	72,229,127.11	6,940,766.53
Ministry of Housing, etc.	4,176,563.00	3,922,957.29	253,605.71
Ministry of Legal Affairs	3,781,652.50	3,233,637.37	548,015.13
Ministry of Foreign Affairs, etc.	17,872,071.00	12,986,118.69	4,885,952.31
Ministry of Tourism, etc.	23,657,286.00	17,199,639.14	6,457,646.86
TOTAL	792,932,142.61	725,689,916.26	67,242,226.35

Figure 1.7





RECURRENT EXPENDITURE 2017 VS 2018

2.65

The actual Recurrent Expenditure recorded for 2018 indicated an increase in recurrent spending by \$30,698,082.40 over the expenditure of \$694,991,833.86 for the financial year 2017. The Ministry of Finance and the Ministry of Foreign Affairs recorded the largest increase and decrease of \$27,091,002.17 and \$2,923,183.83, respectively, in spending for the financial year, when compared to 2017, as shown in Table 1.15.

2.66

Table 1.15 shows comparative figures of actual Recurrent Expenditure for 2017 and 2018.

Table 1.15

Ministry/Department	Actual 2017 (\$)	Actual 2018 (\$)	Increase / (Decrease) (\$)
Autonomous Departments	30,829,674.76	32,538,783.67	1,709,108.91
Office of the Prime Minister	8,903,546.58	9,007,187.99	103,641.41
Ministry of Finance and Economic Planning	287,328,875.41	314,419,877.58	27,091,002.17
Ministry of Economic Planning, etc. ¹	13,105,088.88	0.00	(13,105,088.88)
Ministry of National Mobilisation, etc.	24,840,620.27	24,221,926.23	(618,694.04)
Ministry of Education, etc.	118,441,885.28	121,703,967.06	3,262,081.78
Ministry of National Security	65,539,609.89	65,482,728.49	(56,881.40)
Ministry of Agriculture, Forestry & Fisheries	19,128,588.99	22,376,158.80	3,247,569.81
Ministry of Transport & Works	24,088,202.12	26,367,806.84	2,279,604.72

¹ The Ministry of Economic Planning was deleted and placed under the Ministry of Finance for the financial year 2018.

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Table 1.15 Cont'd

Ministry/Department	Actual 2017 (\$)	Actual 2018 (\$)	Increase /(Decrease) (\$)
Ministry of Health and the Environment	66,892,712.03	72,229,127.11	5,336,415.08
Ministry of Housing, etc.	3,846,315.84	3,922,957.29	76,641.45
Ministry of Legal Affairs	2,697,967.68	3,233,637.37	535,669.69
Ministry of Foreign Affairs, etc	15,909,302.52	12,986,118.69	(2,923,183.83)
Ministry of Tourism and Industry	13,439,443.61	17,199,639.14	3,760,195.53
TOTAL	694,991,833.86	725,689,916.26	30,698,082.40

EXCESS EXPENDITURE UNDER RECURRENT EXPENDITURE ACCOUNTS FOR 2018 WITHOUT APPROPRIATE AUTHORITY

2.67

It was noted that various Recurrent Expenditure Accounts exceeded their budgetary provisions without approval of requisite Special and/or Virement Warrants; resulting in a total of \$1,879,368.06, over expended under the accounts in 2018, a contravention of sections 28 and 30 of the Finance Administration Act, CAP 252 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009. The amount over expended is shown at Appendix II.

EXCESS EXPENDITURE FOR 2018 DUE TO VIREMENT AND SPECIAL WARRANTS POSTING ERRORS

2.68

Two (2) accounts showed over expenditure totalling \$577,244.81, this was due to incorrect postings of amounts approved by Virement and Special Warrants in the Government Accounts. The over expenditure is captured at Appendix III of the Report.



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DETAILS OF CAPITAL EXPENDITURE 2018

\$98,891,728.70

2.69

The Statement of Detailed Capital Expenditure has shown that Capital Expenditure for 2018, was recorded as \$98,891,728.70, a decrease of \$23,671,089.85 or 19 percent when compared to the expenditure of \$122,562,818.55 for 2017. The actual Capital Expenditure of \$98,891,728.70 for Public Sector Investment Programmes did not exceed its original projections of \$216,655,690.00, although the original estimates were revised by \$16,594,992.71. In addition, only 45 percent of the capital projects incurred expenditure, although actual capital financing exceeded Capital Expenditure by \$91,704,574.03 in 2018.

2.70

The highest Capital Expenditure of \$41,952,592.58 or 42.4 percent was realised under the Ministry of Finance, with \$15,088,177.67 of the amount spent for capitalisation of the Contingencies Fund in 2018.

2.71

It was noted that Capital Expenditure estimates were revised by a total of \$16,594,992.71 under the Office of the Prime Minister and nine (9) Ministries; however, only the Ministry of Foreign Affairs expended \$74,563.96 of the amount by which its estimates were revised, while the Ministry of Transport and works spent \$18,710,640.10 or 28.2% of its original budget. The Office of the Prime Minister and nine (9) Ministries did not exceed their original projections although their Estimates were revised, as shown in Table 1.16 and Figure 1.8.



2.72

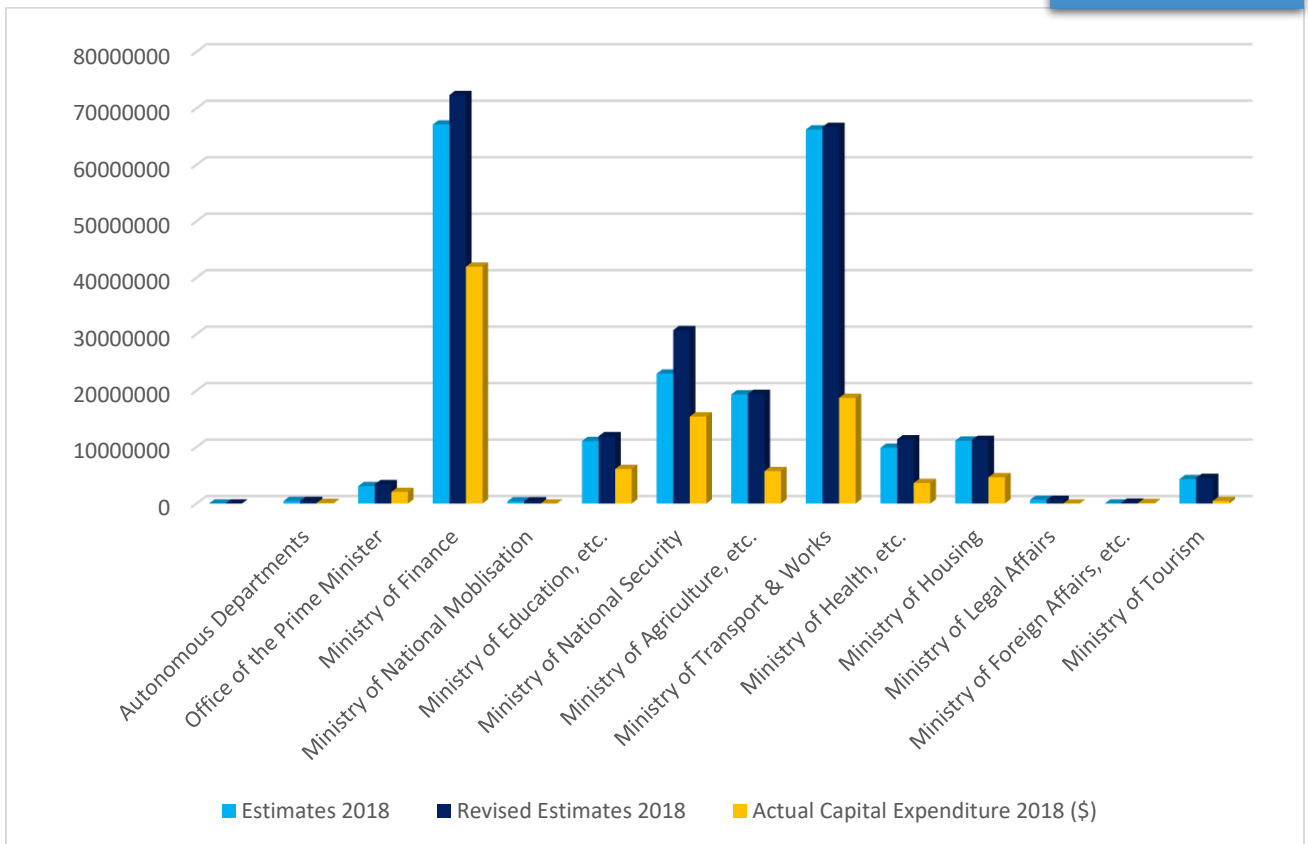
Table 1.16 and Figure 1.8 show a comparison of the Capital Estimates, Revised Estimates and Actual Capital Expenditure for 2018.

Table 1.16

Ministry	Description	Estimates 2018 (\$)	Revised Estimates 2018 (\$)	Actual Capital Expenditure 2018 (\$)
1	Autonomous Departments	455,000.00	455,000.00	104,827.12
10	Office of the Prime Minister	3,090,000.00	3,415,000.00	2,048,520.32
20	Ministry of Finance, etc	67,125,600.00	72,332,477.67	41,952,592.58
30	Ministry of National Mobilisation	373,610.00	373,610.00	0.00
35	Ministry of Education, etc.	11,064,000.00	11,921,319.00	6,130,950.87
40	Ministry of National Security	23,012,140.00	30,703,156.80	15,401,848.86
45	Ministry of Agriculture, etc.	19,328,520.00	19,421,520.00	5,738,657.37
55	Ministry of Transport & Works	66,245,420.00	66,689,622.37	18,710,640.10
65	Ministry of Health, etc.	9,870,400.00	11,370,400.00	3,630,019.37
70	Ministry of Housing, etc.	11,121,000.00	11,261,340.82	4,654,360.86
75	Ministry of Legal Affairs	645,000.00	645,000.00	0.00
85	Ministry of Foreign Affairs, etc.	0	137,236.05	74,563.96
90	Ministry of Tourism, etc	4,325,000.00	4,525,000.00	444,747.29
TOTAL		216,655,690.00	233,250,682.71	98,891,728.70



Figure 1.8



2.73

A comparison of financial year 2017 with 2018 Capital Expenditure showed a decrease of \$23,671,089.85 for the year 2018, as depicted in Table 1.17.

Table 1.17

Item	Actual 2017 (\$)	Actual 2018 (\$)	Increase / (Decrease) (\$)
Capital Expenditure	122,562,818.55	98,891,728.70	23,671,089.85



2.74

An analysis of revised Capital Expenditure with the actual Capital Expenditure for the five (5) year period 2014 to 2018, has revealed that less than 40 percent of the revised estimates has been expended in Public Sector Investment Programmes for financial years 2014 to 2016. However, Capital Expenditure has shown a slight increase in 2017 and 2018 over the three (3) previous years.

2.75

Table 1.18 shows a comparison of revised estimates and actual Capital Expenditure for the financial years 2014-2018.

Table 1.18

YEAR	REVISED ESTIMATES A(\$)	ACTUAL CAPITAL EXPENDITURE B(\$)	VARIANCE A-B (\$)	PERCENT SPENT
2014	335,448,578.99	125,213,755.16	210,234,823.83	37.3%
2015	302,705,105.19	99,228,731.27	203,476,373.92	32.8 %
2016	224,761,004.97	78,161,749.13	146,599,255.84	34.7 %
2017	298,129,529.44	122,562,818.55	175,566,710.89	41.1%
2018	233,250,682.71	98,891,728.70	134,358,954.01	42.4%



STATEMENT OF ASSETS AND LIABILITIES

2.76

The Finance Administration Act CAP 252 and Regulations, of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009 are the basis for the preparation of the financial statements. The Laws and Regulations do not consider the international reporting requirements.

NOTES TO THE FINANCIAL STATEMENTS

2.77

The notes to the financial statements form an integral part of their presentation as they provide users with the necessary explanations, narrative descriptions of items disclosed in the statements, information about items that do not qualify for recognition in the statements, and additional information they require to gain an adequate understanding of the statements, to make informed decisions. These disclosures would give users a better understanding of the financial risks and possible commitments facing the Government. The financial statement provided for Assets and Liabilities was deficient of notes to the statement. The lack of adequate disclosures results in users not having a complete picture of the accounts.

2.78

In 2015, technical assistance was provided to the Accountant General's Department in the preparation of the financial statements, in accordance with the International Public Sector Accounting Standards (IPSAS). To date, this has not been implemented by the Ministry of Finance and the Accountant General's Office.



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2.79

The Statement of Assets and Liabilities did not include Government's Fixed Assets. The Statement did not show the different categories of assets and liabilities, such as current assets or non-current assets and current liabilities, long term liabilities or non-current liabilities.

LIABILITIES

Overdraft Current Account **(\$30,181,155.16)**

2.80

The Statement of Assets and Liabilities has shown a bank overdraft of (\$30,181,155.16) on the Current Account, whereas the Certificate of Balances issued by the Bank of St. Vincent and the Grenadines (BOSVG), as at December 31, 2018, reflected an overdraft balance of (\$39,575,291.36), a difference of (\$9,394,136.20). In the absence of a bank reconciliation, it could not be determined what contributed to the difference. The approved overdraft limit for the year ended 31st December, 2018, was \$50,000,000.00.

Unreconciled Cash - Current and Development Accounts **\$27,974,567.61**

2.81

The Unreconciled Cash Accounts were established in 2010 to account for unreconciled balances on the Current and Development Accounts at the close of the financial year. As at December 31, 2018, the balances on the Unreconciled Cash - Current and Development Accounts were \$20,639,023.06 and \$7,335,544.55, respectively. These accounts should be reconciled to determine the accuracy of the high balances on the accounts.



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2.82

Union Island Sub-Treasury **\$128,632.92**

The Statement recorded a credit balance of \$128,632.92 for the Union Island Sub Treasury, whereas the cashbook reflected a debit balance of \$1,500.00, as is required by the Accountant General. This balance was brought forward from financial year 2012.

2.83

Crown Agent **\$500,346.82**

The total of \$500,346.82 was shown on the Crown Agent Account. The balance remained on the account since 2014.

2.84

Loans **\$1,251,844,518.11**

The total loans of \$1,251,844,518.11, which is inclusive of Treasury Bills of \$84,000,000.00, decreased by \$41,864,999.18 or 3.2 percent over the previous year's loan balance of \$1,293,709,517.29. More details of the loans are highlighted under the Public Debt section of the report.

2.85

Accounts Payable **\$49,191,718.37**

The balance on the Accounts Payable Account was reflected as \$49,191,718.37 for the financial year, an increase of \$20,232,819.91 over the balance of \$28,958,898.46 for 2017.

2.86

Balancing Accounts **\$68,295,575.08**

The Balancing Accounts showed a total credit balance of \$68,295,575.08. These accounts were established in 2009 to account for unreconciled balances between the Current



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Account in SmartStream and the Bank Accounts. The balance remained unchanged at the end of 2018.

2.87

Salary Clearing

\$30,460.10

Salary Clearing Account should reflect zero balances, once the salaries are processed and the adjusting entries made to Personal Emoluments and the Current Account. The statement showed a balance of \$30,460.10 at the end of 2018.

2.88

RECOMMENDATIONS

- The bank overdraft on the Current Account should be reconciled with the balance stated on the Certificate of Balances issued by the BOSVG, to determine the reason/s for the difference between the two accounts;
- Union Island Sub - Treasury Account should be analysed to determine the reason for the large credit balance on the account based on the Treasury accounting policy;
- The Accountant General should conduct thorough analysis and reconciliations on the Unreconciled Cash, Accounts Payable and Balancing Accounts to ascertain the accuracy of these balances;
- The Accountant General should take the action to review the Salary Clearing Account and make the necessary adjustments; and
- conduct an analysis on the dormant accounts identified under the different categories to determine whether the accounts should be closed if they are no longer needed.



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ASSETS

Cash at Bank **\$1,487,217.76**

2.89

The Statement showed four (4) Cash Bank Accounts with balances totalling \$1,487,217.76 which are held at the BOSVG. However, the Certificate of Balances from BOSVG has shown a balance of \$746,549.23 on these accounts, a difference of \$740,668.53.

Loan Accounts and Disaster Relief Fund **\$1,286,793.43**

2.90

A Disaster Relief Fund Account, with amount of \$1,286,793.43 was shown on the Certificate of Balances from the BOSVG. However, the amount and account were not reflected in SmartStream.

Accountant General's Comments:

The Disaster Relief Fund Bank Account is not in SmartStream. We will ensure that it is reflected in the 2022 Accounts.

Development Account **\$468,912.28**

2.91

The Statement showed a balance of \$468,912.28 under the Development Account; however, confirmation from the BOSVG has indicated a balance of \$445,907.80, a difference of \$23,004.48.



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2.92

Sub-Treasuries \$385,886.63

The balance of \$385,886.63 on the Statement represented cash held by four (4) Sub-Treasuries namely, Georgetown, Bequia, Barrouallie and Canouan at the end of the financial year. However, there were significant differences between the balances recorded in the cash book and those in the Treasury Accounts for Bequia and Canouan Sub-Treasuries at the end of the financial year 2018. Table 1.19 below shows the comparative year-end balances on the four (4) Sub-Treasuries accounts.

2.93

Table 1.19 shows the comparative year-end balances on the four (4) Sub -Treasuries accounts.

Table 1.19

Account	Sub Treasury	Cash Book (\$)	Financial Statement (\$)	Variance (\$)
62123 6061	Georgetown	300.00	300.00	-
62123 6062	Bequia	-	77,050.65	77,050.65
62123 6064	Barrouallie	300.00	300.05	0.05
62123 6066	Canouan	9,064.72	308,235.93	299,171.21
Total		9,664.72	385,886.63	376,221.98

2.94

The high variance of \$376,221.98 between the balances indicates that transactions were not posted from the Sub-Treasuries accounts to the Accountant General’s Current Account, in accordance with the accounting policy of the Treasury. There is need for a detailed analysis of the Bequia and Canouan Sub -Treasuries Accounts by the Accountant General.



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Cash-Short Term Deposits

\$91,334.46

2.95

The sum of \$91,334.46 represented the net balance of two (2) Cash-Short Term Deposit Accounts recorded in the Treasury Accounts at the end of 2018. This was a net decrease of \$314,146.91, when compared to the balance of \$405,481.37 reported for the year ended 2017. Confirmation from the BOSVG has shown agreement with the total reported on the Financial Statement and Certificate.

Public Debt Investment Account

\$1,164,527,162.04

2.96

The Public Debt Investment Account has shown a balance of \$1,164,527,162.04, a decrease of \$41,650,814.91 over the balance of \$1,206,177,976.95 shown for 2017. This account reflects the receipts and repayments of Public Debt.

Receivables

\$508,145.86

2.97

The Dishonoured Cheques balance recorded as \$508,145.86, increased by \$118,527.22 when compared to the balance of \$389,618.64 at the end of 2017. This infers that the various dishonoured cheques that made up the balance in the account were not recovered and increased in the financial year.

CONSOLIDATED FUND

(\$296,976 605.66)

2.98

The Statement showed that the opening balance on the Consolidated Fund Account, was a deficit of \$260,554,926.55, as at 1st January, 2018. The deficit of \$37,582,649.16 (*which was understated by \$35,400 as outlined at paragraph 2.15*) on the budget out-turns for the financial year 2018 was transferred to the Consolidated Fund and a total of \$1,160,970.05 was shown as adjustments related to prior years, resulting in an increased deficit balance of \$296,976,605.66 on the Consolidated Fund at the end of 2018.



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2.99

In comparison to 2017, the Consolidated Fund deficit balance increased by \$36,421,679.11.

RECOMMENDATIONS

2.100

The Accountant General should:

- conduct reconciliation on the Cash at Bank and Development Account to ascertain the differences between the balances on the Statement and Certificate of Balances from BOSVG, as at 31st December, 2018; and
- analyse the balances on the Sub -Treasuries accounts and the appropriate postings or adjustments be effected in the accounts.



STATEMENT OF CONTINGENCIES FUND

ESTABLISHMENT OF THE CONTINGENCIES FUND

2.101

The Contingencies Fund was established by section 29 of the Finance Administration Act 2004, CAP 252 of the Revised Laws of St. Vincent and the Grenadines, to finance urgent and unforeseen expenditures for which no other provision or no other sufficient provision exists.

SOURCE OF FUNDS

2.102

Section 8A of the Value Added Tax Act, Chapter 445 of the Laws of St. Vincent and the Grenadines, Revised Edition 2009, provides for the appropriation of one percent (1%) of the VAT chargeable on a taxable supply or taxable import, to the Contingencies Fund, with effect from 1st May, 2017.

CONTINGENCIES FUND BALANCE 2018

\$12,727,817.76

2.103

An examination of the Government's Accounting System – SmartStream revealed that, for the period January to December 2018, \$78,492,591.39 and \$92,190,783.12, were collected in VAT under Customs and Excise and Inland Revenue Departments, respectively, resulting in a total collection of \$170,683,374.51.



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2.104

In accordance with the VAT Act, \$10,667,710.91 of the amount collected, should have been deposited into the Contingencies Fund for the financial year 2018. The equivalent of 1 percent (1%) computed by the Accountant General, was \$11,379,029.84, a net difference of \$711,318.93. This was attributable to the amount of \$6,164,598.26 instead of \$6,247,825.06 recorded as VAT receipts for December 2018, under the Inland Revenue Department, on the Accountant General's computation and the rate of 6.67 percent instead of the approved rate of 6.25 percent or 1/16 used to calculate the amount payable.

2.105

The Contingencies Fund balance reported on the Statement of Contingencies Fund and confirmed by BOSVG was \$12,727,817.76, at December 31, 2018. The balance was inclusive of:

Balance brought forward from financial year 2017	\$975,859.57
Amount deposited in 2018 for financial year 2017	\$4,088,177.67
VAT receipts deposited for 2018	\$7,522,727.53
Interest earned in 2018	<u>\$141,052.99</u>
Balance as at December 31, 2018	<u>\$12,727,817.76</u>

2.106

Therefore, the amount deposited to the Fund was \$7,522,727.53 instead of \$10,667,710.91, a short deposit of \$3,144,983.38 for the fiscal year 2018. Additionally, \$1,821,156.28 remained outstanding for the financial year ended 2017, a total short deposit of \$4,966,139.66 at the end of the financial year 2018.



2.107

Further analysis revealed that although a total of \$11,610,905.20 (\$4,088,177.67 and \$7,522,727.53) was brought to Account in the Contingencies Fund, a total of \$15,088,176.71 was charged for its capitalisation under Capital Expenditure Account 20 32151 201704 3211, a short deposit of \$3,477,271.51. This resulted in an understatement of the balance on the Contingencies Fund by \$3,477,271.51 for financial year 2018.

2.108

RECOMMENDATIONS

1. The Accountant General should:
 - I. investigate the understatement of \$3,477,271.51 on the Contingencies Fund Account which should have been reflected in the Fund at the end of the financial year; and
 - II. ensure that the total VAT collected for the Contingencies Fund is brought to account within the financial year based on the Government's system of cash basis of accounting; and
2. A Revenue Account should be created to account for the 1 percent VAT collected as receipts for the Contingencies Fund, to ensure timely accounting for the amounts collected in the financial year.

Accountant General's Comments

Payments to the Contingency Fund are prepared for each month except for the month of December within the current financial year. Therefore, December of each year is always prepared and paid in the following financial year. The outstanding amount of \$3,477,271.51 was deposited in the Contingency Fund Bank Account in 2019.



STATEMENT OF GENERAL DEPOSITS

TOTAL GENERAL DEPOSITS 2018 **\$48,267,537.67**

2.109

The Statement of General Deposits showed that fifty-nine (59) Deposit Accounts were maintained and totalled \$48,267,537.67 for the financial year 2018, an increase of \$2,493,129.42, when compared to 2017.

2.110

General Deposits consist of accounts that are held by the Accountant General on behalf of other Governments, Statutory Bodies, Ministries or Departments, private citizens and other Non-Governmental Organisations, pending application for payment in accordance with the purpose for which the relevant deposits were created, as outlined in the subsequent paragraphs.

STATUTORY BODIES **\$11,581,368.50**

2.111

The Statutory Bodies comprised the main Deposit Accounts in the Government Accounts, with deposits totalling \$11,581,368.50. This balance was an increase of \$67,249.79 over the previous year's balance of \$11,514,118.71. During the year, only one (1) account namely - Port Authority, recorded transactions. The balances on the other eight (8) accounts remained unchanged during the financial year.



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2.112

DEPOSITS - DEPARTMENTAL ACCOUNTS

\$32,008,099.44

As at December 31, 2018, there were twenty-four (24) Departmental Accounts that recorded credit balances totalling \$32,008,099.44. This was an increase of \$2,012,397.02 over the previous year's balance of \$29,995,702.42.

2.113

DEPOSITS – INDIVIDUALS

\$3,829,801.14

There were fourteen (14) Individual Deposit Accounts that totalled to a net credit of \$3,829,801.14, an increase of \$67,447.21 on the balance of \$3,762,353.93 held at the end of financial year 2017. These accounts relate to monies collected by the Government on behalf of private citizens and other Non-Governmental Organisations. Included in this balance is an amount of \$66,294.63, which is reflected in the statement and Treasury Account as "Individual Deposit Accounts written off".

2.114

DEPOSITS- LOCAL GOVERNMENT

\$412,242.30

The balance of \$412,242.30 on the Local Government Account showed an increase of \$346,035.40, when compared to the previous year's balance of \$66,206.90.

2.115

OTHER GOVERNMENTS

Net credit- \$436,026.29

The Statement has shown that eleven (11) Deposit Accounts were maintained for the financial year 2018. Six (6) accounts recorded credit balances totalling \$795,121.34, while five (5) accounts had an aggregate debit balance of \$359,095.05. A debit balance of



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\$359,095.05 indicates that the Accountant General paid out amounts in excess of the deposits held on behalf of five (5) Governments in previous financial years.

RECOMMENDATIONS

It is recommended that the Accountant General should:

- seek confirmation from the regional Governments to ascertain the correctness of the balances of the eleven (11) Deposit Accounts held for Other Governments;
- review the amount of \$66,294.63, which is reflected on the Statement and in the Treasury Accounts as “Individual Deposit Accounts written off” and make the appropriate adjustment; and
- analyse the debit balance of \$359,095.05 of the five (5) accounts reflected under Other Governments.

2.116



STATEMENT OF INVESTMENTS

INVESTMENTS 2018 **\$26,498,123.53**

2.117

The Statement of Investment showed investments totalling \$26,498,123.53 was recorded for the year 2018, a reduction of \$10,493,792.12 in Investments, when compared to the balance of \$36,991,915.65 for 2017. Investment reported was \$2,696,054.28 less than the balance of \$23,611,741.91 confirmed on the Certificate of Balances from the BOSVG and \$190,327.34 held as Special Deposits at ECCB, as highlighted in the ensuing paragraphs 2.117 to 2.122.

TRUST FUNDS **\$33,209.08**

2.118

The Statement showed that the Trust Funds balance at the year ended December 31, 2018, was \$33,209.08, an increase of \$1,083.03 over the previous year's balance. Four (4) Trust Funds were reflected on the Statement of Investment; however, the Certificate of Balances from the BOSVG only accounted for three (3) funds namely Bequia Agricultural Improvement Trust, Simmons Bequest and Haywood Bank. Major Bain Gray Fund with a balance of \$1,066.84 was not reflected on the Certificate from the Bank at the end of 2018.



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SINKING FUND

\$8,296,104.92

2.119

The financial statement recorded Sinking Fund Investments at \$8,296,104.92. The Sinking Fund balance showed a decreased of \$23,612,716.58 over the total balance of \$31,908,821.50 at the end of the year 2017. The decrease was due to the repayment of Bonds during the fiscal year.

2.120

In addition, the narration in the Sinking Fund Account was inadequate to enable an indebt analysis with the transactions under the Recurrent Expenditure. As a result, the accuracy of the balance could not be determined.

SPECIAL FUNDS

\$17,978,482.19

2.121

The Special Fund was reflected with five (5) accounts totalling a balance of \$17,978,482.19. A comparison with the Certificate of Balances from the BOSVG, showed that only \$15,283,494.75 was accounted for on the Certificate. This was due to the Scotia Bank (letter of credit) being reflected as \$2,694,987.44 on the Investment Statement, whilst it was not accounted for on the Certificate of Balances from the BOSVG; which resulted in a difference of \$2,694,987.44.

Accountant General's Comments:

The Scotiabank Letter of Credit was taken out with Scotiabank and not BOSVG, therefore it will not be found on the BOSVG Certificate of Balances. Enclosed is a copy of the Statement of Balance for the Letter of Credit from Scotiabank, Canada.



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SPECIAL DEPOSITS

Fiscal Reserve Account ECCB **\$190,327.34**

2.122

The Investment Statement showed a total of \$190,327.34 as Special Deposit under Fiscal Reserve Account – ECCB. The total Fiscal Reserve remained unchanged when compared to 2017.

RECOMMENDATIONS

2.123

The Accountant General should:

- account for Major Bain Gray Prize Fund with a balance of \$1,066.84, which was not reflected on the Certificate of Balances from the Bank of St. Vincent and the Grenadines at the end of 2018; and
- ensure that adequate narration is inserted in the Sinking Fund Account to facilitate a proper analysis of the amounts credited and debited.



STATEMENT OF PUBLIC DEBT

PUBLIC DEBT 2018

2.124

The Statement of Public Debt for 2018, reflected the outstanding balances on existing loans. The Public Debt, as disclosed by the Accountant General on the Statement of Public Debt, stood at \$1,251,844,518.11, a decrease of \$41,864,999.18 or 3.2 percent over 2017 debt of \$1,293,709,517.29.

2.125

At December 31, 2018, domestic and external debts were reported as \$532,525,497.01 and \$719,319,021.10, respectively; however, the analysis of the Public Debt Statement with Loan Accounts and Capital Loan receipts in SmartStream revealed several discrepancies between the Public Debt accounted for on the statement and the receipts of loans on the Capital Revenue Statement; and the information recorded in the Loan Accounts in SmartStream. The following discrepancies were brought to the attention of the Accountant General, who provided clarifications:

Domestic Loans and Receipts

2.126

Authorities for Public Sector Investment Programme

It was noted that Act No. 3 of 2018 provided for the Government to raise funds of an amount of \$100 Million to finance Public Sector Investment Programme (PSIP). However; loans raised totalled to \$108,804,801.00, an excess of \$8,804,801.00.



Accountant General's Comments:

The Debt Unit-MOF is responsible for raising/securing Funds for the running of the State. We will therefore raise the issue with the Unit with respect to keeping within the limit authorised by Parliament.

2.127

An amount of \$3,504,801.00 received in Loans from Petro Caribe was not included as a debt in SmartStream and on the Public Debt Statement; resulting in an understatement of the Public Debt for 2018 by \$3,504,801.00.

Accountant General's Comments:

\$3,504,801.00 was received from Petro Caribe, no documentation concerning loan and the loan was not brought to account.

2.128

The following debts were included in the Government Accounts and the Public Debt Statement for financial year ended December 2018; however, the related Bond Receipts and Expenditure were not recorded in SmartStream. This resulted in the understatement of Capital Revenue and Capital Expenditure by \$11,200,000.00 for financial year 2018:

4. Government Bond 2028-5 of EC \$5,700,000.00, from National Insurance Services was shown as a new debt on the Public Debt Statement. However, the receipts for this Bond was not traced to the Domestic Bond Receipt Account; and
5. Government Bond 2028-4 of EC \$5,500,000.00 from First Citizens Investment Services was shown as a new debt on the Public Debt Statement. However, the receipts for this Bond was not traced to the Domestic Bond Receipt Account.



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Accountant General's Comments:

4. 6469 Government Bond 2028-5 for \$5.7M with NIS – the bond was issued to cover outstanding NIS contribution from Statutory Bodies. The Treasury did not receive any funds from this Bond Issue. The funds were remitted directly to NIS.
5. 6468 Government Bond 2028-4 for \$5.5M with FCIS – this bond was issued to purchase the BICO building. The Treasury did not receive any funds from this Bonds Issue. The funds were remitted directly to the Liquidator, for BICO.

2.129

Government Bond 2028-2 of EC \$8,100,000.00 was shown as a new debt on the Public Debt Statement for the financial year ended December 2018; however, only \$8,064,600.00 was recorded as receipts for this Bond in SmartStream. This resulted in an understatement of Capital Revenue by, \$35,400.00.

Accountant General's Comments:

The \$35,400 represent the arrangement fees. A Journal should have been done to account for the charges, this Journal was not done.

External Loans

2.130

The Public Debt Accounts in SmartStream did not contain adequate information in the comments to determine whether the amounts received were credited to the appropriate accounts. In most instances, the narrative for the amounts credited to the loan accounts



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were stated as “to reconcile SS balance with CDRMS balances” and “Adjustment External Loans Balances” instead of the purpose of the receipts.

Accountant General’s Response:

We agree with the finding. As of 2019 the comments are tailored to show the purpose of the transactions and individual transactions are shown separately.

2.131

Further, the Statement has shown a balance of \$11,100,618.00 on a loan owed to the Government of Trinidad and Tobago. However, it was noted that this loan is not being serviced by the Government.

Cost of Servicing Public Debt

\$207,843,693.04

2.132

The cost of servicing Public Debt includes amortisation, interest, charges and sinking fund contributions. According to the Statement of Detailed Expenditure, a total of \$207,843,693.04 was expended for the servicing of domestic and external debt and sinking fund contributions.

2.133

Debt servicing increased by 10.7 percent from \$187,691,342.17 in the previous year to \$207,843,693.04 in 2018. This was due primarily to an increase of 18.8 percent in servicing of domestic debt and sinking fund, when compared to financial year 2017. There was an increase of 3.1 percent and a slight increase of 1.6 percent in the cost of servicing Public Debt as a percentage of Recurrent Revenue and Recurrent Expenditure, respectively, for 2018, when compared to 2017, as shown in Table 1.20.



2.134

Table 1.20 shows comparative for Public Debt, Debt Servicing, Debt Servicing to Recurrent Revenue and Expenditure for financial years 2017 and 2018.

Table 1.20

PARTICULARS	2018 \$	2017 \$	% CHANGE
Total Debt	1,251,844,518.11	1,293,709,517.29	-3.2%
Central Government Debt Servicing	207,843,693.04	187,691,342.17	10.7%
External Debt	84,377,608.41	83,780,718.77	.7%
<i>Amortisation</i>	63,599,028.89	64,647,553.55	-1.6%
<i>Interest Payments</i>	20,257,671.63	18,625,905.22	8.8%
<i>Foreign Charges</i>	520,907.89	507,260.00	2.7%
Domestic Debt	123,466,084.63	103,910,623.40	18.8%
<i>Amortisation</i>	66,929,196.44	51,614,877.21	29.7%
<i>Interest Payments</i>	31,835,261.00	31,127,105.38	2.3%
<i>Local Charges</i>	2,495,857.19	7,168,640.81	-65.2%
<i>Sinking Fund Contribution</i>	22,205,770.00	14,000,000.00	58.6%
Recurrent Revenue	596,402,693.07	592,236,732.91	.7%
Recurrent Expenditure	725,689,916.26	694,991,833.86	4.4%
Debt Service/Recurrent Revenue (%)	34.8%	31.7%	3.1%
Debt Service/Recurrent Expenditure (%)	28.6%	27%	1.6%

2.135

PUBLIC DEBT AND DEBT SERVICING 2014-2018

During the years 2014 to 2018, Public Debt showed a net increase of \$79.3M or 7.3 percent, as shown in Table 1.21.

2.136

Public Debt and Debt Servicing for financial years 2014 to 2018 are shown in the Table 1.21.



Table 1.21

PARTICULARS	2014 \$M	2015 \$M	2016 \$M	2017 \$M	2018 \$M
Public Debt (Excluding Treasury Bills)	1,088.5	1,075.04	1,155.1	1,209.7	1,167.8
Debt Servicing	140.5	143.3	161.1	187.6	207.8

RECOMMENDATIONS

2.137

1. The Accountant General should ensure that adequate narrative is inserted in the comments field to justify the transactions under the Loan Accounts in SmartStream;
2. The discrepancies between the Public Debt Statement and the Capital Revenue Statement; and the information recorded in the Loan Accounts in SmartStream should be reviewed and adjusted by the Accountant General and the Debt Unit at the Ministry of Finance, prior to the preparation and submission of the Public Debt Statement for auditing; and
3. The Accountant General should ensure that all public debts are included in the accounts prior to the preparation and submission of the financial statements within the statutory deadline.



STATEMENT OF ADVANCES

2.138

In accordance with section 32 (3) of the Finance Administration Act, an advance is recoverable within a period not exceeding twelve months after the end of the financial year in which the advance was made. It was noted that the balances on several accounts remained unaccounted for periods in excess of twenty (20) years.

2.139

The failure to clear these advances increased the risk of understating the reported expenditure for the financial year in which the advances were granted.

2.140

The Detailed Statement of Advances comprised of the following categories:

- ✚ Government Officers;
- ✚ Departmental advances;
- ✚ Other Advances;
- ✚ Receivables; and
- ✚ Other Government.

Total Balance of Advances

\$12,469,461.63

2.141

The aggregate of advances not repaid showed a decrease of **\$407,069.51** or 3 percent from **\$12,876,531.14** in 2017 to **\$12,469,461.63** in 2018. The balances on the five (5) categories of advances when compared to 2017, are shown in Table 1.22 and Figure 1.9.



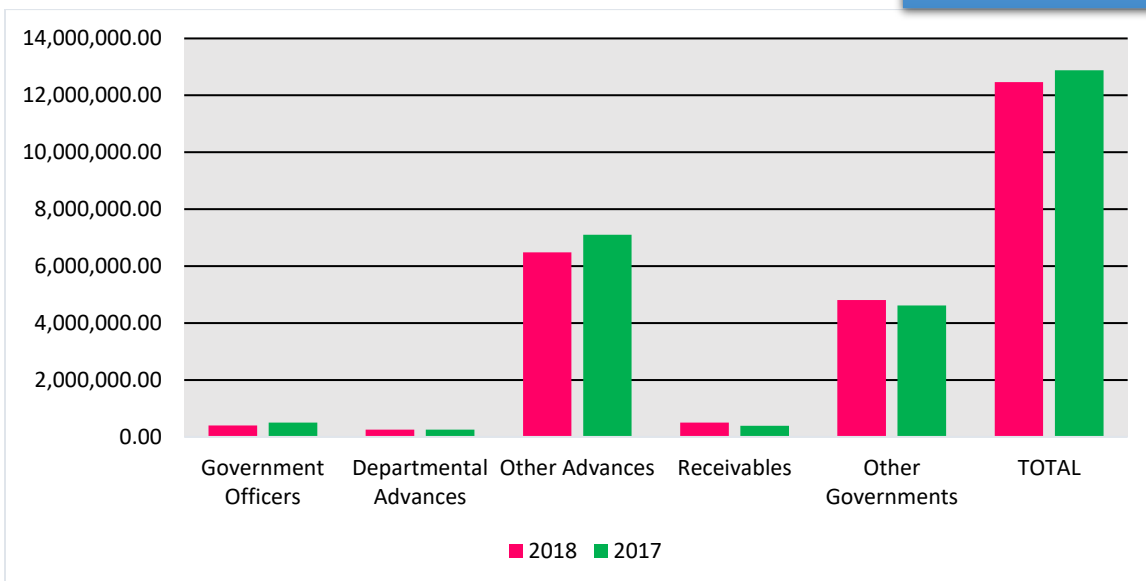
2.142

The balances on the five (5) categories of advances when compared to 2017 are shown in Table 1.22 and Figure 1.9.

Table 1.22

CATEGORY	2018 \$	2017 \$	INCREASE/DECREASE
Government Officers	402,164.30	501,559.77	(99,395.47)
Departmental Advances	262,044.83	262,044.83	-
Other Advances	6,489,360.69	7,107,325.21	(617,964.52)
Receivables	508,145.86	389,618.64	118,527.22
Other Governments	4,807,745.95	4,615,982.69	191,763.26
TOTAL	12,469,461.63	12,876,531.14	(407,069.51)

Figure 1.9





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Government Officers

\$402,164.30

2.143

The financial statement has shown a net debit balance of \$402,164.30 for advances issued to Government Officers, as at December 31, 2018, \$ 99,395.47 less than the balance of \$501,559.77 for 2017. Of the total outstanding, an amount of \$179,998.12 is shown as advances to persons who are retired, while an amount of \$7,000.00 is reflected as Advances - Non-Governmental Officers, a new category included under Advances - Government Officers in the financial year.

2.144

The amount of \$179,998.12 advanced to persons who retired should have been recovered from the Officers on payment of their retirement benefits and journalised to reduce the balance under the Advance Account. Government officers are granted one (1) month to account for their expenses after their return to the State. In addition, the known policy of the Government is that non-compliance should result in the amount being deducted from the Officers' salaries. The high balance on the Advance Account indicates the failure of the Accountant General's Office to implement its policy to recover the outstanding amounts from the Officers' salaries.

Departmental Advances

\$262,044.83

2.145

The Statement showed a balance of \$262,044.83, as at the year ended December 2018, which remained to be journalised on the Departmental Advance accounts due to the amount collected for the sale of the Laws by the Attorney General's Office being credited to Sale of Forms and Publications Account No. 75 750 18001 instead of Advance Account



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No. 20-55101 in 2013. No transactions were seen under this account during the financial year 2018.

Other Advances **\$6,489,360.69**

2.146

The Statement showed a net balance of \$6,489,360.69 at December 31, 2018, \$617,964.52 less than the balance of \$7,107,325.21 for the previous year. Six (6) of the fourteen (14) accounts on the Statement showed no activity during the financial year 2018. The highest balances of \$1,370,248.47, \$1,118,911.72, \$747,650.33 and \$585,605.11 were reflected primarily under the Permanent Representative-SVG UN, Toronto Consulate, New York Consulate and Embassy SVG, Cuba, respectively.

Receivables **\$508,145.86**

2.147

Receivables which resulted from Dishonoured Cheques increased by \$118,527.22 from \$389,618.64 in 2017 to \$508,145.86 in 2018.

Other Governments **\$4,807,745.95**

2.148

The Statement showed twelve (12) accounts with debit balances totalling \$4,807,745.95 for the year ended December 31, 2018. This balance increased by \$191,763.26 when compared to the balance of \$4,615,982.69 for 2017. Four (4) of the accounts have shown fixed balances since 2000, while eight (8) accounts have not reflected any repayment for the last ten (10) years, although the Accountant General continued to make payments for gratuity and pensions on behalf of the Governments.

It must be reiterated that if this trend is allowed to continue, the Governments' debt may escalate beyond unmanageable proportions.



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RECOMMENDATIONS

2.149

- The balances which remained outstanding for extended periods in the Advance Accounts should be investigated and the relevant corrective action taken to have the outstanding advances repaid and cleared or written off, in accordance with section 17 (1) of the Finance Administration Act;
- The internal controls should be strengthened to ensure that advances are promptly cleared in keeping with the requirements of the accounting policies;
- The Accountant General should adjust the amount of \$262,044.83 credited to Sale of Forms and Publication Account No. 75 750 18001 instead of Advance Account No. 20 -55101;
- Policies and procedures should be enforced, aimed at ensuring that Public Officers exercise due care when accepting cheques from businesses and individuals. In addition, reference should be made to the Dishonoured Cheque List prepared by the Accountant General; and
- The Accountant General should inform the regional Governments of their indebtedness to the State and seek confirmation of the balances, since these debts may escalate beyond manageable proportions.



CHAPTER 3

GENERAL OBSERVATIONS AND NON- COMPLIANCE ISSUES

3.1

RESPONSIBILITY OF MANAGEMENT OF THE AUDITED ENTITIES

Accounting Officers have a responsibility to ensure that adequate internal controls are in place in the Ministries and Departments to safeguard the assets and other resources against fraud and irregularities; and that the controls are functioning as intended. Also, it is critical that Accounting Officers take remedial actions to correct reported deviations to improve the performance of the entities, by implementing recommendations issued by my Office. Accordingly, an audit does not absolve Accounting Officers of their responsibilities. However, the results of the audits conducted revealed that the responsibilities herein before mentioned, were relinquished by some Accounting Officers, as several discrepancies were identified.

3.2

GENERAL OBSERVATIONS AND NON - COMPLIANCE

Compliance Audits were carried out at various Government Offices in the Grenadines, SVG Embassy, Cuba and SVG High Commission, London. In addition, surprise cash surveys were conducted at Government Offices throughout St. Vincent and the Grenadines. Reports and queries were issued to the respective Accounting Officers and Heads of Departments. Further, recommendations were made with the intention of assisting management in the implementation of corrective actions to improve the operations of the audited entities.



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3.3

I noted with grave concern that despite the issuance of recommendations to enhance the performance of the audited entities, Accounting Officers have continued to exhibit passivity; since the recommendations issued to improve operations were not implemented and enforced. Generally, recommendations are derived from the requirements of the Finance Administration Act and Regulations of 2009, Store Rules, established policies and procedures, as well as other legislative authorities, which provide for the performance of the Government's entities. Although I expect the recommendations to be implemented, my primary concern is whether the Accounting Officers and Heads of Department select the best course of action to address the issues identified in a timely manner.

3.4

I must reiterate that the most significant function of public auditing is to advance accountability and transparency in Government, thereby achieving successful management of public sector resources. However, the accomplishment of the foregoing is contingent, inter alia, upon the willingness and timeliness of Accounting Officers and Heads of Departments to take remedial actions to implement recommendations issued in audit reports to correct identified deficiencies and improve the operations of the entities.

3.5

The audits continue to reveal that Public Officers within the Ministries and Departments are not exercising due care and diligence in the execution of their duties. Hence, greater attention must be placed on compliance with requisite legislations and established accounting policies and guidelines, in efforts to improve the internal controls and operations of the entities. There is need for continuous training of staff in the Ministries and Departments in accounting regulations and procedures, with the view of enhancing accountability and good governance. The lack of training is negatively impacting, in many instances, on the operations of the audited entities.



3.6

ARREARS OF REVENUE RETURNS

The annual returns of arrears of revenue and monthly reports of recovery of arrears of revenue were not submitted by the Accounting Officers and Heads of Departments who are responsible for the collection of revenue, as required by regulation 99 of the Finance Administration Regulations, 2009, although a request was made by the Accountant General. Therefore, the true position of arrears due to the Government was not determined, since the collectors of revenue failed to submit returns in accordance with the requirements of the regulations. The non-submission of taxpayers' indebtedness prevents the Government from implementing appropriate and effective recovery measures in the collection of outstanding revenue, which would increase the cash flow and reduce the need for borrowing. This issue needs urgent attention as the Government should be adequately informed of the outstanding arrears, the factors attributable to any increase and the action taken to reduce or contain the accumulation.

3.7

The Accountant General should take actions to ensure that the annual returns and reports are submitted by the collectors of revenue and arrears revenue are classified and credited to the appropriate account provided and approved in the Estimates of Revenue and Expenditure by Parliament.

3.8

RETURN OF RECEIPT BOOKS

All Revenue Collectors are required by the Finance Administration Regulations 2009 to submit half-yearly returns of Revenue Receipts Books in their custody to the Accountant General. This is to ensure that all books are properly controlled and can be vouched for by the Accountant General. There has been non-compliance with the regulations.



3.9

SURPRISE CASH SURVEYS

Surprise cash surveys were conducted quarterly at the Government's Offices throughout St. Vincent and the Grenadines, to ascertain whether all cash collected were accounted for in accordance with the Finance Administration Regulations 2009. There were no major deficiencies identified at the entities during the fiscal year.

3.10

IMPRESTS

A total of \$6,402.71 remained outstanding on the Imprest Accounts, at the end of 2018, although, section 33 (2) of the Finance Administration Act, states *that " Any officer to whom an imprest has been issued.....shall retire that imprest not later than the end of the financial year in which the imprest was issued or, if some earlier date is specified in the Imprest Warrant or by the Accountant General, not later than that earlier date."*

3.11

The failure of Accounting Officers to comply with the requirements of the Act resulted in the under reporting of expenditure by the defaulting Ministries.

3.12

VIREMENT WARRANTS

Virement Warrants are used to vary budgetary resources assigned to any programme within an expenditure vote under a Ministry or Department, due to savings arising from an item in the expenditure vote. The request for a virement is submitted by an Accounting Officer to the Minister of Finance for approval.



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3.13

One hundred and seventy-eight (178) Virement Warrants totalling \$4,947,109.46 were approved in respect of the year ended December 31, 2018; resulting in a decrease of \$101,703.24 of the amounts varied, when compared to the sum of \$5,048,812.70 in 2017.

3.14

It was noted that the amounts on three (3) Virement Warrants were posted incorrectly in the Government's Accounts – SmartStream as follows:

1. Virement Warrant No. 114/2018 was approved to transfer an amount of \$205,762.68 from Account 45 472 22111 to Account 45 453 21112. However, Account 45 472 21112 was debited instead of Account 45 453 21112, resulting in an overstatement and understatement of \$205,762.68, in the revised estimates under Account 45 472 21112 and 45 453 21112, respectively;
2. Approval was granted to vary \$10,000 from Account # 65-654-22211 to Account # 65-652- 22212 by Virement Warrant No. 121/2018; however, this was not recorded in SmartStream. This resulted in an overstatement and understatement of \$10,000 in the revised estimates under Account # 65-654-22211 and # 65-652-22212, respectively; and
3. Virement Warrant No. 177/2018 approved to transfer an amount of \$252,406.37 from Account 85 859 22111 to Account 85 859 22212 was recorded twice in SmartStream. This resulted in an overstatement and understatement of \$252,406.37, in the revised estimates under Account 85 859 22212 and 85 859 22111, respectively;



SPECIAL WARRANTS

3.15

In accordance with section 28 of the Finance Administration Act 2004, Chapter 252 of the Laws of St. Vincent and the Grenadines, Revised Edition, 2009, the Minister of Finance may, after the Appropriation Act for the financial year has come into force, approve special warrants authorising the issue from the Consolidated Fund, such sums which may be required to defray unforeseen expenditure not provided for or not sufficiently provided for in anticipation of approval of the expenditure in a Supplementary Appropriation Act.

3.16

The Act states that “... *the aggregate of the amounts authorised by special warrants issued under this section in the financial year and not approved in a Supplementary Appropriation Act shall not exceed the amount fixed by resolution of the House of Assembly*”. The Act further states that “*A special warrant may be issued so long as the amount in the Contingencies fund does not exceed the amount fixed by resolution of the House of Assembly for the Contingencies Fund.*” The amount fixed by Resolution of the House of Assembly was \$25,000,000.00.

3.17

Seventy-nine (79) Special Warrants totalling \$32,318,330.82 were approved by the Minister of Finance, during the financial year 2018, a reduction of \$16,615,261.62 when compared to the amount of \$48,933,592.44 approved for 2017.

3.18

It was noted that the amounts on two (2) Special Warrants were posted incorrectly in the Government’s Accounts - SmartStream; resulting in a net overstatement of \$47,822.43 in



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the Revised Estimates of Recurrent Expenditure. This difference is attributable to the following:

- An amount of \$247,262, approved by Special Warrant No. 49/2018 to supplement Account 65 653 22212 under the Ministry of Health. The amount was posted twice to Account 65 653 22212 as Special Warrant No. 49/2018 and WW No. 49/2018. This resulted in an overstatement of the revised estimates by \$247,262.
- An amount of \$199,442.56 was approved by Special Warrant No. 1/2018 to supplement Account 75 750 28511 under the Ministry of Legal Affairs. However, the amount did not revise the estimates, as it was posted incorrectly in SmartStream. This resulted in an understatement of the revised estimates by \$199,442.56.

AUDIT QUERIES

3.19

Responses to Audit Queries by the Ministries and Departments remained unsatisfactory. A total of twenty - six (26) queries were issued to Heads of Departments and Accounting Officers in 2018. However, these queries remained outstanding at the end of the financial year.



CHAPTER 4

AUDIT OBSERVATIONS - MINISTRIES AND DEPARTMENTS

4.1

This section summarises the salient observations arising from the audits conducted at the St. Vincent and the Grenadines (SVG) High Commission, London and Embassy, Cuba, for the period under review. More detailed comments on the issues mentioned, as well as recommendations conveying the corrective measures considered necessary, were communicated to the Accounting Officer, High Commissioner and Ambassador by way of audit queries, report and memoranda. The significant findings are outlined hereunder: -

MINISTRY OF FOREIGN AFFAIRS, FOREIGN TRADE AND CONSUMER AFFAIRS

OVERSEAS OFFICES

ST. VINCENT AND THE GRENADINES (SVG) HIGH COMMISSION, LONDON

4.2

A Compliance Audit was conducted at the St. Vincent and the Grenadines (SVG) High Commission, London for the period October 2016 to September 2018.

4.3

A synopsis of the major findings of the audit is outlined hereunder:

4.4

As at 31st December, 2018, a total of EC\$33,322.26 was not processed in the Accounting Division's (Treasury's) Accounts and EC\$17,918.79 was cleared in excess of the monthly expenses for the period audited;



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As at 30th September, 2018, a large balance of EC\$808,331.42 remained in the Advance Account;

- As at 1st October, 2018, the High Commission's bank statement has shown that a balance of £89,821.63 remained in the current account;
- A total of EC\$3,015.76 computed as excess in salaries and allowances, due to exchange rate fluctuations, was credited to Personal Emoluments Account, resulting in an understatement of the actual salaries for the fiscal years 2016 to 2018 and an understatement of the expenses cleared from the advance account;
- There was an absence of separation of duties in the processing of the expenditure and passport accounts;
- A total of £4,883.77, was utilised from the SVG High Commission's account via its credit card, to finance expenses/advances for Government officials, whilst on official duties in London or in-transit to other countries; and
- Donations made by Vincentian Nationals and friends to assist specific economically disadvantage children in St. Vincent, were transmitted to the Minister of Foreign Affairs' bank account instead of the Accountant General's current account, to facilitate proper accountability and transparency in the receipt and spending of the funds.



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4.5

ST. VINCENT AND THE GRENADINES (SVG) EMBASSY, CUBA

A Compliance Audit was conducted at the St. Vincent and the Grenadines (SVG) Embassy, Cuba for the period October 2016 to October 2018.

4.6

REVIEW OF THE IMPLEMENTATION OF THE PREVIOUS YEARS' AUDIT RECOMMENDATIONS

A review was done during the audit to ascertain whether the Ministry of Foreign Affairs and SVG Embassy, Cuba, had implemented the previous years' audit recommendations issued by my Office.

4.7

It was noted that some of the recommendations issued in the previous reports were not implemented as was evident by the recurrence of a number of discrepancies which were highlighted in previous audit reports. In addition, there was no response from the Ministry of Foreign Affairs, etc. to indicate the actions that were taken to address the discrepancies and implement all the recommendations which were geared towards direct improvement of the accounting processes of the Embassy.

4.8

RESULTS OF THE AUDIT FOR THE PERIOD OCTOBER 2016 TO OCTOBER 2018

The major findings of the audit with recommendations, which were developed to assist Management to improve the performance of the Embassy and Management's responses, are outlined as follows:



4.9

ACCOUNTING FOR EXPENDITURE AND DIFFERENCE IN BANK CHARGES

As at 31st October, 2018, a total of EC\$39,044.25 was not processed in the Accounting Division's (Treasury's) Accounts and EC\$53,431.53 was cleared in excess of the monthly expenses for the period audited. In addition, a balance of EC\$816,192.58 was accumulated in the Advance Account, while the bank statement for the Embassy's current account showed a closing balance of US\$5,594.24, EC\$15,199.00. The difference of EC\$800,993.58 between these two accounts may have been as a result of the following:

- the issues raised in the four (4) previous audit reports for the period October 2005 to September 2016 were not addressed by the Accounting Unit at the Ministry of Foreign Affairs;
- the accumulated total of US\$15,601.80 EC\$42,388.54 in bank charges and losses in foreign exchange which were under or overstated in the Accountant General's accounts for the period October 2016 to October 2018; and
- the unprocessed monthly expenses totalling EC\$39,044.25 and the amount of EC\$53,431.53 processed in excess of the monthly expenses for the period under review.

Recommendations

4.10

- There is need for timely processing of the monthly expenses in the accounts by the Ministry of Foreign Affairs, etc.;
- A detailed analysis should be done on the monthly expenditure statements and vouchers to ascertain the following and effect adjustments where necessary:



- i. the total of EC\$53,431.53 processed in excess of the monthly expenditure, and EC\$39,044.25 which remains unprocessed in the accounts;
- ii. the correct amounts for losses due to fluctuating exchange rates to be cleared in the accounts;
- iii. the difference in losses due to fluctuating exchange rates and bank charges not cleared from the Advance and Expenditure Accounts; and
- iv. the large balance of EC\$816,192.58 accumulated in the Advance Account.

Management's response:

In relation to bullets 2 & 3, work is currently ongoing. The Ministry is committed to make the necessary adjustments however, it is unable to locate the records and is therefore requesting the kind cooperation of the Audit Department to provide copies of the reports for the period October 2005 to October, 2016, as this will greatly assist the Ministry to rectify the issues. The Ministry will continue to collaborate with the Treasury with respect to the processing of the monthly expenses.

- The Accounts Officers at the Ministry of Foreign Affairs, etc. and the Accounting Division should communicate with the Embassy in the absence of clarity of information provided in the monthly statements. It is also imperative that any queries raised on the Embassy's accounts should be discussed with the Ambassador to prevent future discrepancies and further non-clearance of amounts in the accounts;
- A copy of the monthly Journals should be forwarded to the Embassy to aid the office in reconciling its monthly accounts, in accordance with regulation 21 of the



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Finance Administration Regulations 2009, and to address any errors in the accounts; and

- The Accountant General's Office should carefully review the transactions inputted by the Ministry of Foreign Affairs, etc. to prevent the recurrences of the above shortcomings.

Management's response:

Management's response to bullets one (1) to three (3)

1. The Ministry will continue to work along with the Treasury Department for the review.
2. The Ministry will restart this practice of transmitting the processed journals.
3. Currently ongoing. A Structure is set up to allow communication between Mission and the Ministry.
4. Overall, the Ministry will ensure that the proposed recommendations are implemented.

HOUSEHOLD ALLOWANCES

4.11

Cable and gardening services provided to the Ambassador's residence were charged to the Embassy's expenditure account and cleared from the advance account. These amounts were charged to the Embassy's Account for the period under review, although a monthly household allowances of EC\$4,344.00 is paid to the Ambassador for this purpose. The defraying of the aforementioned expenses is contrary to memorandum dated 30th January, 2006, from Permanent Secretary, Foreign Affairs etc. which states "... Household Allowance is paid to overseas – based Ambassadors and Heads of



Missions/Consulates; and is intended to meet the cost of running the residence, including maid/cleaning services and cable services....”;

4.12

Recommendations

- the Ambassador should comply with memorandum from the Permanent Secretary, Ministry of Foreign Affairs, etc. dated 30th January, 2006; and
- the total expenses paid for cable and gardening services should be reimbursed and credited to the relevant account for the period audited.

Management’s response:

1. The Ministry wishes to refer to contract#1433/2017 that provides guidance on the issue of Household Allowances, which states at (4) “The Ambassador/Permanent Representative shall be provided with rent-free residence. The Government shall be responsible for the maintenance and utilities of the residence.”
2. The Ministry is currently preparing a Cabinet Memo to Cabinet seeking guidance to establish a policy clarifying which bills should be paid from household allowance.

4.13

TRAINING (SPANISH CLASSES)

Expenses incurred for Spanish classes for the Ambassador and Minister Counsellor were charged to the expenditure account and cleared from the advance account without the requisite approval.



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4.14

Recommendation

- the requisite approval for expenditure of this nature should be sought from the Permanent Secretary before it is incurred by the Ambassador.

Management's response:

The Ministry is in the process of re-sending the draft Foreign Service Orders for approval by Cabinet. This Order addresses the issue of Training, among other and would provide the necessary guidance, when pursuing training. This will ensure that issues of this nature will not re-occur.

4.15

IMPROPER MAINTENANCE OF CHEQUE STUB BOOKLET

It was noted that cheques issued were not recorded in ascending order in the Cheque Stub Booklet. There were several instances when the cheque numbers and information for several cheques issued, were not recorded in the Cheque Stub Booklet. In some instances, cheque numbers differed from the numbers recorded on vouchers. Further, spoiled cheques were not cancelled in accordance with regulation 155 of the Finance Administration Regulations 2009;

4.16

Recommendations

- Cheques should be drawn in ascending order of their serial numbers, in accordance with regulation 153 of the Finance Administration Regulations 2009;
- Due diligence should be exercised to ensure that cheque numbers and information on cheques issued are recorded in the Cheque Stub Booklet and cheque numbers agree with numbers recorded on vouchers; and



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- Spoiled cheques should be cancelled in accordance with regulation 155 of the Finance Administration Regulations 2009.

Management's response:

In consultation with the Ambassador the following response was submitted. "Consequence upon the special situation which exists in Cuba, vendors do not issue statements or receipts, it is for this reason that the Embassy has been using the petty cash vouchers. This is a system which was inherited and furthermore, used by all the Embassies in Cuba. This system allows for the vendor to sign an internally generated "petty cash" voucher for our accounting purpose.

There are a number of reasons why receipts are not issued.

1. Most vendors are very simple in respect to the services they offer and have no interest in preparing an invoice/statement.
2. Many do not have the means to prepare a statement, i.e. access to a computer to print an invoice.

In some instance where cheque numbers were not in continuous order was because a new book received from the bank is not in sequence with the last cheques issued. In the instances where cheque numbers differed from the information on the vouchers were the results of mistakes by the Minister Counsellor. Due diligence will be taken to ensure that each cheque number matches the information on the corresponding voucher.



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4.17

ACCOUNTING FOR CAPITAL EXPENDITURE

The amounts of EC\$37,736.04 and EC\$62,671.59 spent for relocation of the Embassy and purchase of vehicle, respectively, were not accounted for in the Advance and Capital Expenditure accounts. The Ministry was reminded that the Government operates a cash basis accounting system; hence, all expenditure incurred in a financial year should be reported and accounted for in the year in which the transactions occurred. The non-accounting for expenditure in the year of occurrence distorts the actual outcome of the budget and induces financial pressure on the Ministry of Finance to allocate additional funds in the ensuing year, which could have been allocated to new spending.

4.18

Recommendations

It was recommended that:

- the balances of EC\$37,736.04 and EC\$62,671.59 should be accounted for in the Advance and Capital Expenditure Accounts; and
- the officer in charge of the Accounts Unit at the Ministry of Foreign Affairs, etc. should monitor and exercise due diligence in accounting for monies expended by the Embassies in the financial year, especially for funds approved under Capital Expenditure.

Management's response:

Response to recommendations bullets one (1) and two (2)

1. The Ministry will seek to request a list of all items and cost of purchase from Special Warrant No. 6/2017 from the Ambassador to make comparison on SmartStream to ascertain whether it was accounted for.



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2. The Ministry will continue to closely monitor the funds approved under the Capital Expenditure.

PETTY CASH RECORDS

4.19

A Petty Cash Book was not maintained to account for the receipts, expenditure and balances of the petty cash. Instead, a monthly statement was prepared to account for the opening balances, receipts, payments, and closing balances.

4.20

An examination of the petty cash monthly statements for the period under review revealed the following improper accounting practices:

- in some instances, incorrect amounts were transferred from the vouchers to the statements;
- several transactions were omitted from the statement;
- incorrect petty cash balances were carried forward to the monthly statements from April 2017;
- the closing balance of CUC \$503.00, as per the petty cash statement for March 2018, was not carried forward to the petty cash statement, with effect from April 2018 to October 2018. This resulted in an understatement of the petty cash balance; however, the audited balance was CUC\$455.97. The amount of CUC\$455.97 was not presented as excess cash.



4.21

Recommendations

It was recommended that:

- a petty cash book be maintained to account for the receipts, expenditure and balances of the petty cash;
- due diligence be exercised in the maintenance of the petty cash records; and
- the amount of CUC\$455.97 is made good by the Ambassador.

Management's response:

Subsequent to the visit of the Audit Team, a petty cash book system was implemented at the Embassy.

The amount of \$455.97 was added to Petty Cash balance in June, 2019 as directed by the Director of Audit. Moreover, with the establishment of the petty cash book system, this issue would be avoided in the future.

EQUIPMENT LEDGER AND INVENTORIES

4.22

The audited inventories for the period 2012 to 2016 were not presented to the auditors, which prevented the verification of the items which remained in stock from the former Ambassador. Items to be disposed of were seen and verified. The Ambassador was advised to obtain approval for the disposal of these assets



4.23

Recommendations

It was recommended that the Ambassador should:

- seek the requisite approval through the Ministry of Foreign Affairs for the disposal of the assets; and
- produce the inventories for the period 2012-2016 to facilitate verification of the items during the next audit.

Management's response:

The Ambassador/Embassy is not in possession of the inventories for the period 2012-2016 as none was handed to the Ambassador upon assumption of duties in 2016. New lists of inventories for the Embassy and the Residence were constructed and sent to the Ministry of Foreign Affairs and are on file at the Embassy for future reference.

4.24

Based on our audit procedures, we concluded that the activities at the SVG High Commission and SVG Embassy, Cuba, were in all material respect, in compliance with the established criteria. However, the practices for accounting for expenditure and the differences in salaries and allowances in the Treasury and Accounting Services' accounts by the Accounts Officers at the Ministry of Foreign Affairs etc. and the Treasury and Accounting Services, were contrary to the Government accounting procedures and the Finance Administration Act.



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4.25

The procedures used, contributed to an increased accumulative balance in the Advance Accounts due to understatement of the total expenditure credited to the accounts. Further, since (i) all of the expenditures were not processed and charged to the relevant accounts; and (ii) amounts in excess of the monthly expenditure submitted were charged to the accounts, the actual expenditure reflected in the High Commission's and Embassy's accounts was; therefore, inaccurate, as at October 31, 2018 and December 31, 2018, respectively.

4.26

In light of the forgoing, there is need for the staff responsible for the accounts at the Ministry of Foreign Affairs, etc. and the staff at the Accountant General's Office to exercise due care and diligence in the processing of the High Commission's and Embassy's accounts, prior to the approval of transactions in SmartStream.

4.27

Therefore, in order to improve the accounting process, the officers in charge of processing the accounts should engage in continued communication with the staff of the SVG High Commission, London and SVG Embassy, Cuba, when there is non-compliance with established policies, absence of clarity and requisite approvals.

4.28

Further, serious attention should be given to the issues raised in the audit reports, since these have implications on the large balances in the Advance Accounts.

4.29

Therefore, to prevent recurrence of the forgoing, it is of utmost importance that efforts are made by the Ministry of Foreign Affairs, etc. to ensure that:



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1. accountability is in accordance with the Finance Administration Act and Regulations, 2009; and
2. the audit recommendations are implemented to correct the deviations identified and improve the accounting process for the SVG High Commission, London and SVG Embassy, Cuba.



STATEMENT OF AUTHORITIES FOR EXPENDITURE 2018

The following shows a list of the authorities for expenditure for the year under review.

ESTIMATES:	Passed in the House of Assembly on 6th February, 2018
APPROPRIATION ACT:	Enacted as Act No.1/2018 - \$993,352,634
GENERAL WARRANT:	Signed by the Honourable Minister of Finance on 7th February, 2018
SPECIAL WARRANT:	Seventy-nine (79) Special Warrants totalling \$ 32,318,330.82 were approved for the financial year. \$32,318,330.82 remained unappropriated at the end of 2018.
SUPPLEMENTARY APPROPRIATION:	No Supplementary Appropriation was approved by Parliament in financial year 2018
VIREMENT WARRANT:	A total of one hundred and seventy-eight (178) Virement Warrants were approved to re-allocate a total of \$4,947,109.46.

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*Appendix II***EXCESS EXPENDITURE WITHOUT THE APPROPRIATE AUTHORITY 2018**

ACCOUNT	DESCRIPTION	ESTIMATES \$	REVISED \$	ACTUAL \$	MORE THAN ESTIMATES \$
AUTONOMOUS DEPARTMENTS					
21113	Governor General Office- Allowances	86,500.00	86,500.00	93,710.40	7,210.40
21111	Governor General Residence - Personal Emoluments	70,587.00	70,587.00	70,725.83	138.83
21111	House of Assembly - Personnel Emoluments	1,985,403.00	1,985,403.00	2,063,405.82	78,002.82
21111	Registry & High Court - Personal Emoluments	1,699,560.00	1,699,560.00	1,749,558.73	49,998.73
21113	Registry & High Court - Allowances	90,255.00	90,255.00	98,444.20	8,189.20
	SUB TOTAL	3,932,305.00	3,932,305.00	4,075,844.98	143,539.98
OFFICE OF THE PRIME MINISTER					
27221	Policy Planning and Administration - Social Assistance Benefit in Kind	-	75,000.00	637,594.38	562,594.38
21111	Regional Integration & Diaspora - Personal Emoluments	270,874.00	270,874.00	288,046.00	17,172.00
	SUB TOTAL	270,874.00	345,874.00	925,640.38	579,766.38



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ACCOUNT	DESCRIPTION	ESTIMATES \$	REVISED \$	ACTUAL \$	MORE THAN ESTIMATES \$
MINISTRY OF NATIONAL MOBILISATION					
22121	Youth Development Services - Utilities	-	-	668.14	668.14
22121	Social Protection Service - Utilities	-	-	1,894.92	1894.92
22131	Social Protection Service – Communication Expenses	-	-	471.78	471.78
22131	Community Development and Co-operatives - Communication Expenses	-	-	681.66	681.66
	SUB TOTAL	-	-	3,716.50	3,716.50
MINISTRY OF NATIONAL SECURITY					
21113	Maritime Administration- Allowances	11,640.00	11,640.00	12,972.00	1,332.00
21113	Police General Administration – Allowances	2,916,180.00	2,916,180.00	2,959,116.00	42,936.00
21111	Fire Service – Personal Emoluments	2,732,753.00	2,732,753.00	2,865,414.94	132,661.94
21111	Coast Guard Service – Personal Emoluments	2,892,625.00	2,892,625.00	3,048,715.19	156,090.19
21111	Prisons – Personal Emoluments	3,851,485.00	3,851,485.00	3,882,777.07	31,292.07
21113	Prisons –Allowances	244,000.00	244,000.00	287,286.58	43,286.58
22212	Aviation Services - Operating Expenses	-	-	373,459.77	373,459.77
28311	NEMO - Insurance Premiums	40,000.00	34,514.00	34,514.79	0.79
	SUB TOTAL	12,688,683.00	12,683,197.00	13,464,256.34	781,059.34

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ACCOUNT	DESCRIPTION	ESTIMATES \$	REVISED \$	ACTUAL \$	MORE THAN ESTIMATES \$
MINISTRY OF TRANSPORT AND WORKS					
21111	Electrical Inspectorate - Personal Emoluments	257,640.00	257,640.00	258,663.97	1,023.97
	SUB TOTAL	257,640.00	257,640.00	258,663.97	1,023.97
MINISTRY OF HEALTH AND THE ENVIRONMENT					
21113	Hospital Service - Allowances	1,430,139.00	1,442,639.00	1,561,164.52	118,525.52
	SUB TOTAL	1,430,139.00	1,442,639.00	1,561,164.52	118,525.52
MINISTRY OF HOUSING, INFORMAL HUMAN SETTLEMENT					
22212	Land and Surveys - Operating Expenses	70,000.00	100,000.00	100,116.39	116.39
	SUB TOTAL	70,000.00	100,000.00	100,116.39	116.39
	TOTAL	18,649,641.00	18,761,655.00	20,389,403.08	1,627,748.08

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*Appendix III***EXCESS EXPENDITURE DUE TO VIREMENT AND SPECIAL WARRANTS POSTING ERRORS**

ACCOUNT	DESCRIPTION	ESTIMATES \$	REVISED \$	ACTUAL \$	MORE THAN ESTIMATES \$
MINISTRY OF AGRICULTURE					
21112	Research and Development – Wages	1,900,000.00	1,900,000.00	2,026,193.77	126,193.77
	SUB TOTAL	1,900,000.00	1,900,000.00	2,026,193.77	126,193.77
MINISTRY OF LEGAL AFFAIRS					
28511	Policy Planning and Administration - Claims	10.00	868,135.50	1,067,566.56	199,431.06
	SUB TOTAL	10.00	868,135.50	1,067,566.56	199,431.06
MINISTRY OF FOREIGN AFFAIRS					
22111	Foreign Missions – Supplies and Materials	284,480.00	-220,332.74	31,287.24	251,619.98
	SUB TOTAL	284,480.00	-220,332.74	31,287.24	251,619.98
	TOTAL	2,184,490.00	2,547,802.76	3,125,047.57	577,244.81



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