

National Audit Office

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



2021





St. Kitts and Nevis

National Audit Office

Report by the Director of Audit
On the Public Accounts
For the year 2021



***ST. KITTS AND NEVIS
NATIONAL AUDIT OFFICE
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November 25, 2022

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

Sir,

In accordance with Section 76 (4) of the Constitution of St. Christopher and Nevis, I submit the Annual Report of the Director of Audit for tabling in the National Assembly. This report includes the examination of the Public Accounts for the year ended December 31, 2021.

Respectfully,


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Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit

Director of Audit's Overview

It is with great pleasure that I present the Annual Report of the Director of Audit on the audit of the Public Accounts for the year ended December 31, 2021.

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

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

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

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

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

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

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

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


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Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit

Table of Contents

Analysis of the Financial Statements of the Government of St. Kitts and Nevis.....	1
Introduction.....	1
Opinion on the Financial Statements.....	3
Summary of Financial Information.....	6
Comparison to the Budget.....	13
Statement of Cash Receipts and Payments.....	27
Statement of Financial Assets and Liabilities.....	28
Public Sector Debt.....	33
Arrears of Revenue.....	36
Procurement of Works by the Public Works Department	Appendix 1
Transparency, Accountability & Inclusiveness Audit of Covid-19 Socio-Economic Package – Department of Marine Resources.....	Appendix 2

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

INTRODUCTION

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

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

The Draft Public Accounts for the financial year ended December 31, 2021 were submitted to the National Audit Office on July 8, 2022.

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

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

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

The requirements of Part 1 of Cash Basis IPSAS include:

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

The Statement of Cash Receipts and Payments on pages 11 and 12, the Statement of Comparison of Budget and Actual Amounts on pages 13 to 15 and the Accounting Policies and Notes to the Financial Statements beginning on page 25 of the Public Accounts are in compliance with Part 1 of Cash Basis IPSAS.

Compliance with the Finance Administration Act Cap 20.13

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

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

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

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

Opinion

I have audited the Public Accounts of the Government of St. Kitts and Nevis, which comprise the Statement of Financial Assets and Liabilities as at December 31, 2021, the Statement of Revenue and Expenditure, the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts and the Notes to the Financial Statements including Accounting Policies.

In my opinion, the financial statements and notes presented in the Public Accounts present fairly, in all material respects, the financial position of the Government of St. Kitts and Nevis as at December 31, 2021.

Basis for Opinion

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

Responsibility of the Accountant General

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

The Accountant General is also responsible for maintaining a system of internal controls to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

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

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

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

Submission of Report

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

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Pike

Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit

National Audit Office

Basseterre, St. Kitts



November 25, 2022

SUMMARY OF FINANCIAL INFORMATION

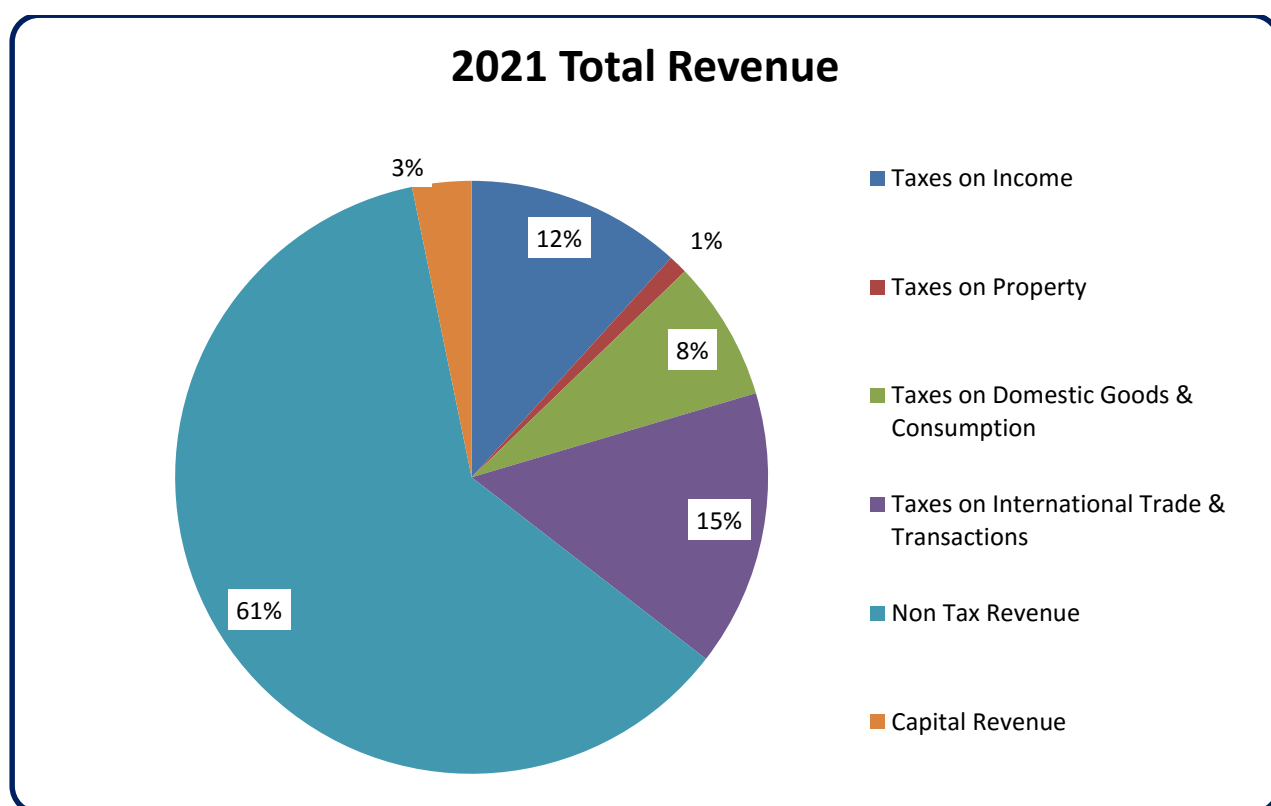
Revenue and Expenditure

For the year 2021, Parliament approved an expenditure budget of \$868 million, which included \$36 million in debt repayment. Revenue for the year was estimated at \$773 million and this included the sale of government lands which was budgeted to bring in \$12 million. During 2021, a further \$157 million of expenditure was approved by supplementary/appropriation warrants.

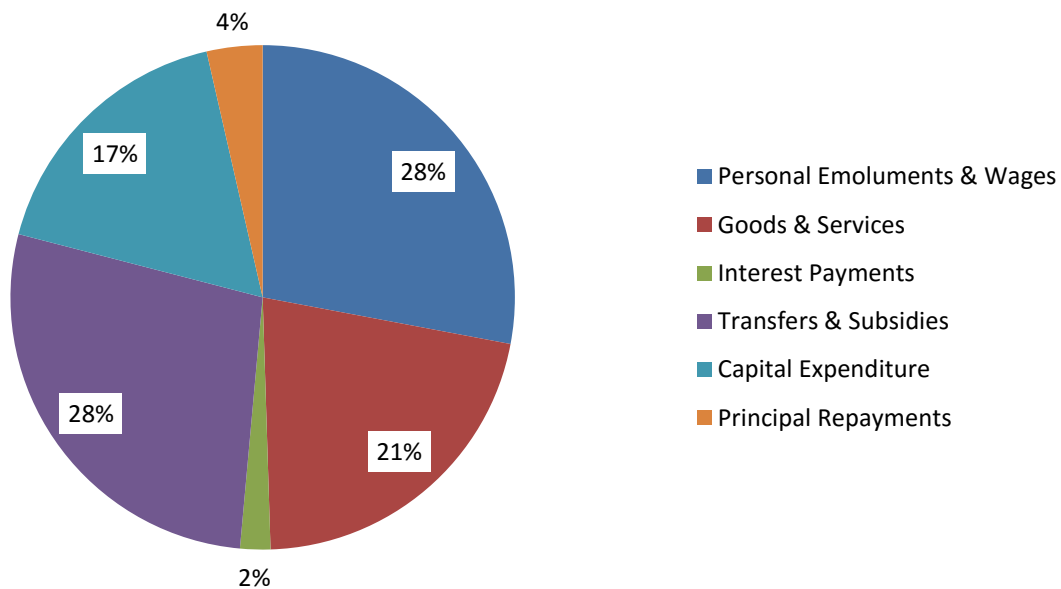
At December 31, 2021, actual revenue totaled \$996 million and actual expenditure amounted to \$877 million which resulted in an end of year surplus of \$118 million.

Graphical Presentation of Government Revenue and Expenditure

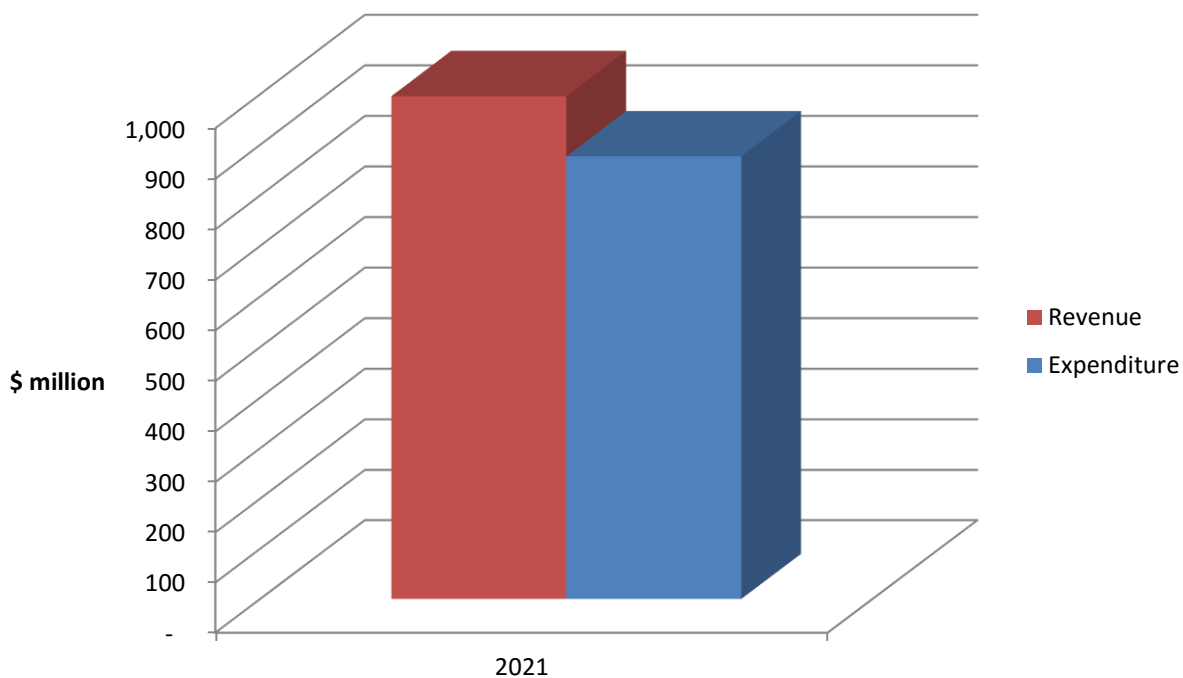
The following graphs represent the composition of the Government's revenue and expenditure for the financial year 2021.



2021 Expenditure



Total Revenue vs. Expenditure 2021



Revenue

Details of revenue collected during 2021, classified by ministry, standard object code and economic classification, as compared with Estimates are shown in the Public Accounts of the Government of St. Kitts and Nevis in Note 14. Table 1 presents a comparative summary of total revenue received in 2021 relative to 2020.

Table 1: Revenue for the years ended 2021 & 2020

Revenue Type	2021 Revenue (\$ million)	2020 Revenue (\$ million)
Taxes on Income	117	106
Taxes on Property	10	9
Taxes on Domestic Goods & Consumption	76	86
Taxes on International Trade & Transactions	150	158
Non Tax Revenue	610	320
Capital Revenue	32	19
Budgetary Grant	-	12
Total (includes rounding)	995	710

The total revenue collected during 2021 totaled \$995 million, which was \$285 million more than the amount collected in 2020.

Actual Tax Revenue of \$353 million collected in 2021 decreased by \$6 million when compared to 2020.

Non-Tax Revenue increased by \$290 million in comparison to 2020.

The Government of St. Kitts and Nevis collected \$32 million in Capital Revenue.

Actual revenue collected by the Government in 2021 exceeded the projected target by \$223 million.

Expenditure

Actual expenditure for 2021 totaled \$877 million with personal emoluments and wages, goods and services and transfers and subsidies accounting for over 77% of the total expenditure. Actual expenditure increased by \$87 million or 11% in comparison to the previous financial year. With the exception of Interest Payments, there were increases in all other components of total expenditure when compared to the previous year. The most significant increase occurred in principal payments which increased by 41% in comparison to the previous year. Table 2 shows a comparative summary of expenditure by type for 2020 and 2021.

Table 2: Expenditure for the year ended December 2021 & 2020

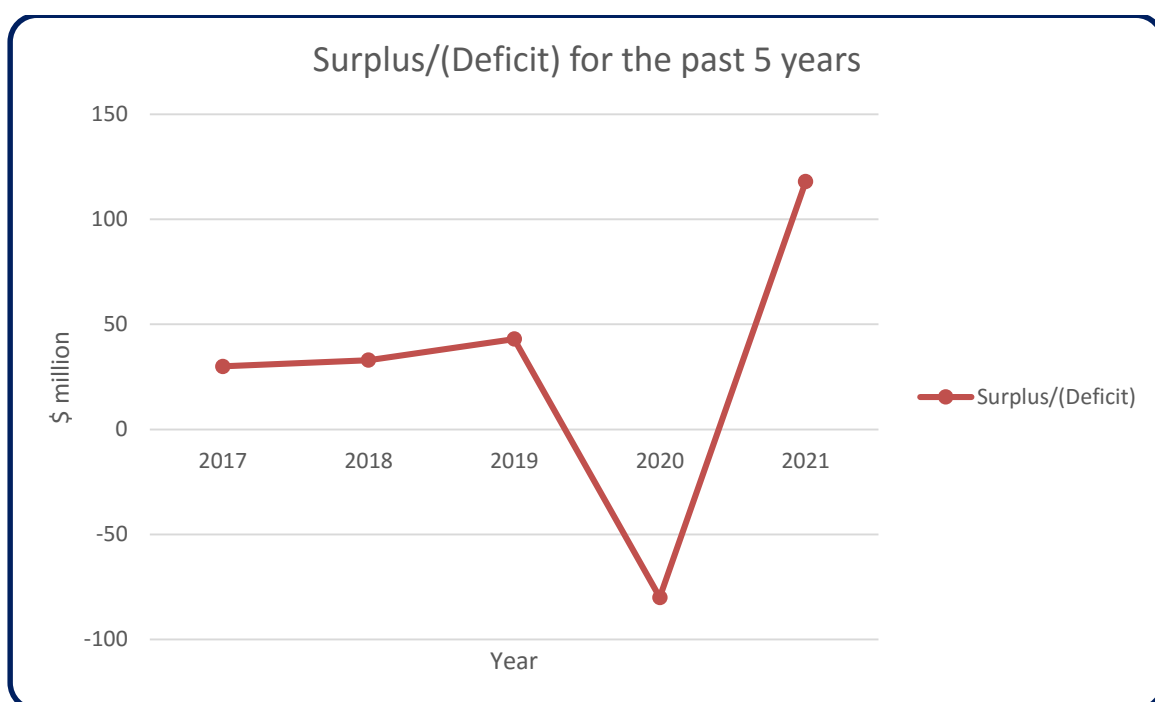
Expenditure Type	2021 Actual Expenditure (\$) million	2020 Actual Expenditure (\$) million
Personal Emoluments & Wages	245	228
Goods & Services	189	174
Interest Payments	17	19
Transfers & Subsidies	242	211
Capital Expenditure	153	136
Principal Payments	31	22
Total	877	790

Financial Indicators

Overall, the following indicators continue to present a picture of good health of the finances of the Government of St. Kitts and Nevis.

Surplus/Deficit

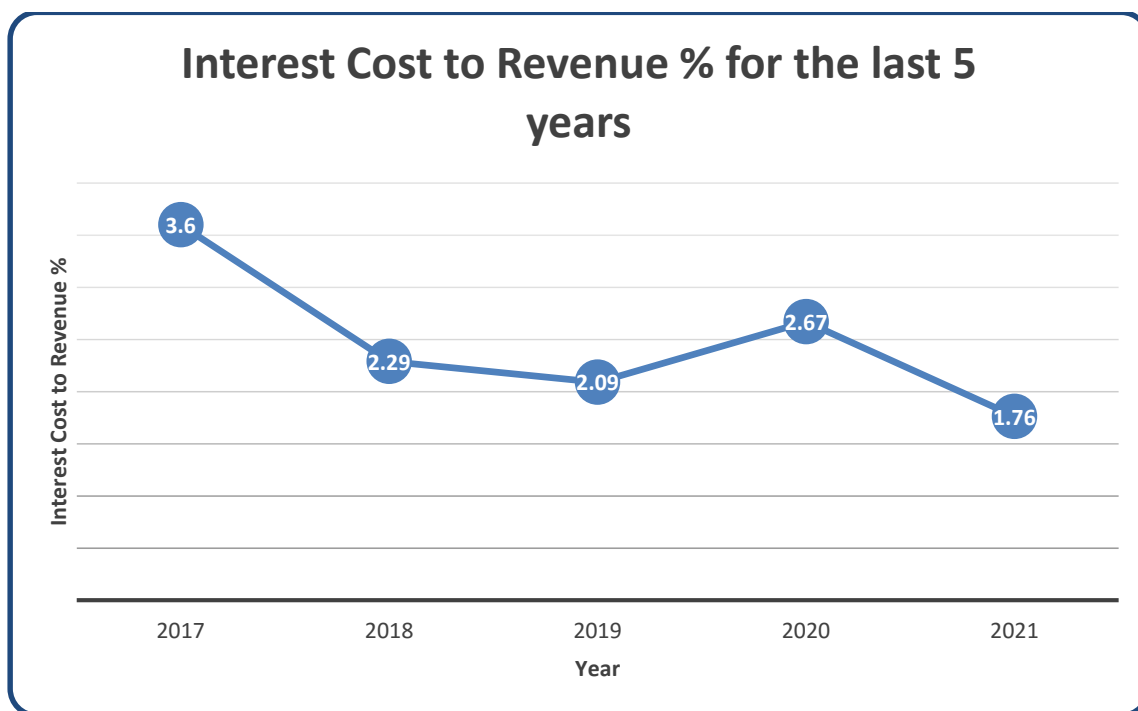
The surplus/deficit presented in the Statement of Revenue and Expenditure represents the difference between the revenues received and the expenditures paid for all budgeted accounts. In 2021, the Government of St. Kitts and Nevis recorded a surplus of \$118 million compared to a deficit of \$80 million in 2020. This meant that the Government's revenues were greater than the expenditure during the year. The graph below shows the Government's surplus/deficit for the past 5 years.



Interest Costs to Operating Revenue

Interest costs as a percentage of operating revenue decreased from 2.67% in 2020 to 1.76% in 2021. This was as a result of increased operating revenue and a decrease in interest cost when compared to the previous year. This meant that less of

Government's receipts from revenues were used to service interest payments on debt in 2021. The chart below shows the interest cost to operating revenue for the last 5 years.



Debt to GDP Ratio

The Debt to GDP ratio is a measure of a country's ability to pay back its debt. The Debt to GDP ratio of the Government of St. Kitts and Nevis increased from a revised GDP of 68.1% at end December 2020 to 69.2% at the end of December 2021.

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

In previous years, the Government of St. Kitts and Nevis was able to attain and surpass the Debt to GDP target ratio of 60% set for the Eastern Caribbean Currency Union

(ECCU). The Debt to GDP ratio is still relatively low and indicates that the risk of debt default is relatively low for the Government of St. Kitts and Nevis.

Net Assets

At the end of December 2021, net assets of the Government of St. Kitts and Nevis amounted to \$462.8 million, an increase of \$120 million over the previous financial year, which was largely due to an increase in cash. Also accounting for the positive outturn in net assets is a \$74 million investment in the Development Bank of St. Kitts and Nevis. However, these amounts need to be assessed as to whether the Government of St. Kitts and Nevis will be able to recover the principal amount invested in the Development Bank of St. Kitts and Nevis.

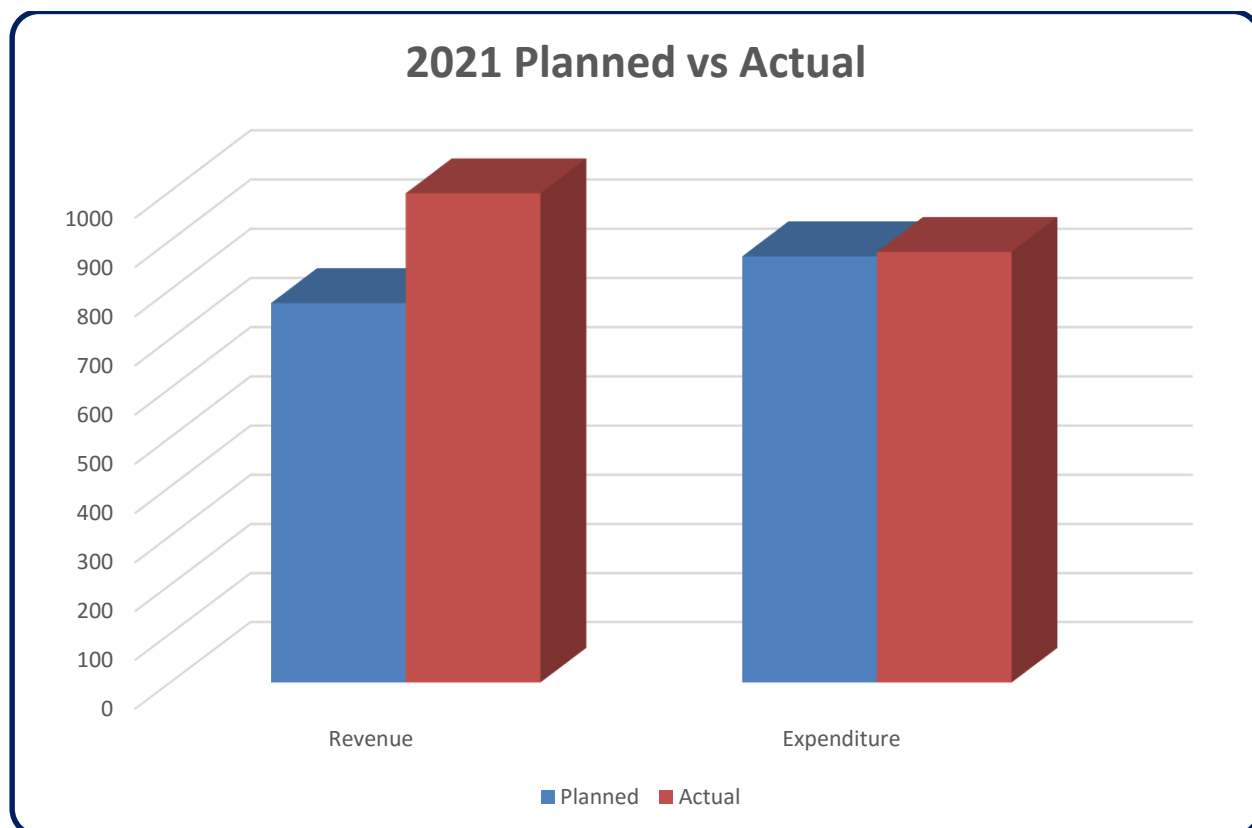
Cash Ratio

The cash ratio provides a measure of the Government's ability to use its most liquid assets (cash and cash equivalents) to meet its obligations. In 2021, the cash ratio was 2.39 relative to 1.99 in 2020 indicating an increase in liquidity coverage compared to the previous year. The cash and cash equivalents held by the Government increased by \$93 million and the current liabilities held decreased by \$7 million when compared to the previous year.

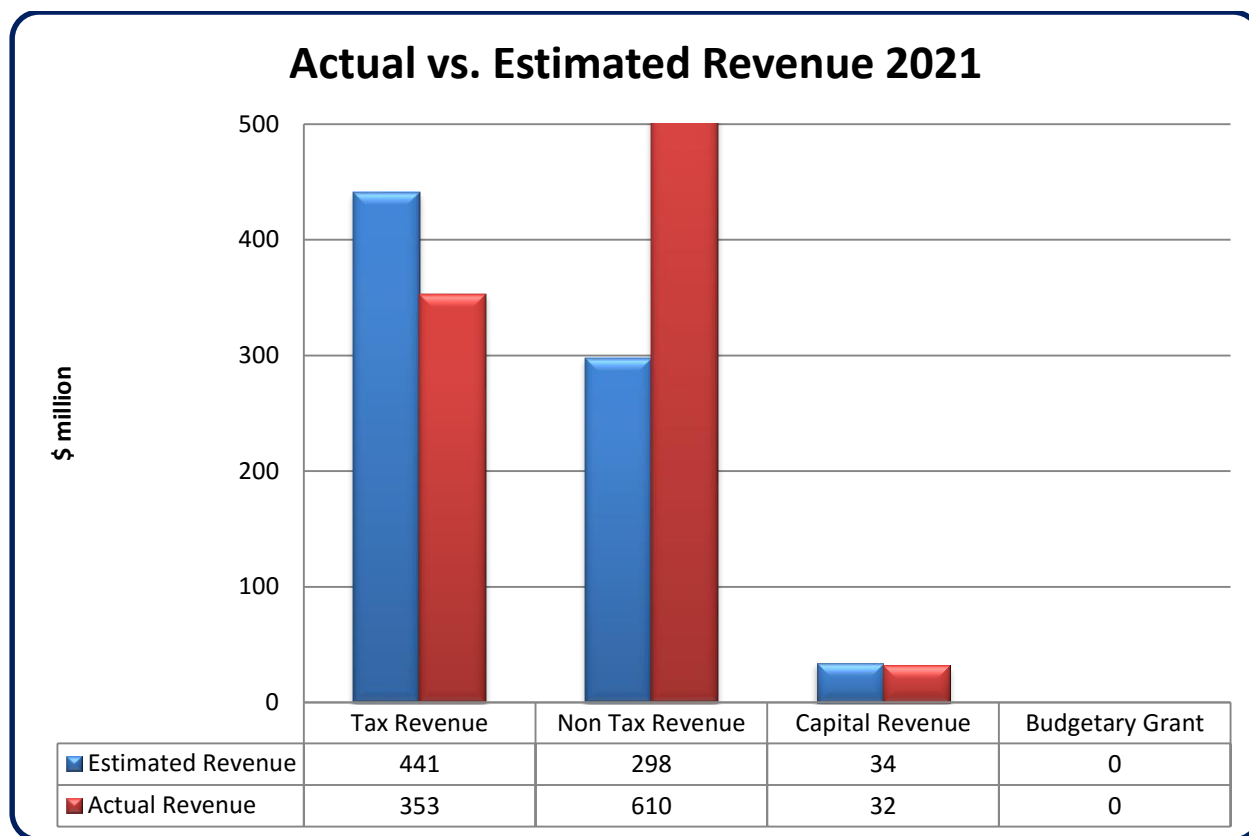
COMPARISON TO THE BUDGET

During the Budget Address held in December 2020, the Government of St. Kitts and Nevis set out the planned budget for 2021 which included Revenue of \$773 million and Expenditure of \$868 million.

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



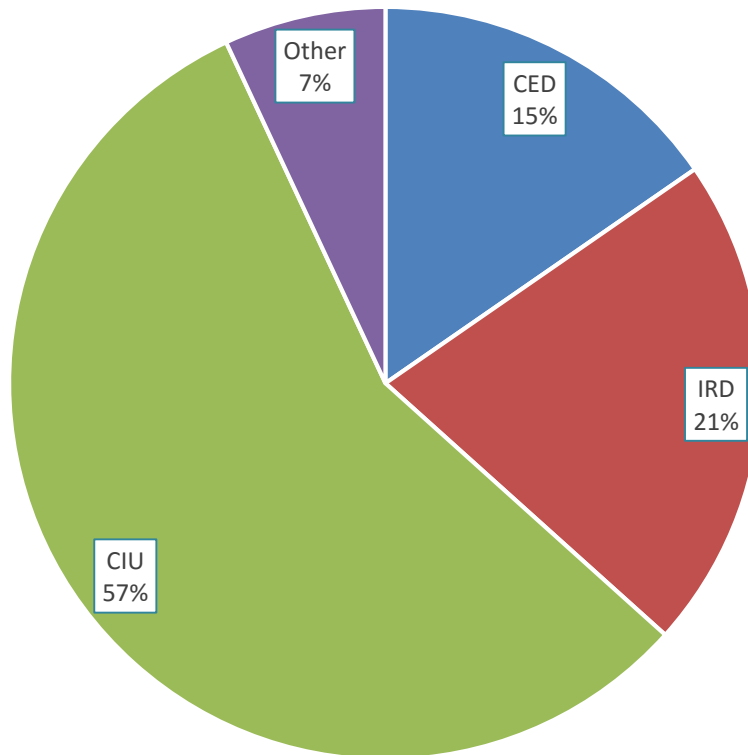
REVENUE



Recurrent Revenue

Recurrent revenue consists of tax and non-tax revenue. Revenue from these sources totaled \$963 million in 2021. The performance of recurrent revenue was \$224 million more than the budget estimate for 2021. The St. Kitts Customs and Excise Department (CED), St. Kitts Inland Revenue Department (IRD) and the Citizenship by Investment Unit (CIU) collected 93% of the Government's recurrent revenue for 2021. This is shown in the following graph.

2021 Recurrent Revenue Collection by Department



The Citizenship by Investment Unit continues to be the largest contributor to the Government's overall recurrent revenue collections. As seen in the graph above, this department collected 57% of the government's recurrent revenue in 2021. This collection amounted to \$543 million in 2021. Actual Government fees totaled \$278 million. Fees collected for the Hurricane Relief Fund and the Sustainable Growth Fund totaled \$333 thousand and \$123 million respectively. Application fees collected amounted to \$27 million and fees collected from background checks were \$114 million. The total revenue collected represented an increase of \$272 million over the previous financial year. The collection of revenue by the Citizenship by Investment Unit was \$293 million more than its 2021 revenue projection.

The St. Kitts Inland Revenue Department collected \$205 million in taxes, licenses and fees in 2021. This represented a \$3 million increase in revenue collection over the year 2020. Stamp Duty (\$13 million), Value Added Tax (\$43 million), Corporate Income Tax (\$72 million), Property Tax (\$10 million) and Housing and Social Development Levy (\$35 million) all

contributed significantly to the St. Kitts Inland Revenue Department's collection for 2021. The Inland Revenue Department failed to meet its targeted revenue collection for 2021 by \$45 million. All tax types mentioned above fell below their projected target for 2021.

The Customs and Excise Department on St. Kitts collected \$149 million in 2021. The following four revenue streams contributed considerably to the overall collection of the Customs and Excise Department on St. Kitts: Import Duties on Articles other than Alcohol (\$50 million), Customs Service Charge (\$28 million), Value Added Tax (\$54 million) and Excise Tax (\$9 million).

The total amount collected by the Customs and Excise Department on St. Kitts in 2021 was \$8 million less in comparison to the amount collected in 2020. The revenue collections failed to meet the target by \$42 million. All revenue streams mentioned above fell below their respective targets.

Other revenue-collecting Departments contributed to the overall recurrent revenue collections including the Ministry of National Security (\$4 million), the Accountant General Department (\$29 million), the Ministry of Public Infrastructure (\$22 million) and Institution Based Health Services (\$5 million).

Capital Revenue

Revenue collected from the Sale of Lands and Property amounted to \$18 million, surpassing its target by \$6 million.

There was a shortfall in capital grant revenue compared to the estimated budget for 2021 as capital grants budgeted for were either not received or were less than estimated. Capital grant revenue was estimated at \$22 million for nine (9) Ministries, however the actual collection amounted to \$14 million, which led to an unfavourable variance of \$8 million.

1. Seven Ministries did not receive the capital grants revenue that had been budgeted for.
2. Two Ministries received significantly less in capital grant revenue compared to the amount budgeted.

3. Five Ministries also received capital grant revenue that had not been budgeted for in 2021.

Budgetary Grants

There was no estimate for Budgetary Grants in 2021.

EXPENDITURE

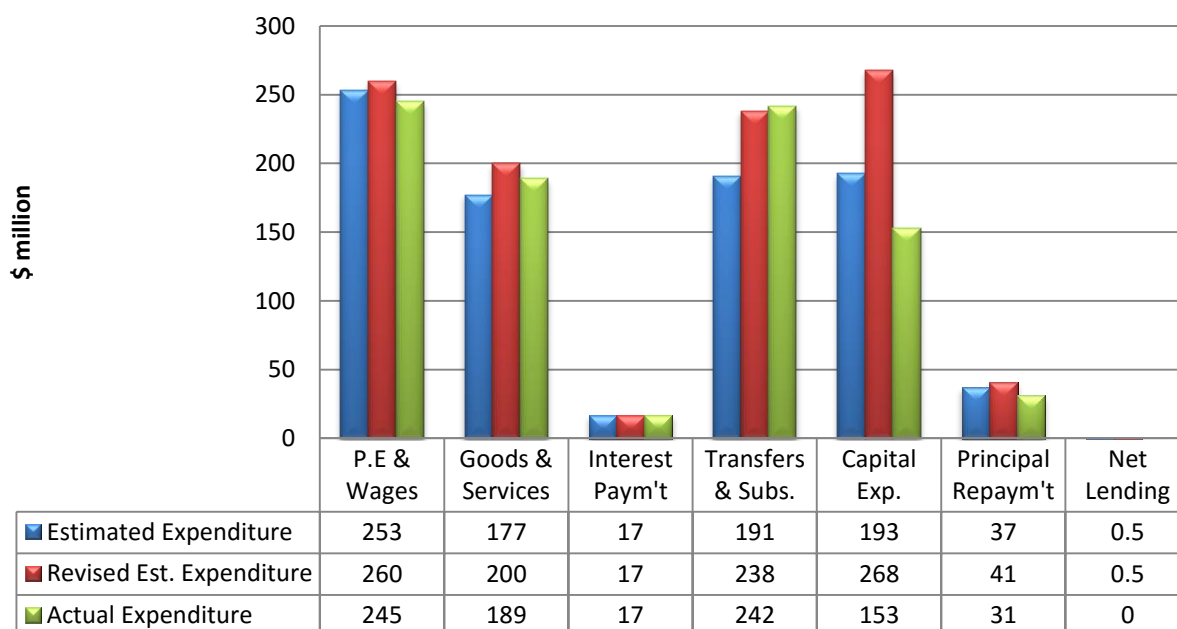
The appropriations for expenditure during 2021 are shown below.

Original Budget \$867,919,842.00

Supplementary Budget \$ 157,290,167.48

\$1,025,210,009.48

Actual vs. Estimated Expenditure 2021



Recurrent Expenditure

Actual recurrent expenditure totaled \$693 million in 2021.

The budget for recurrent expenditure was revised by Appropriation Warrants and increased by \$77 million resulting in a revised estimate of \$716 million. This revision affected 11 or 50% of the 22 Government Ministries in 2021.

Seven (7) Ministries submitted Appropriation Warrants in excess of \$1 million to meet additional expenditures. Table 4 below shows the Ministries who requested additional funding in excess of \$1 million.

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

Ministry	Original Budget (\$)	Actual Expenditure (\$)	Variance (\$)
Office of the Prime Minister	65,213,722.00	83,326,001.12	18,112,279.12
National Security	64,307,722.00	68,069,218.31	3,761,496.31
Finance	209,021,736.00	239,201,498.96	30,179,762.96
Social Development & Gender Affairs	37,132,558.00	41,722,966.34	4,590,408.34
Tourism & Transport	25,170,136.00	37,260,078.83	12,089,942.83
Education	75,216,577.00	79,148,650.24	3,932,073.24
Health	57,214,909.00	61,110,095.91	3,895,186.91

The following reasons, as stated in the appropriation warrants for 2021, are in respect of the seven (7) Ministries whose actual recurrent expenditure exceeded their original budget by over \$1 million.

Office of the Prime Minister

- To facilitate payment for due diligence and expenses of the Citizenship by Investment Unit - \$18 million

Ministry of National Security & Immigration

- Additional funds needed to facilitate payment to Canadian Bank Note - \$1.1 million
- Additional funds needed for personal emoluments for the Police Department, Defence Force and the Prison - \$2.6 million

Ministry of Finance

- To facilitate payment of Principal arrears on Loan Agreement with PDV St. Kitts Nevis Limited - \$4 million
- Funds needed to facilitate payment for the Income Support programme, Fuel Subsidy programme and the Disability Support programme - \$8.6 million
- To facilitate funding of Belmont Resort Limited - \$12 million
- To facilitate funding of the Skills Training Empowerment Programme (STEP) - \$9 million

Ministry of Social Development & Gender Affairs

- Provide additional funding for the Poverty Alleviation Programme - \$4 million

Ministry of Tourism & Transport

- Additional funds needed to provide financial assistance to the St. Christopher Air and Sea Ports Authority - \$10 million
- Provide for salaries and wages for 2021 for the Frigate Bay Development Corporation and Frigate Bay Development Corporation Golf - \$1.7 million

Ministry of Education

- *Additional funds needed for payroll expenses for Early Childhood, Primary and Secondary schools - \$3.9 million*

Ministry of Health

- *Additional funds needed to purchase pharmaceutical and medical supplies - \$4 million*

Compared with 2020, the supplementary estimates for recurrent expenditure increased by \$111 million or 241%.

In samples chosen for the review of recurrent expenditures, we continue to see improvements in financial management and internal control within certain Ministries/Departments. However we continue to note some internal control deficiencies:

1. Misclassification of Expenses and Lack of Supporting Documents

We noted the payments of payroll related expenses in the form of allowances being paid from Professional and Consultancy Services within the Office of the Prime Minister. Not only were these payments made from the incorrect account but we were not provided with any documentation to justify what the allowances were for.

The controls within the Financial Management System only allow the Human Resource Management Department to process payments from payroll accounts. All payroll related expenses, with supporting documentation, should be processed by the Human Resource Management Department from the applicable payroll account.

We also noted payments to individuals from the Professional and Consultancy Services account for various services. However the requested contracts and agreements to justify the amount and work done were not presented to our Office. The Permanent Secretary did not provide the documents to justify the professional and consultancy services even after a separate request was made for the documents.

Payments from Professional and Consultancy Services account should be justified by a written contract or agreement between the Government and the related party.

2. Lack of policy document

The Audit Office audited the Tuition Bursary expenditures of the Human Resource Management Department as part of the audit of the Public Accounts.

The Human Resource Management Department was not able to provide us with a copy of the policy document governing the programme which outlined the eligibility of persons to apply, the applicable areas of study, the maximum amount of the disbursement, the approval process, documents required and how the disbursement amount is determined.

We noted Human Resource circular 05/2021 – Non-sponsored areas of study dated September 2021 which included a listing of the areas of study that the Government would provide sponsorship towards. However, we noted that persons received monies to pursue studies outside of these areas.

There were 5 payments during 2021 totalling \$64,901.60 without evidence of supporting documents. We found no evidence of an application, identification documents, area of study and approval of the application by the Office of the Prime Minister. We also did not find the purchase orders or invoice posting lists for 2 of the payments made.

There were 3 payments made (other than payments to Scholars) totalling \$40,316.41 for which we found no evidence of approval by the Office of the Prime Minister, as is the procedure according to the Human Resource Management Department.

In the absence of a written policy document, we were told by the Human Resource Management Department that the maximum amount allowed for persons receiving funds from this programme was US\$7,500.00, however we found that a payment was made in excess of the maximum amount.

The absence of this document allows for inconsistencies in the management of the funds in this programme. The Human Resource Management Department should seek to have this issue rectified.

Capital Expenditure

The capital expenditure budget for 2021 was approved at \$193 million to support 115 projects. The budget was revised to \$268 million to include funds required in relation to the following projects:

Ministry of Justice, Legal Affairs and Communications

- Additional funds required to purchase a second Judge's residence in Frigate Bay - \$3.2 million
- Additional funds needed for the construction of the Magistrate Court and Mediation Center - \$483 thousand

Office of the Prime Minister

- Additional Funds needed to purchase a white Toyota bus - \$140 thousand
- Additional Funds needed to facilitate payments for the Peace Initiative through the Development Bank of St. Kitts and Nevis - \$6.4 million

Ministry of National Security & Immigration

- Additional funds needed to pay service providers in respect to COVID- 19 response - \$773 thousand
- Funds needed to upgrade the CCTV network - \$389 thousand
- Funds needed to pay Eustace Hobson and Associates to review and revise Phase I designs of the New Correctional Facility – \$118 thousand
- Funds needed to purchase 3 Toyota Hilux Pick-up Trucks - \$300 thousand
- Funds needed to facilitate payment to Allie's Construction for constructing a maintenance shed at the Fire and Rescue Station - \$43 thousand

Ministry of Public Infrastructure, Post & Urban Development

- Additional funds needed to facilitate payments to Sprat Net and Rock and Dirt Limited for the alignment and merging of the new road into the existing road at Old Road Bay - \$3.4 million

Ministry of Health

- Additional funds needed to facilitate payments to service providers in response to the Covid-19 pandemic - \$8 million
- Additional funds required to pay Ryvex LLC, Biomedical Enterprises and Intercontinental Pharma Inc for Medical Equipment for JNF Hospital - \$2.5 million

Ministry of Youth, Sports & Culture

- Additional funds needed to pay CPL Limited for the hosting of the CPL 2021 Tournament - \$3.6 million
- Additional funds needed to pay for construction services at the Tabernacle Playing Field - \$175 thousand

Ministry of Sustainable Development

- Additional funds needed for construction and installation works in various housing developments - \$2.5 million
- Additional funds needed to install LED lights in sporting facilities - \$300 thousand

Ministry of Foreign Affairs and Aviation

- Additional funds needed to renovate the St. Kitts-Nevis Embassy in Washington D.C - \$2.7 million

Ministry of Labour

- Additional funds needed for Severance claims - \$23 million

Ministry of Human Settlements, Ecclesiastical Affairs & National Health Insurance

- Additional funds needed to support the Solid Waste Management Corporation and the National Housing Corporation - \$6.2 million

Actual expenditure for capital projects for 2021 amounted to \$153 million representing 57% of the revised budget. At the end of the 2021 financial year, 21 projects with a combined estimated budget of \$29 million had not been started. Of these 21 projects, 2 were entirely

new projects and 11 were projects which had no expenditure in 2020 as well. They were rolled over and included in the 2021 budget but were not implemented.

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

The low implementation percentage of planned capital projects shows that there are gaps in the planning and execution phases of this process that needs to be addressed.

The Governor General spent \$396 thousand or 70% of its \$500 thousand budget for Phase II of the Upgrade of Government House project.

The project budgeted for under Parliament to design and construct the New Parliament Building was not implemented in 2021.

The Ministry of Justice, Legal Affairs and Communications spent \$4.3 million or 98% of its revised \$4.4 million budget. The Ministry spent \$3.2 million on the Purchase of a Judge's House that is not being used as a residence for the Judges.

The Office of the Prime Minister spent \$20 million or 65% of its revised \$24 million budget. The majority of the funds was spent on the Peace Initiative project which had an actual expenditure of \$18 million. Two million dollars (\$2 million) was also spent on the Hurricane relief Programme.

The Ministry of National Security spent \$10 million or 33% of its revised \$46 million budget allocation for capital projects. Major expenditures included \$1.4 million on the Construction of Police Stations, \$1.2 million on the Purchase of Vehicles and Equipment and \$1.5 million on the National Security Covid-19 response.

The Ministry of International Trade, Industry, Commerce and Consumer Affairs spent \$398 thousand or 59% of its \$670 thousand capital budget on the Lab Accreditation Quality Infrastructure and Equipment Upgrade project.

The Ministry of Finance spent \$2 million or 20% of its \$12 million capital expenditure budget for 2021. Expenditures included an amount of \$618 thousand spent on the Pre-Investment Fund and \$683 thousand spent on the GOSKN Digital Transformation Project.

The Ministry of Social Development & Gender Affairs spent \$644 thousand or 49% of its \$1.3 million capital expenditure budget allocation. Of the amount spent, \$570 thousand was spent on the Upgrade of Community Centers.

The Ministry of Agriculture, Fisheries and Marine Resources spent \$5 million or 75% of its revised \$6.7 million budget. The largest capital expenditure for this Ministry was \$3 million on the Agriculture Support project.

The Ministry of Tourism and Transport spent \$5 million or 55% of its capital expenditure budget of \$9 million. Expenditure for this ministry included \$1.2 million spent on the Coastal Erosion Mitigation Project at South Frigate Bay and Friars Bay and \$3 million spent on the Airlift Support project.

The Ministry of Public Infrastructure et al spent \$27 million or 55% out of a revised capital budget of \$48 million. The Ministry spent \$3.2 million on the Road Improvement project, \$8 million on the Rehabilitation of Old Road Bay and \$13 million on the Upgrade of the Island Main Road project.

The Ministry of Education spent \$13 million or 44% of its revised capital budget allocation of \$29 million. The Ministry spent \$11 million on the Construction of the New Basseterre High School Project which represented the payment of Management Fees to Innotech Services Limited for the year 2021.

The Ministry of Health spent \$14 million or 75% of its revised capital expenditure budget of \$19 million. There was expenditure of \$2.5 million on the Purchase of Medical Equipment and \$10 million on Health Sector Covid – 19 Response.

The Ministry of Youth, Sports and Culture spent \$5 million or 86% of its \$5.8 million capital expenditure allotment for 2021. The largest expenditure was \$3.6 million for the CPL games. This project was not budgeted for in 2021.

The Ministry of Sustainable Development spent \$4.9 million or 21% out of its revised budget of \$23 million. The largest expenditures for this ministry included the Special Land Distribution Initiative of \$2.7 million and the Rehabilitation of the National Museum of \$499 thousand.

The Ministry of Foreign Affairs and Aviation spent \$3 million or 60% of its revised budget of \$5 million. Two million, six hundred thousand (\$2.6 million) was spent on the renovation of the Embassy Building in Washington D.C.

The Office of the Attorney General spent \$10 thousand or 2% of its budgeted \$500 thousand on the Electoral Reform project.

The Ministry of Labour spent 100% of its revised budget of \$30.2 million dollars to facilitate the payments of Long Service Gratuities and Severance Payments.

The Ministry of Human Settlements et al spent \$7.8 million or 63% of its revised budget of \$12.2 million. The majority of the expenditure was spent on payments to support the National Housing Corporation of \$4.1 million and the Solid Waste Management Corporation of \$3.5 million.

The Ministry of Environment and Cooperatives did not spend any of its budgeted \$1.5 million.

The Ministry of Entrepreneurship and Communications spent \$1.2 million or 66% of its \$1.8 million. The Ministry spent \$357 thousand on E-Government Network Infrastructure Project, \$393 thousand on Internet exchange Development & Support and \$252 thousand on Entrepreneurship & Innovation Development.

Principal Repayments

The budget for principal payments on outstanding loans of the Government of St. Kitts and Nevis for 2021 was approved at \$37 million with \$28 million budgeted for external debt principal payments and \$8.4 million budgeted for domestic debt principal payments. The

estimate for the domestic principal payments was revised to \$13 million to facilitate payment of arrears on the Loan Agreement with PDV St. Kitts Nevis Ltd.

The actual expenditure totaled \$31 million with external debt principal payments accounting for 60% of the expenditure and there was a sharp increase in the amount of domestic principal payments made.

STATEMENT OF CASH RECEIPTS AND PAYMENTS

The Statement of Cash Receipts and Payments as presented in the Public Accounts, shows the cash receipts and payments of the Government sub-classified by operating, investing and financing activities. This statement also shows the opening and ending balances of cash for 2021.

The Statement of Cash Receipts and Payments is presented on pages 11 and 12 of the Public Accounts. A summary of that statement is presented in the following table.

Table 5: Summary Statement of Cash Receipts and Payments

	2021 (\$ million)	2020 (\$ million)
Net Cash Flows :		
Operating Activities	248	56
Investing Activities	(124)	(160)
Financing Activities	(31)	(22)
Net increase/(decrease) in cash	93	(126)
Cash at beginning of period	547	673
Cash at end of period	640	547

There was an increase in the cash position of the Government by \$93 million at the end of 2021.

Net Cash Flow from Operating Activities

Total receipts from operating activities totaled \$1.1 billion in 2021. Tax revenues collected by the Inland Revenue and Customs and Excise Departments on St. Kitts accounted for 32% of the total receipts from operating activities respectively. Payments on operating activities totaled \$871 million. This resulted in a net cash flow from operating activities of \$248 million in 2021.

Net Cash Flow from Investing Activities

Receipts from investing activities totaled \$245 million which included proceeds from sale of government lands, interest, dividends, and receipts from a bond issued by the Government of St. Lucia. Payments from investing activities which included capital expenditures, monies invested at the Development Bank of St. Kitts and Nevis and outflows from funds held by the Accountant General totaled \$370 million resulting in a net cash flow from investing activities of **(\$124)** million.

Net Cash Flow from Financing Activities

There were no receipts from financing activities as the Government did not directly receive any proceeds from loans in 2021. Payments on financing activities totaled \$31 million which represented domestic and foreign loan principal payments.

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

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

Cash and Cash Equivalents

Cash and cash equivalents increased by \$93 million over the previous year. At the end of 2021, the Government of St. Kitts and Nevis had an accumulated cash balance of \$640 million

consisting of deposits at local banks, deposits at the Eastern Caribbean Central Bank (ECCB) and fixed deposit accounts of various lengths and interest rates.

Advances - Personal

At the end of 2021, personal advances given to civil servants totaled \$534 thousand. This amount represents 84 individual accounts with outstanding balances ranging from \$367 to \$30,000.

In 2020 the existing personal advance policy was updated. The updates included a reduction of the interest rate, an increase in the threshold ceiling, the expansion of eligible areas for an advance and the establishment of an Application Review Committee.

While the policy was updated, it did not mention two areas noted in previous recommendations. It did not address maximum repayment periods and what actions are to be taken in cases of default.

The audit exercise revealed that at the end of December 2021, there were 18 personal accounts with a total value of \$177 thousand which had no regular activity during the year 2021. We note that some of these are educational advances that have not been cleared.

A repayment plan should be put in place for the repayment of advances for those persons who are currently employed within the service. If the others are deemed uncollectible, they should be written off.

Subsistence Advances

Advances given to Government Ministers for work related travel totaled \$361 thousand at the end of 2021.

These advances are given to the Ministers to cover accommodation, per diem and incidentals for their travels. Initially recorded as advances, they are then transferred to an expenditure

account upon the submission of a Claim for Subsistence and Traveling Expenses form by the Ministers of Government.

This Office continues to note the issue of outstanding subsistence advances by Ministers of Government. This becomes an increasing problem when Ministers of Government are not returned to office after a general election and a balance remains owing to the government for unclaimed travel advances.

In the 2019 report, the recommendation was made to move away from a subsistence advance to a per diem system for the Ministers of Government. That recommendation still stands.

Other Investments

In 2021, the Government of St. Kitts and Nevis invested a total of \$20 million in the Development Bank of St. Kitts and Nevis, of which \$15 million was provided for the Mortgage Loan Facility for Citizens of St. Kitts and Nevis and \$5 million to facilitate the Small & Medium – Sized Business Support Fund.

The terms of repayment for the Mortgage Loan Facility for Citizens of St. Kitts and Nevis states semiannual interest-only payments twice per year over a 35-year period at an interest rate of 2%.

The terms of repayment for the Small and Medium Sized Business Support Fund states semiannual interest-only payments twice per year over a 15-year period at an interest rate of 2.5%.

In 2020, the Government of St. Kitts and Nevis granted the Development Bank of St. Kitts and Nevis a moratorium on the repayment of interest due on the Government-funded investments for a period of 2 years from March 2020 to March 2022, so there was no interest paid on these investments in 2021.

Over the period 2018 to 2021, the Government of St. Kitts and Nevis has invested a total of \$74 million in six different instruments in the Development Bank of St. Kitts and Nevis.

The Government of St. Kitts and Nevis invested in a \$5.4 million bond issued by the Government of St. Lucia in 2015. The terms of repayment states semiannual fixed payments of \$270,000 for 10 years at an interest rate of 7.5%. Both payments for 2021 were received in full and by the due date.

Trust Funds

Trust Funds increased by \$6 million in 2021 as a result of the increase in the balance of the Severance Payment Fund.

As at December 31, 2021, the balance in the Severance Payment Fund was \$2.5 million with receipts into the Fund totaling \$33 million and payments from the Fund totaling \$30 million for the year. The Fund received an injection of \$7.2 million from the Capitalization of Long Service Gratuity and Severance Payment Fund capital project. During the year, the Fund also received \$23 million to cover Severance and Long Service Gratuity payments. The table following shows the receipts into and payments out of the Severance Payment Fund for the year 2021.

Table 7: Severance Payment Fund Receipts and Payments

	2021 (\$)
Balance at 1/1/2021	(3,485,860.79)
Receipts:	
Severance Contributions from Social Security	5,818,462.23
Transfer from capital project	7,200,000
Treasury Bills Interest	56,250.00
Supplemental budget to cover payments from the Fund	23,077,322.34
	32,666,173.78
Payments:	
Severance & Long Service Gratuity Payments	30,180,492.19
Balance at 31/12/2021	2,485,681.59

It can be seen from the table that without the Government's intervention and injection of an additional \$23 million into the Severance Payments Fund, the contributions and investment income are not sufficient to cover the expenditures from this Fund.

Other Public Funds

Other Public Funds decreased by \$14 million or 6% in 2021. The balances of the Below the Line Deposit accounts constitute 88% of the balances of Other Public Funds.

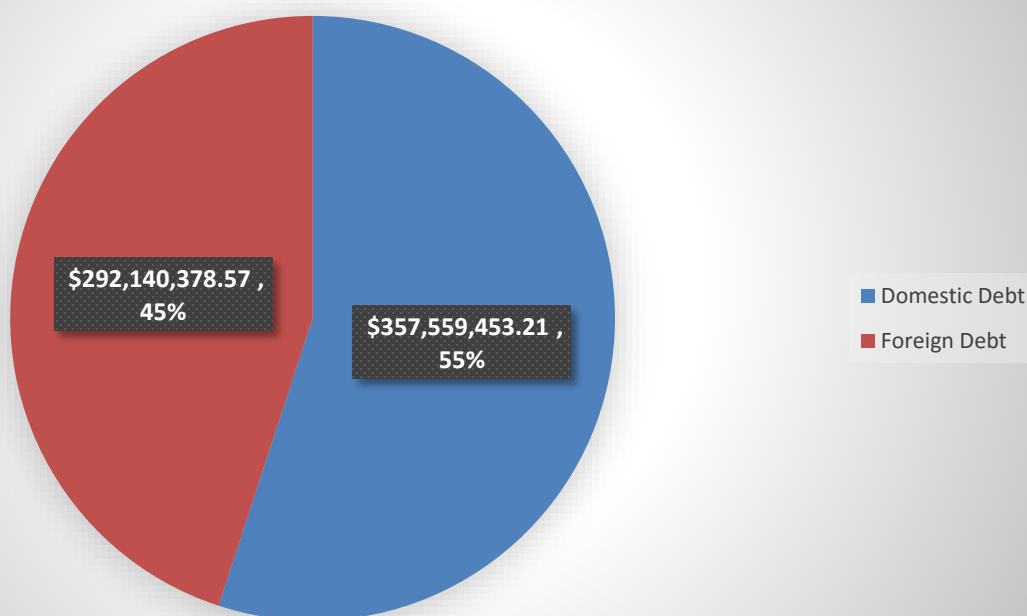
We note the efforts of the Accountant General and Departments to close Below the Line Accounts which are not active and not being used for the purpose for which they were created.

PUBLIC SECTOR DEBT

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

As at December 31st 2021, the Public Sector Debt of the Government of St. Kitts and Nevis amounted to \$1.6 billion. The Public Sector Debt decreased by \$18 million over the previous year. The Central Government's debt which has domestic and foreign debt components decreased from \$676 million to \$650 million in 2021. The chart following shows the two components of Central Government debt.

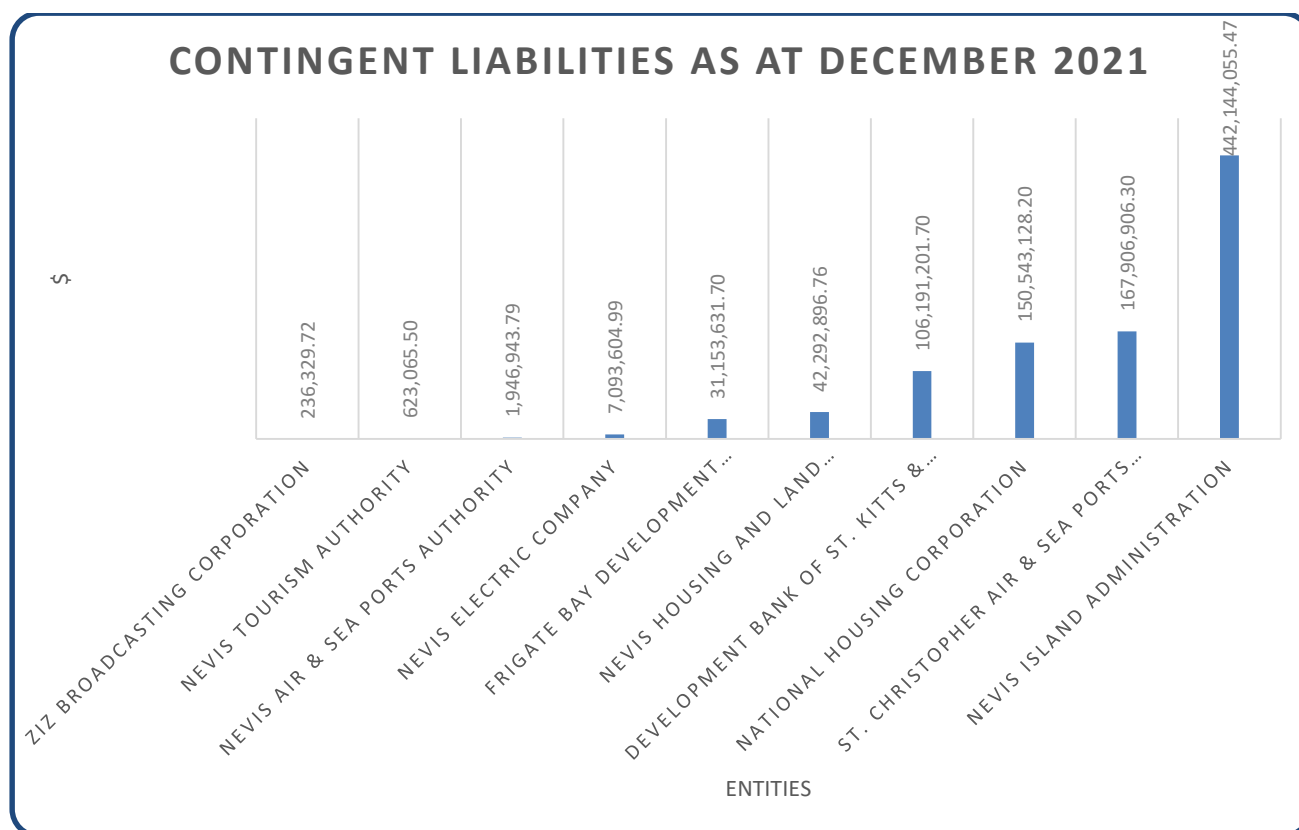
Central Government Debt 2021



Total domestic debt of the Central Government decreased by \$13 million. This was due in part to the decrease in the Central Government Arrears to Petro Caribe – PSKN loan instrument which decreased by \$11 million. Foreign debt of the Central Government decreased by \$13 million as well compared to the previous year.

One loan with a 2020 end of year balance of \$85,009.00 was paid off during 2021.

While the Central Government debt decreased by \$26 million or 4% relative to 2020, the contingent liabilities increased by \$8 million or 1% relative to 2020. The contingent liabilities now totals \$950 million, \$300 million more than the Central Government's debt. The chart following shows the contingent liabilities by entity.



As with the Central Government's debt, contingent liabilities have a domestic and a foreign debt component. Within the contingent liabilities portfolio, domestic debt increased by \$15 million. Domestic debt in the contingent liabilities portfolio includes overdrafts, treasury bills and domestic loans held by statutory bodies and government owned corporations. Overdrafts held at local financial institutions increased by over \$7 million while the treasury bills and domestic loans held by the statutory bodies and government owned corporations also increased by over \$7 million, leading to an overall increase in the domestic contingent liabilities of \$15 million.

Contingent liabilities now accounts for 59% of the total public sector debt, compared to 58% in 2020. For the past 4 years, the contingent liabilities as a percentage of total public sector debt has continually increased from 43% in 2017 to 59% in 2021. The continued trend has been a decreasing Central Government debt with an increasing contingent liability mainly due to the increase in the domestic debts which are vested in local banks, companies and other government owned corporations. We continue to note that amounts owing to the SKN Sugar Industry Diversification Foundation and the Solid Waste Management Corporation

totaling \$60 million and \$4 million respectively are not being repaid. In 2020, we noted that a loan from the Social Security Board held by the Development Bank of St. Kitts and Nevis and a loan from the St. Kitts-Nevis-Anguilla National Bank to the Frigate Bay Development Corporation did not have any repayments during that year.

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

ARREARS OF REVENUE

The statement of arrears of revenue is a requirement of the Finance Administration Act Cap 20.13. The statement shows arrears of revenue as at December 31, 2021 of \$151 million. A summary of the arrears is shown in the table below.

Table 8: Arrears of Revenue for 2021

Ministry/Department	Arrears Total (\$)
Finance – Customs and Excise Department	33,588,106.45
Finance – Inland Revenue Department	97,958,604.00
Tourism	407,843.68
Public Infrastructure: Water	19,175,907.68
Public Infrastructure: Post Office	224,782.80
Public Infrastructure: Public Works	58,128.00
Total	151,413,372.61

Arrears of revenue were not presented for the JNF General Hospital.

It can be seen from Table 8 that the Customs and Excise and the Inland Revenue Departments on St. Kitts have significant amounts of revenue arrears totaling \$34 million and \$98 million respectively.

As with last year, a significant amount of these outstanding taxes by the Inland Revenue Department are currently under an administrative review/objections process. The administrative review allows a taxpayer who is dissatisfied with an assessment to make a request to the Comptroller of Inland Revenue to review the assessment. The Comptroller is then responsible for making a decision concerning the assessment.

The Tax Administration and Procedures Act Cap 20.52 makes provisions for a taxpayer to make a further appeal to Commissioners whose main function is hearing appeals against tax assessments. If a taxpayer disagrees with an administrative review decision, an appeal can be made to the Commissioners.

Significant outstanding amounts continue to be tied up in the administrative review stages.

The recommendation of the previous year still stands. The Income Tax Commissioners need to be appointed to aid the objections and appeal process at the Inland Revenue Department.

APPENDIX 1

**Report by the Director of Audit on the
Procurement of Works by the
Public Works Department**

**Ministry of Public Infrastructure, Post and Urban
Development**



Table of Contents

Executive Summary.....	1
Background.....	2
Audit Mandate.....	2
Audit Objectives.....	3
Audit Scope.....	4
Audit Criteria.....	4
Methodology.....	4
Findings.....	5
Conclusion.....	21

Executive Summary

We conducted an audit of the procurement of works carried out by the Public Works Department in the Ministry of Public Infrastructure, et al. for the year 2020. The overall audit objective was to determine whether the Public Works Department was in compliance with the Procurement and Contract (Administration) Act Cap 23.36 and best practices for procurement of works. The audit focused on the solicitation and evaluation phases of the procurement cycle. We concluded that the Public Works Department was not in compliance with the Procurement and Contract (Administration) Act Cap 23.36 and best practices for procurement of works.

Our main findings and recommendations are highlighted below.

Findings

Recommendations

Incorrect procurement method was used to solicit contactors for Government projects.

Projects above the designated threshold (or as guided by the Procurement Board where no thresholds exist) should be competitively tendered in compliance with the Procurement and Contract (Administration) Act Cap 23.36 .

The evaluation of bids by the Public Works Department needs to be improved.

The Public Works Department needs to properly evaluate bids, taking into consideration a preliminary evaluation, financial evaluation of bids and qualification assessment of the bidders.

The contracts awarded in 2020 were not sent to the Procurement Board for approval.

The provisions of the Procurement and Contract (Administration) Act Cap 23.36 should be complied with. As there are currently no thresholds that determine which works should be procured using competitive quotations, all contracts should be presented to the Board by the procurement officer for works.

PART ONE

Background

The Public Works Department (PWD) is the government's engineering and works coordinating agency. It is a department within the Ministry of Public Infrastructure, Post and Urban Development. Its main objective is to meet the infrastructure needs of St. Kitts with respect to roads, bridges, public buildings, quarry services, vehicle maintenance, technical advice and the procurement of materials.

During the year 2020, the Public Works Department, on behalf of the Government of St. Kitts and Nevis, entered into 31 contracts for the procurement of Works totaling \$35 million. These contracts ranged in amounts from \$18 thousand to \$20 million.

Audit Mandate

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

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

Section 76, subsection 2(a) of the Constitution of the Federation of Saint Christopher and Nevis states that:

“The Director of Audit shall:

- a) Satisfy himself that all moneys that have been appropriated by Parliament and disbursed have been applied to the purposes to which they were so appropriated and that the expenditure conforms to the authority that governs it.”

Procurement and Contract (Administration) Act, Cap 23.36, part 3, section 31(1) states that:

1. The Board shall annually, without delay, after the tabling of the Report of the Director of Audit on the Public Accounts in the National Assembly, or more often as necessary:
 - a) Do an assessment of procurement and contract administration under this Act and regulations, having regard to:
 - i) the issues and problems that have arisen or are likely to arise, including those identified in the Report of the Director of Audit for the previous financial year; and
 - ii) The cost and other measures necessary to address those issues and problems;and
 - b) Prepare a report setting out its findings and its recommendations to address the issues and problems identified in the assessment, including a summary of the steps that need to be taken, and by whom.
2. The report shall be sent to the Minister who, after such consultations as appear to him or her to be appropriate, shall determine what action shall be taken in relation to the report.

Audit Objectives

The overall audit object was to determine whether the Public Works Department was in compliance with the Procurement and Contract (Administration) Act Cap 23.36 and best practices for procurement of works.

This included setting the following sub-objectives:

- To determine if the correct method of solicitation was used.
- To determine if bids were evaluated according to the criteria set out in the bid documents.
- To determine if mobilization payments were made according to the standardized rate.

Audit Scope

We selected a sample of 10 contracts signed during the period January 1st to December 31st 2020. The contracts selected represented several Ministries and ranged in amounts from \$18 thousand to \$20 million.

Audit Criteria

In order to carry out our audit, we referred to the Procurement and Contract (Administration) Act Cap 23.36 and best practices in procurement.

Methodology

In order to meet the audit objectives stated, we conducted interviews with the management and staff members of the PWD, reviewed project files, contracts and minutes of the Procurement Board meetings.

PART TWO

Findings

1. Incorrect methods of solicitation were used to contract persons for government projects.

Section 10 of the Procurement and Contract (Administration) Act Cap 23.36 lists the different methods of solicitation that should be used. These are Tender by Competitive Sealed Bids or Competitive Proposals, Sole Source Procurement, Emergency Procurement and Competitive Quotations.

Section 11 (2) of this Act states “A solicitation shall be made by way of tender where the estimated amount of the contract award in question is equivalent to or exceeds an amount prescribed by the Minister as a threshold.”

Even though the Procurement and Contract (Administration) Act Cap 23.36 was passed in 2012, we noted that there are no procurement regulations and there are no defined threshold amounts as required by the Act.

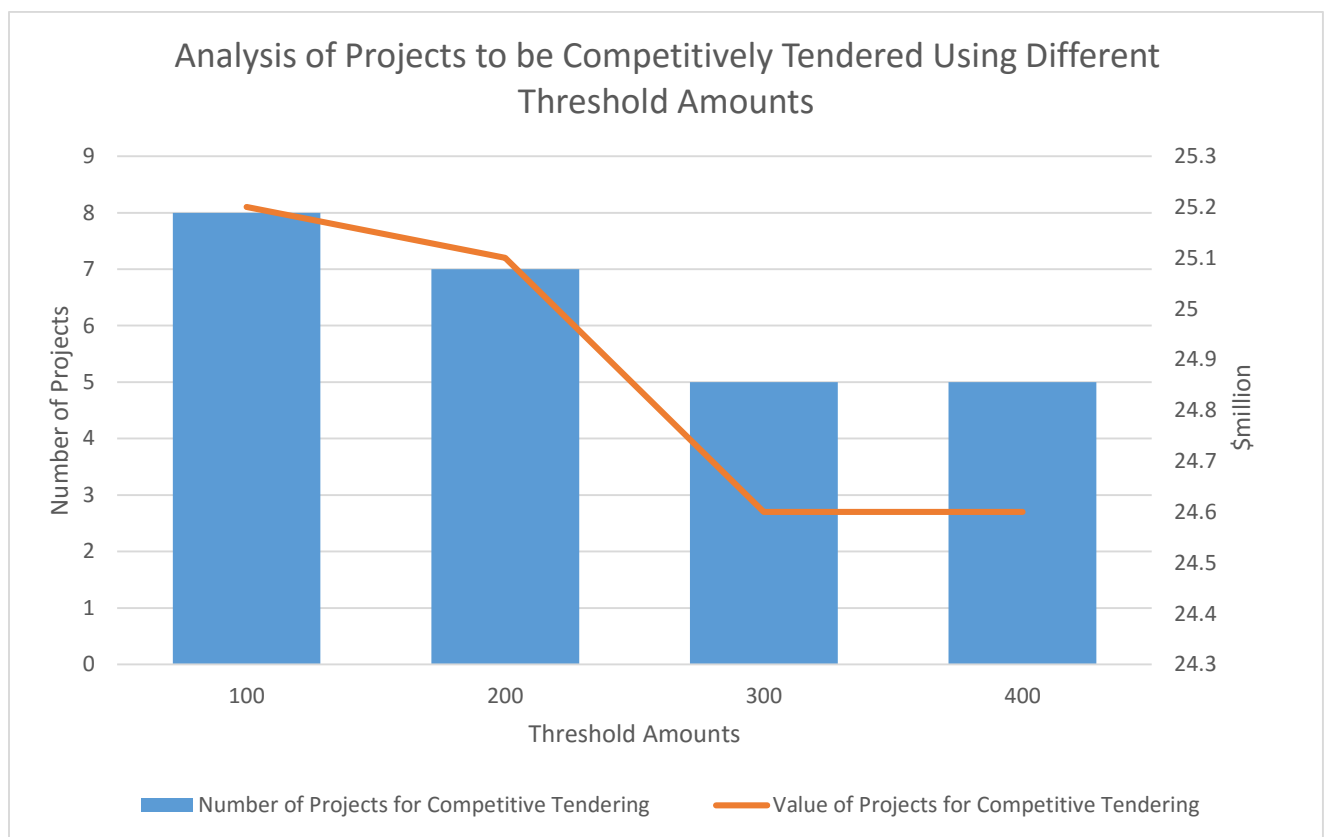
The following table shows the contract amounts and the solicitation methods used by the PWD for the procurement of Works on the sample selected.

Table 1: Contract Amounts and Solicitation Methods Used

Contract No.	Contract Amount	Solicitation Used	Method	Other Method Used
2/20	1,444,307.00			Selective Tendering
10/20	295,600.00	Sole Source		
13/20	170,282.90	Sole Source		
16/20	19,904,009.40	Sole Source		
20/20	18,450.00	Sole Source		
22/20	1,759,148.83			Selective Tendering
23/20	238,132.25			Selective Tendering
27/20	63,424.00			Selective Tendering
28/20	680,000.00	Sole Source		
30/20	801,283.35			Selective Tendering

In an effort to analyze the solicitation method used, we used 4 different threshold amounts to determine how many contracts should have been sent out for Tender by Competitive Sealed Bids or Proposals. As a comparison we used the starting threshold of \$100 thousand which is the threshold for Works used by the Organization of Eastern Caribbean States Commission (OECSC). We also used, for analysis purposes, the threshold amounts of \$200 thousand, \$300 thousand and \$400 thousand. We also noted that on the June 17, ²⁰²⁰ meeting of the Procurement Board, a \$300 thousand threshold limit was recommended for consideration.

The graph below shows the results of the analysis.



The graph shows that if the threshold limit was \$100 thousand, 8 projects with a combined value of \$25.2 million should have been solicited by competitive tender. Likewise if the threshold was either \$300 thousand or \$400 thousand, 5 projects with a total value of \$24.6 million should have been procured by Competitive Tender.

We found competitive tenders had not been used as a means of solicitation for any of the 10 contracts sampled.

We found that the Public Works Department used sole source procurement for 5 projects, including a \$19.9 million project to Design and Construct the New Basseterre High School.

The Procurement and Contract (Administration) Act Cap. 23:36 states that “A sole source procurement may be made when the goods, services or works required may only reasonably be had from a single source.” It further states that “the decision to use a sole source procurement shall be determined either by—

- (a) The Board, where the amount of the contract award is equal to or exceeds the threshold; or
- (b) The procurement officer, in the case of a procurement that is less than the threshold.”

We noted that although the Procurement Board met 7 times during the year 2020, the procurement officer for works within the Public Works Department had not submitted any projects to the Board for consideration on using a sole source procurement method.

We also found no any evidence on the files to justify the use of sole source procurement by the procurement officer.

The remaining 5 contractors for Government projects were contracted using a “Selective Tendering” solicitation method where the bidding documents were not publicized but given to a few contractors who are chosen by the Ministry/Department involved or the Public Works Department. These contractors were then invited to bid on the project.

This type of limited solicitation is not a method of procurement that is mentioned in the Procurement and Contract (Administration) Act Cap 22.36.

There is also no evidence on the files to justify the selection of the contractors to whom bidding documents were sent to. We also noted that the Department/Ministry involved either selected the sole contractor along with a costing of the project or presented a selection of contractors to the PWD.

Assembling a proper scope of works requires technical expertise that is not present within the Departments. Yet we noted that Departments are submitting scope of works to the Public Works Department along with names of contractors selected by them.

On one multimillion dollar project, we noted that the Permanent Secretary of the Ministry requested that the PWD use a “simplified” method of procurement and suggested the use of “competitive quotations”.

The involvement of the Ministries/Departments at this level diminishes the authority, role and usefulness of the Public Works Department as the experts in the procurement of works. The PWD is then left to prepare a contract and manage a project in which it had no input.

The impact of the current practice reduces competition. It excludes persons who may be interested in bidding on a project and therefore reduces value for money being received by the Government.

The practice of procuring works by sole source and “selective tendering” solicitation methods goes contrary to the purposes of the Procurement and Contracts (Administration) Act Cap 23.36 which are to foster competition; ensure integrity, fairness, accountability, transparency and good governance; providing increased economy and maximizing the purchasing value of money of the Government.

The lack of threshold amounts has also allowed the Director of Public Works to solely make decisions on the type of solicitation methods to be used without the input of the Procurement Board. This diminishes the usefulness of the Board as decisions are made with regard to high value

projects without the input of this Board which goes against the provisions of the Act. We noted that the Procurement Board met several times in 2020 and requested that all projects be submitted to the Board in the absence of threshold limitations. However this was not done.

Recommendation:

1. There is a need to create Procurement Regulations that establishes thresholds limitations for procurement.
2. Permanent Secretaries and Heads of Department of the various Ministries and Departments should be trained on the provisions of the Procurement and Contract Administration Cap 23.36 and the role of the Director and Public Works Department as it relates to the procurement of works.
3. The procurement of works by the Sole Source method should only be used if the Works can be done by a single contractor. In the absence of threshold limitations, the use of Sole Source Procurement should be determined by the Board only.
4. Projects above the designated threshold (or as guided by the Procurement Board where no thresholds exist) should be competitively tendered in compliance with the Procurement and Contract (Administration) Act Cap 23.36.
5. The selection of contractors to provide competitive quotations on projects falling below the threshold limitation should be done, with justification, by the procurement officer for works and not by the Department or Ministry involved.

Management's Response:

- i. PWD would welcome Procurement Regulations.*
- ii. We agree with this statement.*
- iii. We do not agree. Section 11(7) of the Procurement and Contract (Administration) Act and Cap 23.36, speaks to Emergency Procurement.*

- iv. *In agreement with the statement.*
- v. *We agree with this recommendation.*

Auditor's Response

Management has stated that they do not agree with recommendation number 3 as section 11 (7) of the Act speaks to Emergency Procurement.

Section 11 (7) states "An emergency procurement may be made only when there exists a threat to public health, welfare or safety by reason of an emergency situation and the procurement is for the purpose of elimination or mitigating the threat as determined by (a) the Board or (b) the Financial Secretary.

In conducting the audit, we selected a sample of 10 contracts. Not one of these contracts (including those procured by the Sole Source method) for procurement were deemed (by the Department of Public Works) to be an Emergency procurement.

Our recommendation number 3 was based on the Department of Public Works' use of use of the Sole Source method of procurement.

2. Bidders were given less than six weeks to submit bidding documents.

Section 13 of the Act states that "Subject to section 16, the procurement officer shall ensure that notice of a solicitation for a procurement by tender.... is given in at least two newspapers of general circulation in the Federation no less than six weeks-before the day and time for the close of bids or proposals..."

We noted that in 4 of the 5 projects that were solicited by 'selective tendering', the time given for bidders to respond was less than the 6 - week period required in the Act.

Contract No.	Letter dated	Close of bids	Time allowed
2/20	21 October 2019	4 November 2019	2 weeks
22/20	21 May 2020	15 June 2020	3 weeks, 4 days
23/20	1 July 2020	22 July 2020	3 weeks
27/20	12 October 2020	21 October 2020	1 weeks, 2 days

From the table above, we noted that the bidders selected were all given less than 4 weeks to prepare and submit bidding documents. On contract 27/20, the contractors were given just over 1 week.

Bidders must be allowed sufficient time to prepare and submit bids. If reasonable time is not given, it can lead to work that is rushed and inaccurate. It also does not give the contractors enough time to gather and supply to the Public Works Department all the necessary documents required to evaluate the bidders.

Recommendation:

The Director of Public Works should comply with the requirements of the Act when soliciting bids by tender.

Management's Response:

We agree with this statement for the projects in question but sometimes the project is for the bidder to provide labour only, the scope does not warrant the procurement of materials from overseas, we feel that the time could be shortened or the works are considered to be very minor works of low value or it is a case of a threat to public health, welfare or safety.

3. The evaluation of bids by the Public Works Department needs to be improved.

An evaluation should ensure that each bidder is considered and has an opportunity to be awarded the contract. It ensures fairness as each bidder is evaluated based on the same set of criteria.

Bids received should be evaluated to determine if they comply with the requirements as stated in the bid solicitation documents.

Bids should undergo the following three types of evaluation:

- a. Preliminary Evaluation to determine if bids are substantially responsive. This means that the submission of the bid should be verified, all documents checked for completeness, presentation of bid security verified and a determination made as to whether the bidder met the eligibility criteria of being registered and having the necessary licenses.
- b. Financial Evaluation of bids to compare the costs of each substantially responsive bid. At this stage the arithmetical accuracy of each substantially responsive bid should be checked and tender prices evaluated.
- c. Qualification Assessment of bids will then determine whether the bidders meet certain criteria requirements, such as financial resources required and construction experience, in order to complete the project to the standards required.

We examined the evaluation reports for the 5 contracts that were awarded by the ‘selective tendering’ solicitation method.

We found that the Public Works Department did carry out an evaluation for each of the 5 contracts awarded in the sample. However, we found that the PWD only did a financial evaluation that took into consideration the bid prices submitted by the contractors. Therefore the contracts were awarded based on price only.

We found that the evaluation report did not take into consideration the eligibility of the contractors who submitted bids. A request for the registration of contractor's database from the Public Works Department showed that only 4 of the 10 contractors from our sample were registered with the Public Works Department. Three (3) of those contractors were asked to submit bids and were awarded contracts based on the "selective tendering" method. It therefore means that the procurement officer for works has been soliciting, accepting and awarding contracts to persons/businesses who are not even registered with the PWD.

There was no indication that the Public Works Department ensured that only licensed contractors advanced to the next stage of the evaluation. In some cases the contractors only presented their business licenses after being awarded the contract.

We also found that the Public Works Department did not ensure that these bidders were up to date with their tax liabilities to the Inland Revenue Department as there were no requests for Tax Clearance certificates noted in the bidding documents and there were no separate requests made for bidders who were being evaluated.

Most importantly, there was no Qualification Assessment done to determine if the contractors had the necessary financial resources, technical expertise or proven work experience to undertake and ensure the completion of the projects.

On one project, we noted that the Public Works Department had only requested proof of previous work experience after the project had commenced and difficulties were experienced during the building process.

While there were specific criteria set out in the bidding documents, the bidders were only evaluated on one aspect of the criteria which was price. The bidder with the lowest price may not have the capacity, human and financial resources or the experience to effectively carry out the scope of works required.

Bids that are not properly evaluated can lead to the award of contracts to bidders who otherwise may have been disqualified. This can lead to cost and time overruns, and poor quality work.

During field visits to the projects sites, we noted that several projects were delayed. One one project, the contractor completed approximately 85% of the work and has not returned to finish the project.

We noted that one contract in our sample had not been signed and the work on the project had started substantially later than what had been agreed to. The project was also been undertaken by a different contractor to the one mentioned in the contract. We were informed by the PWD that after the contract had been awarded, the issue of tax liability was brought up and the contractor declined the contract. The contract was then given to the next lowest bidder. This caused the project to start at a later date than had been anticipated.

We also noted that the bidding documents sent to selected contractors did not make reference to a 'Conflict of Interest' clause. A bidder conflict of interest is any situation that may give a bidder an unfair advantage over the other bidders. This includes bidders who have a relationship, directly or indirectly, that allows them to be in a position to access information that other bidders do not have access to.

Conflicts of Interest can lead to unethical practices, lack of transparency and perceived unfairness.

We noted that 1 contract was awarded to a senior government official using a sole source solicitation method. The proposal for this project was sent directly from the person who was awarded the contract to the Public Works Department. This type of practice stifles competition and it lacks fairness and transparency

Recommendation:

1. The Public Works Department needs to properly evaluate bids, taking into consideration a preliminary evaluation, financial evaluation of bids and qualification assessment of the bidders.
2. The Public Works Department should include a Conflict of Interest provision to increase transparency and fairness in the award of government contracts. This would disqualify bidders who have a conflict of interest from participating in the procurement process.

Management's Response:

- i. We have improved upon the criteria for the selection of bidders for projects by taking into consideration the recommendations among others. See Appendix #1*
- ii. The second recommendation is duly noted.*

4. The contracts awarded in 2020 were not sent to the Procurement Board for approval.

Section 22 (1) of the Procurement and Contract (Administration) Act Cap 23.36 states “with the exception of competitive quotations, each contract to be awarded shall be subject to the approval of the Board.

The Procurement Board ensures that tendering has been conducted in accordance with the Procurement and Contracts (Administration) Act Cap 22.36 and also ensures that the recommended awardee represents value for money for the Government.

We found that this requirement of the Procurement and Contract (Administration) Act Cap 23.36 was not complied with in 2020.

The Procurement Board met on 7 different occasions in 2020 but the procurement officer for works did not present any contracts for the approval of the Board. This meant that 31 contracts totaling \$35 million were awarded without the approval of the oversight body that was set up to ensure transparent procurement practices by the Government.

The files do not present any justifiable reason why the contracts were not sent to the Board for approval. In effect, it gives the appearance that public procurement laws were bypassed in order to award contracts to selected contractors.

Recommendation:

The provisions of the Procurement and Contract (Administration) Act Cap 23.36 should be complied with. As there are currently no thresholds that determine which works should be procured using competitive quotations, all contracts to be awarded should be presented to the Board by the procurement officer for works.

Management's Response:

The above method of award would be time consuming to send all projects to the Board for approval. The Board has recommended that only those projects of value \$400,000.00 and above should be sent to the Board.

Auditor's Response

The recommendation was based on the fact that there were no approved threshold limitations during the conduct of this audit.

The National Audit Office notes the Procurement Board's circular no.1 dated February 14, 2022 outlining thresholds for the procurement of works, goods and services. During the conducting of this audit, those threshold limitations were not available. We also note that management has provided in its response to the recommendations, a minute from the Procurement Board dated May 21, 2021 outlining the same threshold amounts as mentioned in circular no.1. It must be stated that the Procurement's Board circular no.1 was only sent out to senior government officials in February of 2022. In the conduct of the audit exercise in 2021, the question was raised whether there were any thresholds or guidance provided by the Procurement Board to which management responded that there was nothing in writing.

As part of the audit exercise, we also reviewed the minutes to the Procurement Board meetings for 2020 and 2021 and did not note any approvals for procurement thresholds.

5. Mobilization payments were made to some contractors in excess of the standard 10%

Mobilization represents an amount paid to a contractor for initial expenses such as site mobilization. Best practice suggest that mobilization payments are standardized at 10% of the contract amount.

Of the 10 contracts in our sample, 5 contractors received mobilization payments in excess of 10%. These mobilization payments ranged from 20% to 60% of the contract amount and are shown in the table below.

Contract NO.	Contract Amount	Amount paid in mobilization	Mobilization %
2/20	1,444,307.00	\$288,861.40	20%
10/20	295,600.00	\$177,360.00	60%
20/20	18,450.00	\$3,690.00	20%
27/20	63,424.00	\$22,198.40	35%
28/20	680,000.00	\$408,000.00	60%

In contract 10/20, we noted that a 60% mobilization was paid in March of 2020 by advance warrant. This is the initial payment on a contract so this meant that the project was not budgeted for in 2020. A review of the Appendices on pages 14 and 15 of the contract notes that Mobilization Advance was stated as ‘Not Required’. However the Director of Public Works in a request to the Permanent Secretary of the relevant ministry requested the payment of \$177,360 or 60%

mobilization to the contractor. There was no justification for the amount stated in the request for payment.

A mobilization of 60% was also made to the same contractor on contract #28/20. The mobilization amount was explicitly stated in a letter to the Director of Public Works that formed part of the contract. However, the contract does not contain a Scope of Works. This payment was made without any justification and without the contractor submitting a Bill of Quantities or a Schedule of Works. The contract was signed in November 2020 and as at October 2021, the project had not yet started.

The other high mobilization payments were 20% and 35% respectively.

The payment of large sums of mobilization represents an opportunity cost to the Government as the excess funds could have been used for other expenditures. This is especially true if the excess mobilization was paid out for a project that was not budgeted for in 2020.

We found that contractors are not evaluated adequately and as such are not assessed on whether they have the financial resources necessary to carry out some of these projects. Lack of the necessary financial resources can lead to requests for excessive mobilization payments which is a risk and a cost to the Government.

Recommendation:

1. Mobilization should be standardized at 10% in agreement with international best practice.
The practice of paying out excess mobilization should be stopped.
2. Contractors should be assessed financially to determine if they have the necessary financial resources to undertake the project.

Management's Response:

- i. Where the work involves demolition which is a large percentage of the scope of work while others are for a short duration and in our opinion we feel that 10% for mobilization is

insufficient to jump start the project. We feel that the Procurement Officer must be given some level of autonomy to increase the level of mobilization as he sees fit with justification.

ii. Some contracts are of short duration like 2-4 weeks, therefore the additional funds will assist in the cash flow of the project

6. The project files were not properly maintained

The project files should outline the entire project process. Files should contain adequate information which shows how the PWD manages and monitors each project.

We found that while documentation such as the claims from the contractors, certificates of payment and correspondences between the engineer and the contractor were noted on the files, other information about the project were missing.

While we are aware that it is not the Department of Public Works who processes the payments to the contractors, a copy of the 'Print Invoice Posting List' should be attached to the file. This document shows the date that payment is made to the contractor.

We found that there was no information on the files pertaining to changes in the project that resulted in variation orders that affected both the schedule and the cost of the projects.

There were no stated reasons as to why contractors required or received excessive mobilization, or the reasons why a mobilization bond was not required for receiving such amounts.

During the visits to the project sites, we discussed with the PWD the issues with some projects that had resulted in significant delays and cost overruns. However these issues were not documented on the project files. We did not note any reports on the files that gave an indication of how the projects were being monitored by the PWD. Minutes of meetings held with contractors and Ministry officials to address issues were not present on the files as well.

We also did not find any information on the files pertaining to delays or problems encountered during the project period. In our sample, there was a contract that was approved but not signed by the contractor. We were informed by the PWD as to why the contract was not signed but there was no information on the project file concerning this or the impact this had on the proposed project.

Projects that were completed at the time of this audit were not evidenced by any contract closure documents. There was no documenting of the final results or whether the work described in the contract had been accurately or was satisfactorily completed.

There was no post project evaluation to document lessons learned from the project. There was no review of the performance of the contractor to determine if the contractor should remain on the approved list of qualified contractors based on their performance on the current project.

Transfer of knowledge concerning a particular project can be impacted if there is a change of engineer and information on the project is not documented. A well-documented file should be maintained in the event where legal action or arbitration may arise.

Recommendation:

Project files should include adequate information that shows how the Department manages, monitors and closes out each project.

Management's Response:

The statement above is noted and measures are being put in place to ensure that this is done. See appendix #2

Conclusion

We concluded that the Public Works Department was not in compliance with the Procurement and Contract (Administration) Act Cap 23.36 and best practices for procurement of works.

The solicitation, evaluation and the payment of mobilization amounts were all areas that need to be significantly improved not only to be in compliance with the Act and best practices but to also improve accountability, transparency and good governance in the area of procurement.

APPENDIX 2

Report by the Director of Audit



Ministry of Agriculture, Fisheries and Marine Resources

Department of Marine Resources

TAI Audit of COVID-19 socio-economic package

Table of Contents

EXECUTIVE SUMMARY	1
PART ONE	3
BACKGROUND	3
Transparency, Accountability and Inclusiveness (TAI) Audits	3
COVID-19 Socioeconomic package in the Department of Marine Resources	4
AUDIT MANDATE	4
AUDIT OBJECTIVE	5
Transparency	5
Accountability	5
Inclusiveness	5
SCOPE	6
CRITERIA	6
METHODOLOGY	7
PART TWO	9
FINDINGS	9
CONCLUSION	21
MANAGERS RESPONSE	23

Executive Summary

The National Audit Office conducted an audit in collaboration with the INTOSAI Development Initiative (IDI) who launched the Global Cooperative Compliance Audits of Transparency, Accountability and Inclusiveness (TAI) in the Use of Emergency Funding for COVID-19. This audit was designed to assess whether the Department of Marine Resources complied with the applicable laws, rules, regulations and policy decisions in terms of transparency, accountability and inclusiveness in the implementation of COVID-19 socio-economic package.

Based on the findings below, we have concluded that the use of emergency funding for COVID-19 socioeconomic packages within the Department of Marine Resources has not been carried out in accordance with the applicable rules and regulations and the principles of transparency, accountability and inclusiveness for the period May 1st 2020 to June 30th 2021.

What we found

Transparency - The criteria for selection was not made available to all stakeholders in a timely, comprehensible and accessible manner. Reports were prepared and disseminated in a timely manner, however errors were detected.

Accountability - Expenditure information was accurate at both commitment and payment stages of the COVID-19 Socio-economic package (SEP). All individuals, households and businesses benefiting from the SEP did not meet the eligibility criteria. Benefits that targeted registered fishers were received by unregistered fishers, ministries and companies.

Inclusiveness - We found no evidence to suggest that persons were treated unfairly or that anyone was excluded from benefiting from the COVID-19 SEP. The planned SEP benefits only reached 11% of those that they were intended for, as unregistered fishers, companies and a Government Ministry were also able to benefit from the SEP.

What we recommend

We recommend that the Director of Marine Resources:

- Develop written guidelines or a plan outlining the goals and objectives and coordinating the implementation of the COVID-19 SEP.
- Use all available methods of disseminating information to reach the majority of the target audience.
- Ensure that COVID-19 monies be used for the intended purpose.
- Conduct needs-based assessments when deciding how much money is needed and what need to be purchased with the money.
- Put controls in place with regards to identifying registered fishers who purchase fishing gear at the Department of Marine Resources.

PART ONE

BACKGROUND

Transparency, Accountability and Inclusiveness (TAI) Audits

The COVID-19 pandemic has been a major destabilizing threat to the global economy. It has impacted economies worldwide in areas such as public health, employment, education, social protection and overall economic growth. The tourism sector was the worst affected with travel bans, closure of public places, curfews and lock downs. There has been a dramatic rise in unemployment and supply shortages. In light of the pandemic, many countries have allocated funds to provide social assistance to aid members of the society who were most affected. These expenditures were significantly material and relatively unexpected and were not factored into the 2020 Budget.

Most countries introduced COVID-19 stimulus packages to help cushion the economic fallout resulting from the pandemic. However emergency situations can lead to basic control systems being suspended or bypassed, combined with the weakening of accountability systems and oversight. This can cause mismanagement and corruption at a time when government resources are under pressure. A need for the assessment and evaluation of the use and dissemination of emergency funds used to address the downfalls of the COVID-19 outbreak was created.

In light of this, the National Audit Office conducted an audit to determine whether the Department of Marine Resources (DMR) complied with the applicable laws, rules, regulations and policy decisions in terms of transparency, accountability and inclusiveness in the implementation of a COVID-19 socio-economic package. This audit is being done in collaboration with the INTOSAI Development Initiative (IDI) who is conducting audits of COVID-19 relief programmes implemented across international Supreme Audit Institutions (SAIs). IDI launched the Global Cooperative Compliance Audits of the TAI in the Use of Emergency Funding for COVID-19. This was done to help SAIs to stay relevant and adapt to the changing environment. This audit's main

objective is to contribute to transparency, accountability and inclusiveness in the use of emergency funding for COVID 19.

COVID-19 Socioeconomic package in the Department of Marine Resources

In 2020, the Government of St. Kitts and Nevis announced a \$120 million stimulus package to help ease the burden and hardship resulting from the COVID-19 pandemic. As part of the stimulus package, \$10 million was reserved for the agricultural sector in the first instance, to boost food production and ensure greater food security for the Federation. The money was apportioned by the Permanent Secretary in the Ministry of Agriculture, Fisheries and Marine Resources, between the Department of Agriculture and the Department of Marine Resources, \$7 million and \$3 million respectively.

The main objective of the DMR is to promote the increase in fish landings, while ensuring that all the fish and fishery products that are available for local consumption and export are obtained, while practicing conservation measures that will protect their sustainability. To accomplish this, the Department aims to build the capacity of fisher folk in order to improve their ability to function efficiently in the marine environment and conduct training in improved fishing techniques.

Audit Mandate

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

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

Section 76, subsection 2(a) of the Constitution of the Federation of Saint Christopher and Nevis states that:

“The Director of Audit shall:

- a) Satisfy himself that all moneys that have been appropriated by Parliament and disbursed have been applied to the purposes to which they were so appropriated, and that the expenditure conforms to the authority that governs it.”

Audit Objective

The question that the audit aimed to answer was:

“Has the emergency funding for the socioeconomic package within the Department of Marine Resources been carried out in accordance with the applicable rules and regulations and the principles of accountability, transparency and inclusiveness for the period May 1st 2020 to June 30th 2021?”

In order to adequately respond to this objective, some sub questions were designed focusing on the areas of transparency, accountability and inclusiveness.

Transparency

1. Is criteria for selection available to all stakeholders in a comprehensible, accessible and timely manner?
2. Are suitable mechanisms in place to produce reliable and timely information that is available for all stakeholders throughout the stages/processes of the implementation of the Socio – economic package (SEP)?

Accountability

1. Is expenditures information (related to SEP) accurate at both commitment and payment stages?
2. Did the individuals, households and businesses benefitting from SEP meet the eligibility criteria indicated in the applicable laws and regulations?

Inclusiveness

1. Does the SEP framework provide safeguards against any unfair treatment or explicit exclusions of vulnerable sections during any of the stages of implementation of the SEP? (selection of beneficiaries, access to benefits, budgeting for needs)?
2. To what extent have the planned SEP benefits reach those that they were intended for, including the marginalized sections?

Scope

Our audit considered the expenditure of the Department of Marine Resources under the COVID-19 socio-economic package over the period May 1st 2020 to June 30th 2021.

Criteria

The following laws, rules and guidelines were used as the criteria for conducting this audit:

1. Fisheries Aquaculture and Marine Resources Act Cap 14.07
2. The decision made by the Director of Marine Resources to reduce prices of fishing gears sold to 50% of the cost price. This cost reduction was targeted to all registered fishers in St. Kitts. Newly registered fishers would also be able to purchase fishing gear at the reduced cost.

The following best practices were also used as criteria for conducting this audit:

3. Suitable mechanisms should be in place to produce reliable and timely information that is available for all stakeholders throughout the stages/processes of the implementation of the SEP.
4. There should be adequate safeguards against any unfair treatment or explicit exclusions of vulnerable sections during the stages of implementation of the SEP.
5. There should be mechanisms in place to evaluate if the planned SEP benefits were achieved.

Methodology

The audit was conducted using an agile approach. The scope of the audit was streamlined to enable the audit to be conducted in a timely manner without affecting the integrity and quality of the audit work.

A variety of methods were used to gather information. We:

- Interviewed the Director of Marine Resources and the Fisheries Assistant at the Department of Marine Resources Conference Room.
- Reviewed the DMR's WhatsApp chat, the DMR facebook social media page and the DMR website.
- Examined the sales receipts.
- Recomputed the total receipts from sales over the period under review.
- Examined the DMR's Fisher Registration Form.
- Reviewed and analysed the Covid-19 Fisheries Sector Relief Prices.
- Reviewed, recalculated and analysed the Advance Warrant and corresponding list of items purchased with the warrant.
- Conducted data analysis.
- Reviewed and analysed the DMR's Fish Landings data, DMR Fisher Registration Data and the St. Kitts Fisher Community Consultation Report.
- Reviewed the expenditure in the government's financial management system, Intelligent Treasury Management System (ITMS).

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PART TWO

Findings

Transparency

1. The criteria for selection of the recipients of the COVID-19 relief was not made available to the general public in a comprehensible and accessible manner.

During the interview held at the DMR Conference Room on 12th July, 2021, the Director of Marine Resources stated that approval was granted by the Permanent Secretary of the Ministry of Agriculture et al, to reduce prices of fishing gears sold by 50% for all registered fishers in St. Kitts. We found no evidence of a documented plan outlining the selection criteria for the recipients of the COVID-19 socioeconomic package (SEP), the target audience, implementation steps, control measures or reporting timeframes. We did not find any criteria specific to the implementation of the COVID-19 Socioeconomic package and there was no amendment made to the Fisheries Aquaculture and Marine Resources Act Cap 14.07. If a formal, documented plan detailing selection criteria is not prepared or effectively communicated:

- The general public may not be aware of the COVID-19 SEP offered by the Department of Marine Resources.
- Employees may be unsure of what is required of them.
- The programme may not reach its targeted audience.

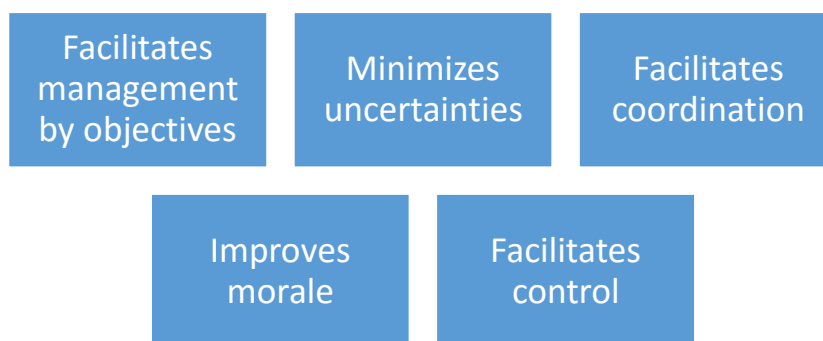
There were no advertisements made via radio, TV, social media pages and websites by the Department of Marine Resources to inform the general public of the selection criteria for the COVID-19 socioeconomic package. We noted that a WhatsApp group chat with a total of 150 participants was the main medium of communication between the Department of Marine Resources and the fishers, even though there were over 1200 registered fishers. This meant that only 11.89% of registered fishers were part of the group that received direct communication from the DMR. We found that the Department of Marine Resources placed a strong reliance on the WhatsApp group chat over other, more effective means of communication. As a result, majority

of the target audience was not reached and the information was not made available to the general public.

We found that communication between the Director of Marine Resources and the fishers via WhatsApp took place in a timely manner. An announcement was made by the Prime Minister of St. Kitts and Nevis on the 24th March, 2020 regarding the \$120 million COVID-19 Economic Stimulus Package. On the 22nd May 2020, the Prime Minister of St. Kitts and Nevis announced that \$10 million would go to the Ministry of Agriculture et al. We however, found no evidence of the selection criteria being communicated in the WhatsApp group chat. Discussions took place between the fishers and the Director of Marine Resources after the initial announcement by the Prime Minister. This discussion focused on suggestions of how the money should be used. The Director of Marine Resources communicated his intention to reduce prices on fishing gears at a later date.

Recommendations

We recommend that the Director of Marine Resources develop a written plan or guidelines, outlining the goals and objectives of the emergency funding and coordinating the implementation of the COVID-19 SEP. This plan should state how the program would be implemented, specify the target audience, selection criteria, measurement and reporting guidelines. A well written plan:



We recommend that the Director of Marine Resources use all available methods of disseminating information to reach the general public.

2. The DMR Fisher Registration Data report stating the number of registered fishers was incorrect.

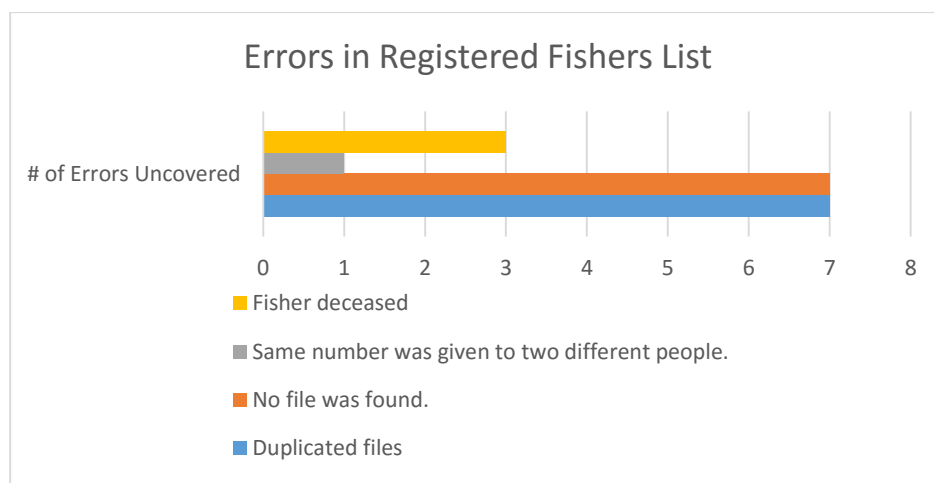
Suitable mechanisms should be in place to produce reliable and timely information that is available for all interested persons regarding the COVID-19 SEP. DMR Fisher Registration Data and the DMR Fish Landings Data Analysis were prepared on a monthly basis by the Director of Marine Resources. They were emailed to the Permanent Secretary for the Ministry of Agriculture, Fisheries and Marine Resources before the end of the following month.

The information in the DMR Fisher Registration Data was compared to the list of registered fishers and the registered fisher files and the following errors were found:

- There were 7 instances where a name appeared twice on the list of registered fishers.
- There were 7 instances where a name was included in the list of registered fishers but a registered fisher file was not found for the person.
- There was 1 instance where the same registration number was given to two different fishers.
- There were 3 instances where we found the names of deceased persons on the registered fishers list. None of these individuals received the benefit of the COVID-19 SEP.

This is further illustrated in the bar chart below.

Errors found in the Registered Fishers List



Source: DMR Registered Fisher List and DMR Registered Fisher File

The DMR Fisher Registration Data report showed an increase in registered fishers in St. Kitts over the period under consideration. There were a total of 1175 registered fishers as of April 2020. This increased to 1280 by June 2021. However, this amount was overstated due to errors that we found. After adjusting for the errors, the number of registered fishers as of June 2021 was 1262 fishers.

These misstatements were mainly due to human error and a lack of oversight and review. Erroneous reports affect the reliability of the reports produced by the Department of Marine Resources.

Recommendations

The Director of Marine Resources should ensure that documents sent out by his office are accurate, reliable and timely. The data used to compile the reports should be thoroughly reviewed by a supervisor before the report is disseminated to the relevant stakeholders so that errors and misstatements could be discovered and corrected.

Accountability

3. Items costing \$105,160.75 were purchased using COVID-19 relief monies and used for the operations of the Department of Marine Resources.

The COVID-19 SEP monies were to be used to increase food production. The decision was made by the Director of Marine Resources to sell the fishing gear at 50% of the cost price, however we found that items totalling more than \$105 thousand were never placed on the DMR COVID-19 Price List to be sold to registered fishers. These items were used at the Department of Marine Resources to support existing services like extension facility maintenance or customer service.

Some of these include (not inclusive of all items):

Item	Cost
Generac- Protector Series 20KW Diesel Generator	\$48,874.30
Commercial Orbiter Floor Machine	\$1,222.61
Kristal 621 electric reel	\$4,510.03
Kristal KF003 rell with rod boom	\$7,004.50
Dorand 24 x 24 7000xl 1000lb capacity all	\$8,046.00
Dorand stainless steel load cell	\$2,484.00
CAS S 2000 JR price computing scale 60lb	\$1,247.40
CAS LP -100N Label printing price computer	\$4,247.10
Sanitizing Solution 95% alcohol 45 Imp G	\$3,900.00
2.5 GPM 3400 PSI Gas Power Portable High	\$1,558.42
3/4" Cutting Board 1/ SF	\$1,060.00
SaePlast D201 Industrial plastic buggy	\$1,439.00

*Source :Fisheries price listing of items purchased
:DMR Fishing Gears Price List*

Table 1 List of some items that were not on the price list or sold to registered fishers.

These items should have been purchased from the expenditure of the Department of Marine Resources, instead of with COVID-19 SEP monies. This would affect the measurement of the success of the program as all the monies for the COVID-19 SEP was not spent on items for the programme with an aim to increase food production.

Recommendations

- *The Director of Marine Resources should ensure that monies received for emergency funding be used for the intended purpose.*

4. The price of all items sold were not reduced by 50%. Prices varied considerably ranging from 82.5% less than the cost price to as high as 240% of the cost price.

The Director of Marine Resources stated that approval was granted by the Permanent Secretary of the Ministry of Agriculture et al to reduce prices of fishing gears by 50%. Newly registered fishers would also be able to purchase fishing gear at the reduced cost. The price reduction of 50% on fishing gears was not enforced on all items. Items ranged from 82.50% less than the cost price, to as high as 240% of the cost price. Some of the percentage change in prices are illustrated in the table below. The Director of Marine Resources made the decision concerning what items should be sold and the price that the items should be sold at. The items were placed on a price sheet and forwarded to the cashiers. Fishers did not receive all items sold under the COVID-19 SEP at 50% of the cost price.

Items Purchased (Advance Warrant)	Unit Price of Items Purchased EC\$	Unit Price of Items sold (Price List) EC\$	% change in prices
2.6X100 Snap with Swivel	\$2.40	\$5.00	108.33%
Snaps, Longline 2.75 x 100A+SBL Swivel	\$2.80	\$5.00	78.57%
Snap, 2.00 x 80 V Nose+ BL	\$1.28	\$3.00	134.38%
Coastlock Snap Swivel # 10 (36 pack)	\$80.00	\$14.00	-82.50%
7-1/2 In. Hog Ring Pliers	\$36.65	\$50.00	36.43%
1/2 inch hog rings per pound	\$13.56	\$20.03	47.71%
Hooks, 117SW 8/0 Straight J Hook	\$1.47	\$5.00	240.14%
Hooks, 117SW 9/0 Straight J Hook	\$1.80	\$5.00	177.78%
Rocket parachute flare	\$229.58	\$100.00	-56.44%
Buoyant orange smoke flare	\$216.35	\$100.00	-53.78%
Hand Held flare Day/Night	\$136.88	\$48.00	-64.93%
NIS Makai 60lb test clear 2lb spool	\$39.00	\$50.00	28.21%
NIS Makai 100lb test multicolour 2lb spool	\$39.00	\$75.00	92.31%
1.4 mm poly BRD Loop Protector 100 pcs	\$8.50	\$16.69	96.35%
1.6 mm Polyester Braided Loop Protector	\$7.00	\$18.37	162.43%
Fish Pot Wire 5'X170' with Tying Wire	\$600.00	\$360.00	-40.00%
Buoy, bullet 7 x 14 Orange Seconds	\$18.75	\$15.00	-20.00%
Rope, 1/2" (13MM) PE x 400M Coil Black	\$425.00	\$200.00	-52.94%
Hooks, 117SW 8/0 Offset J Hook SS	\$1.57	\$5.00	218.47%
Hooks, Swordfish 9/0 Offset	\$1.76	\$5.00	184.09%

Source : Fisheries price listing of goods purchased
: DMR Fishing Gears Price List

Table 2 Percentage change in the price of fishing gear sold to fishers

Recommendation

We recommend that the Director of the Department of Marine Resources decide on a criteria for prices and enforce it at the DMR. The criteria stated by the Director of Marine resources was for prices to be reduced by 50% of the cost price. As a result, there should be no significant variation below or above the cost price.

5. Of the \$3.2 million in fishing gear purchased by the Department of Marine Resources for sale at reduced prices to the fishers, only \$190,830.25 was received by the DMR for sale of fishing gear between May 2020 to June 2021.

A needs based assessment should have been conducted to determine the needs of the fishers in order to accomplish the objectives of the COVID-19 SEP. A needs based assessment would have helped the Director of Marine Resources to identify, understand and prioritize the needs of the fishers and determine what must be addressed to improve performance. A needs based assessment is used to create a programme's overall plan and helps to identify strategies and prioritize resources.

We noted that \$3.2 million worth of items were purchased which should have been sold by the Department for approximately \$1.6 million to the fishers. However, after a full year of implementing the programme, only \$190 thousand had been received by the Department for sale of fishing gear to fishers.

The Covid-19 SEP was intended to stimulate food production and to cushion the impact of the pandemic on individuals and the economy in the short run. As at the end of June 2021, fishing gear, purchased under the SEP programme, with a sale value of approximately \$1.5 million remained in storage. If the sale of these fishing gear continue at the same pace as the period under review, it would take approximately 8 years for all the gear to be sold at the reduced prices. While the gear purchased may not have an expiration date, they do have a useful life and also the demand for the fishing gear held in storage may change over time. As a result, the Department may end up with fishing gear that cannot be sold and has no salvage value after a few years.

Recommendation

We recommend that the Director of Marine Resources do need based assessments when deciding how much money is needed and what needs to be purchased with monies for emergency funding programmes.

6. Of the 256 fishers who benefited from the COVID-19 SEP, 116 were unregistered fishers.

The Director of Marine Resources stated that approval was granted by the Permanent Secretary of the Ministry of Agriculture et al, to reduce prices of fishing gears sold by 50% for all registered fishers in St. Kitts. We found that the fishing gear purchased with the Covid – 19 emergency funds were sold at sometimes reduced prices to anyone who made a purchase at the DMR, regardless of their registration status. There were a total of 116 unregistered fishers who purchased fishing gears totalling \$72,256.00 over the period May 2020 to June 2021. While there was a selection criterion for the COVID-19 Relief Program, inspection of the sales receipts does not suggest that this criterion was passed down to the cashiers or monitored by senior staff. As a result, benefits totalling over \$72 thousand which were for the benefit of registered fishers did not reach the target audience.

Recommendation

We recommend that the Director of Marine Resources put controls in place to ensure that the benefits of the emergency funding reach those it was intended to benefit. This may include:

- *Equipping staff with access to the list of registered fishers.*
- *Ensuring that staff request a valid Government issued ID be presented with each sale and that the name is matched against the names on the Registered Fishers List.*
- *Ensuring that there is a clear and understandable process for persons who purchase fishing gear on behalf of registered fishers.*

Inclusiveness

7. There was no evidence of unfair treatment or exclusion of persons who should have benefitted from the COVID-19 SEP.

The COVID-19 SEP programme should provide adequate safeguards against any unfair treatment or exclusions of vulnerable sections.

We found no evidence that persons were denied from obtaining registered fisher status and benefiting from the COVID-19 SEP. In fact, the number of registered fishers increased over the period considered. There was no evidence of restrictions or limits on the amount of fishing gear a registered fisher could purchase.

The fisher registration form highlights the full name, date of birth, sex, marital status, number of dependants in household, address, place of birth and nationality. This data however, was not used in determining eligibility for the COVID-19 SEP. The only criterion was that the person had to be a registered fisher in St. Kitts. Records were not maintained to document the number of applicants that were declined or the applicants' income bracket.

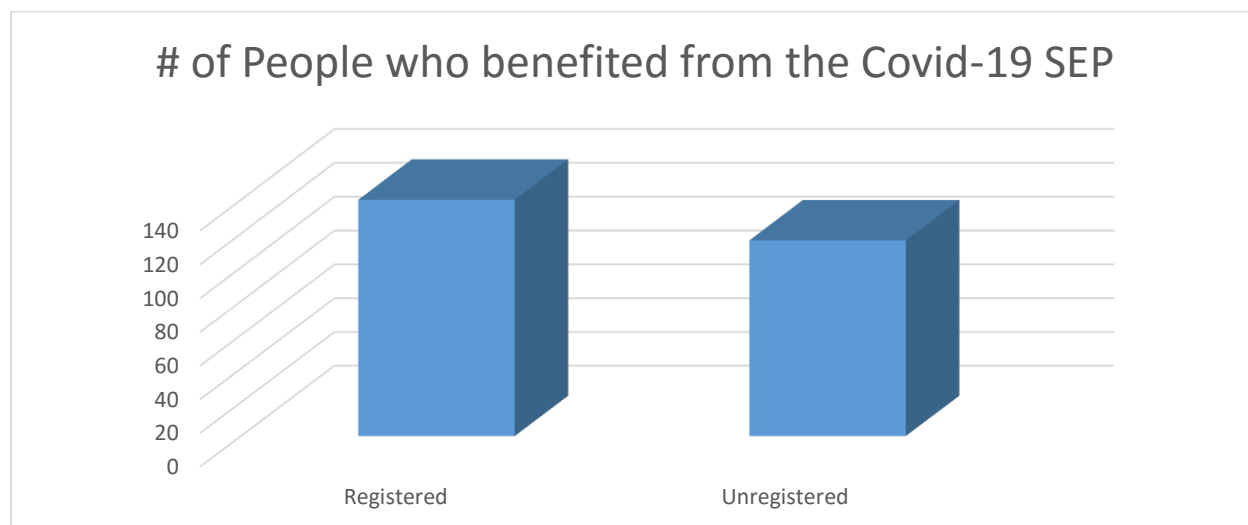
Recommendation

We recommend that the Director of Marine Resources consider transparency, accountability and inclusiveness throughout all phases when implementing emergency relief programs to ensure that the maximum benefit goes to the vulnerable and those most at risk.

8. The COVID-19 SEP benefits reached 11% of its intended audience by June 2021 which is a small segment of the target population.

The aim of the COVID-19 SEP was to reach all registered fishers and attract new fishers in order to increase food production. However the medium used to market the programme only captured 11% of the target audience over the period reviewed.

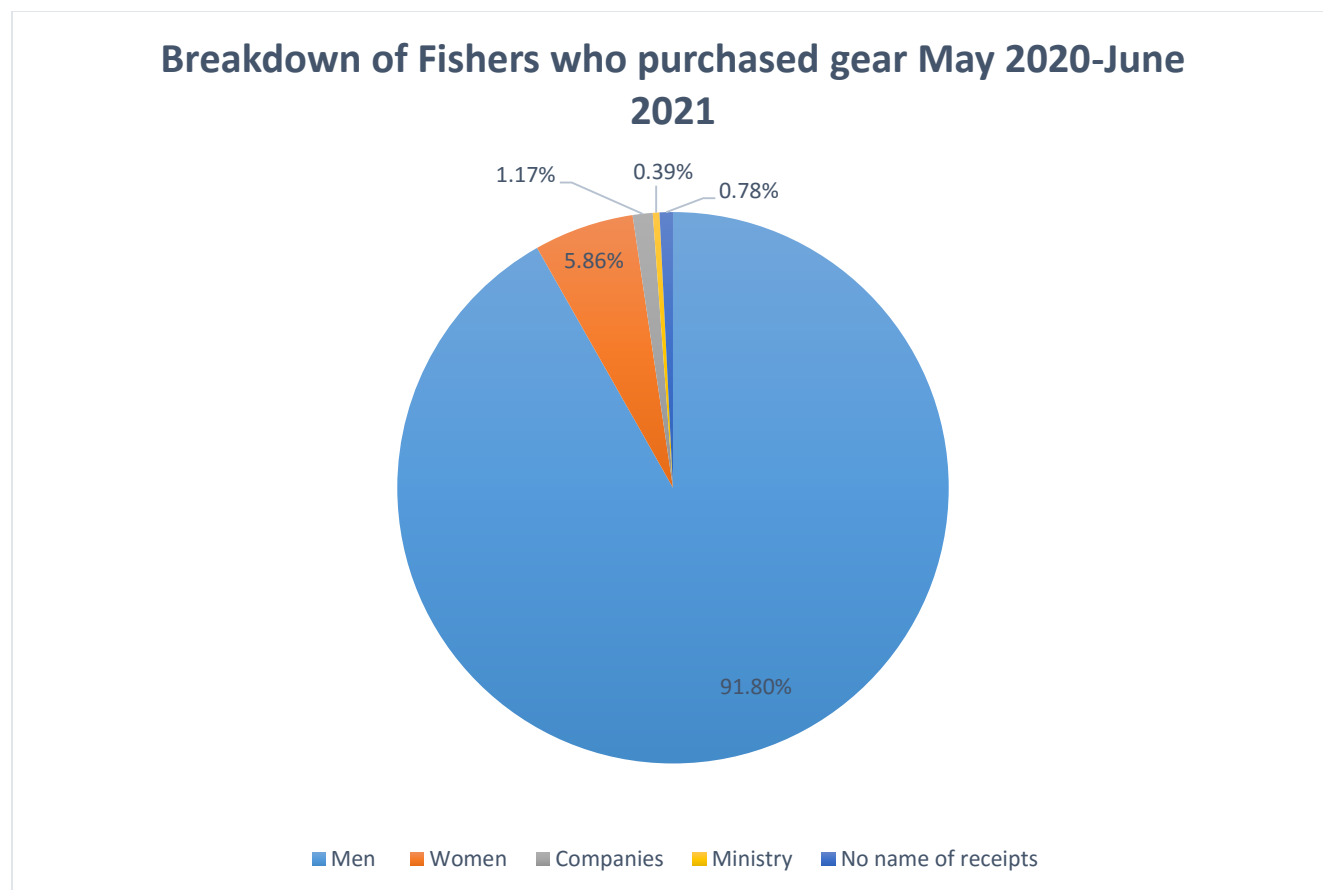
While we noted that 256 persons/businesses purchased fishing gear during the period May 2020 to June 2021, only 116 of these were registered fishers. This meant that out of the target group of 1262 registered fishers, only 11% of the target group actually benefitted from the program during the period under review. This is illustrated below.



Source: DMR Registered Fisher List

Registration Status of persons who purchased gear between May 2020-June 2021

We also noted that the 256 persons who purchased gear comprised of 235 men and 15 women. Three (3) businesses and 1 government ministry also benefitted from the reduced price of fishing gear. There were 2 sales receipts without names and these were classified as unregistered fishers. This is represented in the following diagram.



Source: DMR Registered Fisher List

Composition of Fishers who purchased gear May 2020-June 2021

According to the Fisheries Aquaculture and Marine Resources Act Cap 14.07, a “fisher” means any person who engages in fishing or related activities. However the benefit was only to be received by those who registered with the DMR by filling out an application form and receiving approval.

DMR Fisher Registration Data report and the DMR Fish Landings Data Analysis were prepared on a monthly basis by the Director of Marine Resources. These reports focused on the increase in the number of registered fishers over the period considered and also increases in fish production. They were not tailored to capture whether the vulnerable or marginalized in our society were reached by the COVID-19 SEP. Income brackets were not requested on the Fisher Registration form and the information that was collected, was not analysed.

Recommendations

We recommend that the Director of Marine Resources:

- *formulate plans that target the vulnerable and marginalized in the society when implementing emergency relief programs.*
- *ensure that procedures are disseminated to the cashiers and enforced so that only the intended recipients benefit from the COVID-19 SEP.*

In a predominantly male oriented field, the numbers are in line with what we expected to see. We recommend that options such as awareness campaigns, sensitization, training and marketing can be utilized to attract a greater diversity in the fisher population.

Conclusion

Planning is essential for success and even more so in emergency situations to ensure that the goals and objectives of the organization are achieved. Monies were allocated to the Department of Marine Resources however, objectives were not clearly defined and plans were not created and carried out. The stages of the COVID-19 SEP from planning, implementation, control, measurement and completion were not clearly defined. The lack of oversight and monitoring were noted in the non-enforcement of the criteria for the COVID-19 SEP.

We concluded that the use of the emergency funding for COVID-19 socioeconomic package within the Department of Marine Resources had not been carried out in accordance with the applicable rules, regulations, best practices and the principles of accountability, transparency and inclusiveness. The audit uncovered some areas for improvement and some lessons that could be beneficial to the entire Government of St. Kitts and Nevis when addressing emergency situations.

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Director's Response

On 15th July 2022, the Department of Marine Resources (DMR) received an Audit Report of the COVID 19 Socio-economic Package for the period May 1st 2020 to June 30th 2021. The report highlighted a number of concerns regarding the applicable rules, regulations and principles of the transparency, accountability and inclusiveness initiative.

With respect to the recommendation #1, no criteria was given to the fisheries sector prior to the implementation of the economic support. The Department of Marine Resources (DMR) looked at the impending food crisis after COVID 19 lockdown as an opportunity to boost the Federations food and nutrition security by increasing production. As a result, The DMR worked with existing fishers and new fishers who indicated a strong interest in the advancement of the fisheries sector. Based on the fish production numbers since the opening of the economy after the 2020 COVID lockdown period of April 2020, the DMR's fish production objectives were achieved. THE DMR is not averse to the Governments overall objectives with their economic support program for the fisheries sector. In the future, the DMR would desire that the Government's objectives are communicated in advance of financial support so that the DMR can align those objectives with the departmental objectives.

For recommendation #2, the DMR agrees that the operating procedures for the cashiers can be improved. As a result, the Department has already implemented the following:

- Review current price list with equipment/gear purchased for the socio-economic package to ensure all prices are aligned with that approved (justified recommendations will be forwarded).
- Develop and internally publish the procedures and guidelines required for the pricing and sale of government socio-economic packages. This will include, proof of fisher and vessel registration and licences, fish catch data submissions and fisheries laws and regulations compliance.
- Notices of socio-economic packages will be published to the targeted stakeholders/fishers no later than a week of sale commencement date.

Submit an inventory report which assess stocks and revenue needs on a quarterly basis for restock purposes.