

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, 2024 were submitted to the National Audit Office on June 27, 2025. The draft accounts were restated and resubmitted on September 15, 2025 after a material error was discovered during the audit exercise.

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

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

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

The requirements of Part 1 of Cash Basis IPSAS include:

1. A statement of cash receipts and payments which recognizes all cash receipts, cash payments and cash balances controlled by the entity;
2. Accounting policies and explanatory notes;

3. A comparison of budgeted and actual amounts if the approved budget is made publicly available.

The Statement of Cash Receipts and Payments on pages 12 and 13, the Statement of Comparison of Budget and Actual Amounts on pages 14 to 16, the Accounting Policies on pages 19 to 25 and the Notes to the Financial Statements beginning on page 26 of the Public Accounts are in compliance with Part 1 of Cash Basis IPSAS.

Compliance with the Finance Administration Act Cap 20.13

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

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

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

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

Opinion

I have audited the Public Accounts of the Government of St. Kitts and Nevis, which comprise the Statement of Financial Assets and Liabilities as at December 31, 2024, 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, 2024.

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.

A handwritten signature in blue ink, appearing to read 'Pike', is written over a dotted line.

Carla Berridge - Pike, CPA, Forensic CPA

Director of Audit

National Audit Office

Basseterre, St. Kitts

September 30, 2025

SUMMARY OF FINANCIAL INFORMATION

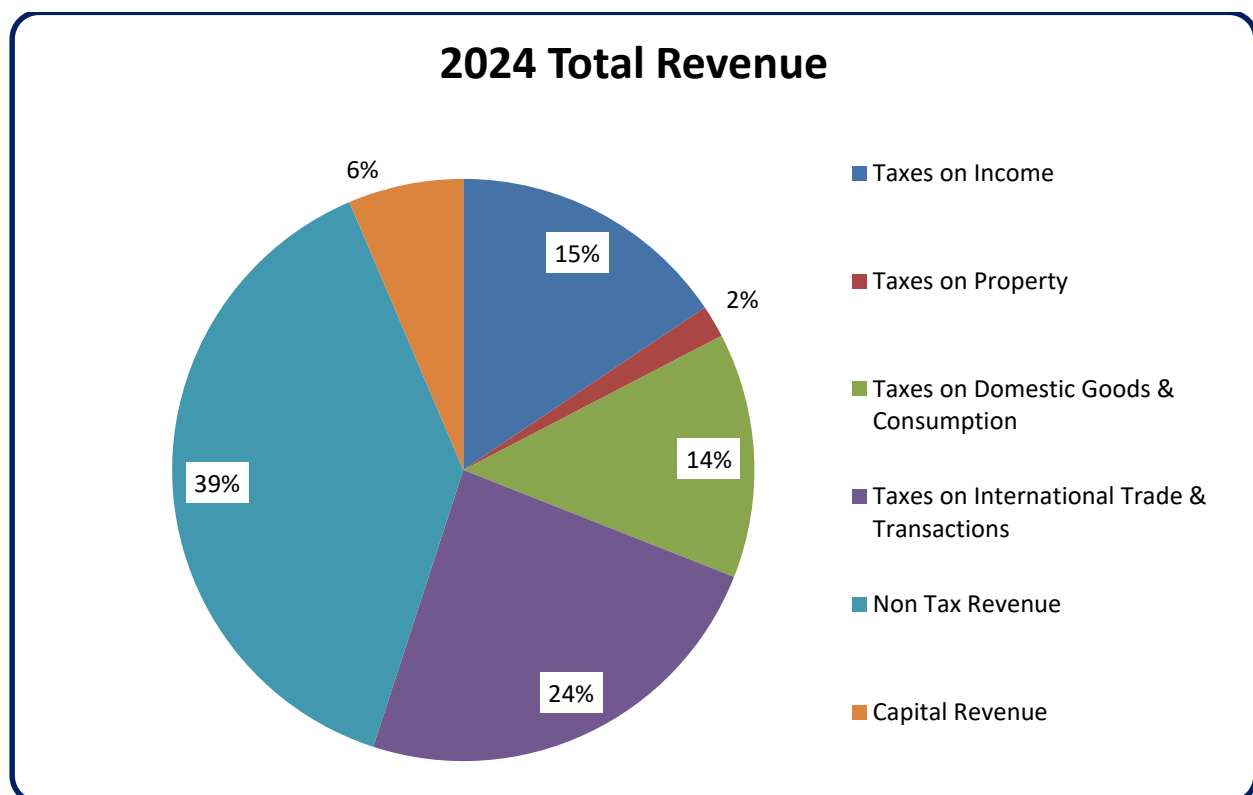
Revenue and Expenditure

For the year 2024, Parliament approved an expenditure budget of \$1.09 billion, which included \$33 million in debt repayment. Revenue for the year was estimated at \$1.114 billion and this included the sale of government lands which was budgeted to bring in \$15 million. During 2024, a further \$177 million of expenditure was approved by supplementary/appropriation warrants.

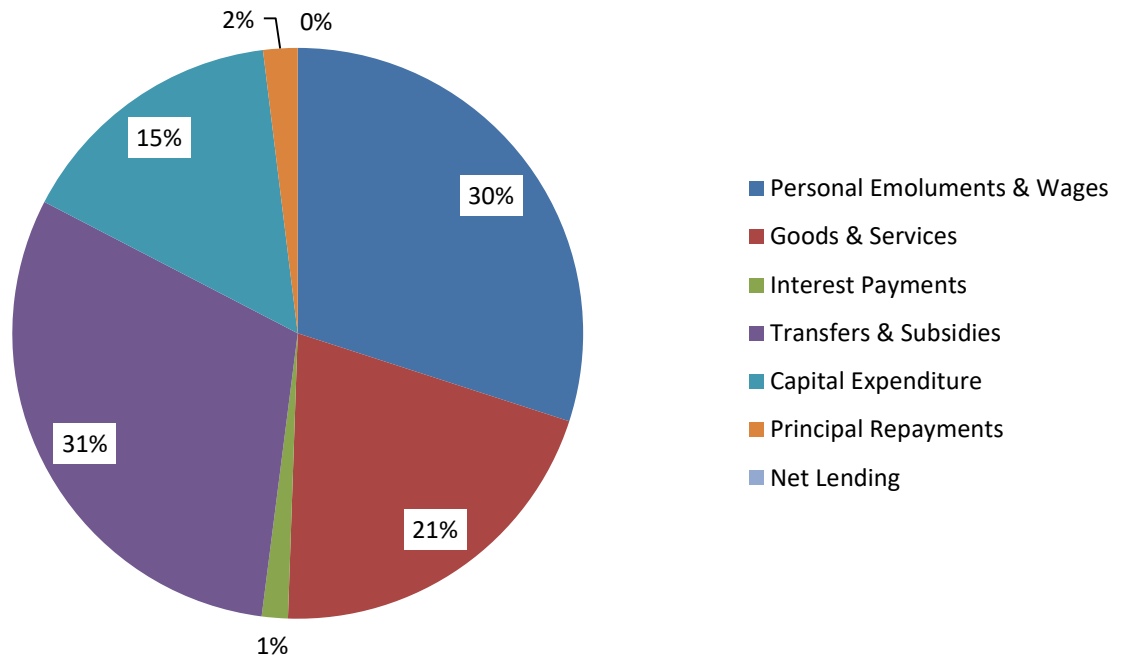
At December 31, 2024, actual revenue totaled \$807 million and actual expenditure amounted to \$1.069 billion which resulted in an end of year deficit of \$261 million.

Graphical Presentation of Government Revenue and Expenditure

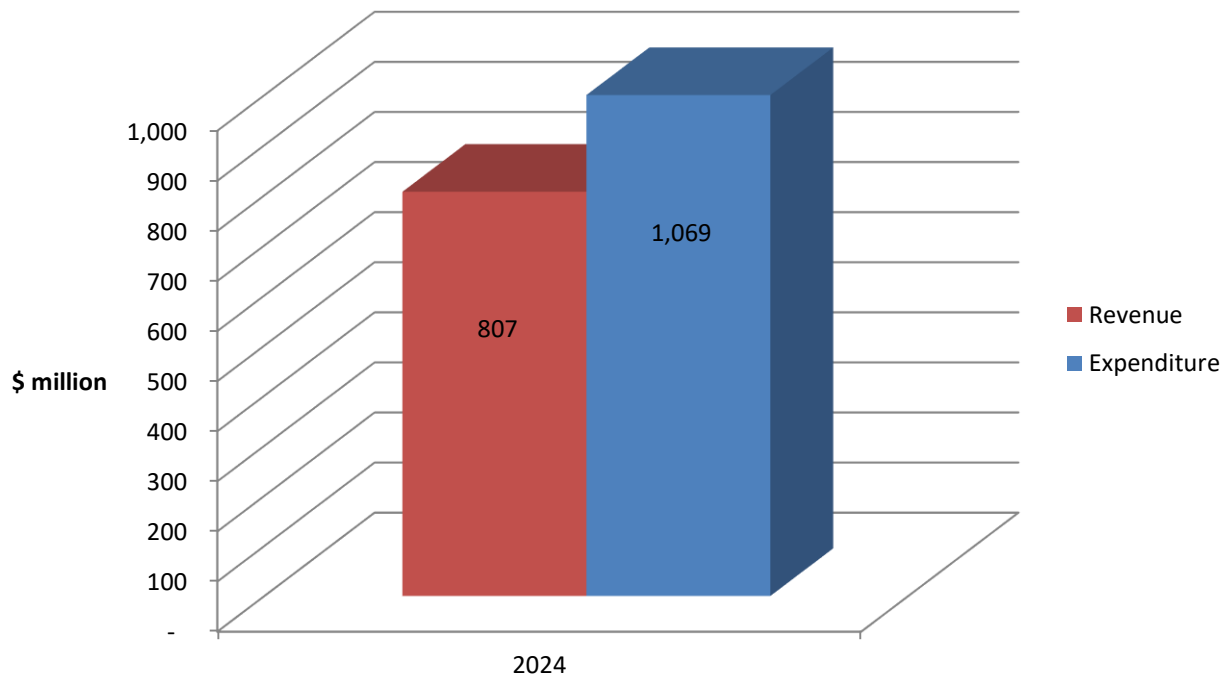
The following graphs represent the composition of the Government's revenue and expenditure for the financial year 2024.



2024 Expenditure



Total Revenue vs. Expenditure 2024



Revenue

Details of revenue collected during 2024, 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 2024 relative to 2023.

Table 1: Revenue for the years ended 2024 & 2023

Revenue Type	2024 Revenue (\$ million)	2023 Revenue (\$ million)
Taxes on Income	126	131
Taxes on Property	14	14
Taxes on Domestic Goods & Consumption	110	94
Taxes on International Trade & Transactions	194	198
Non Tax Revenue	311	690
Capital Revenue	52	13
Total (includes rounding)	807	1,141

The total revenue collected during 2024 totaled \$807 million, which was \$334 million less than the amount collected in 2023.

Actual Tax Revenue of \$444 million collected in 2024 increased by \$7 million when compared to 2023.

Non-Tax Revenue of \$311 million decreased by \$379 million in comparison to 2023.

The Government of St. Kitts and Nevis collected \$52 million in Capital Revenue (this includes a loan received) which was \$39 million more than the amount collected in 2023.

Actual revenue collected by the Government in 2024 failed to surpass the projected target by \$307 million.

Expenditure

Actual expenditure for 2024 totaled \$1.069 billion with personal emoluments and wages, goods and services and transfers and subsidies accounting for 82% of the total expenditure. Actual expenditure decreased by \$48 million in comparison to the previous financial year. While personal emoluments, transfers and subsidies and principal payments increased when compared to the previous year, goods and services, capital expenditure and interest payments decreased in comparison to 2023. The most significant decrease occurred in capital expenditure which decreased by 31% in comparison to the previous year. Table 2 shows a comparative summary of expenditure by type for 2024 and 2023.

Table 2: Expenditure for the year ended December 2024 & 2023

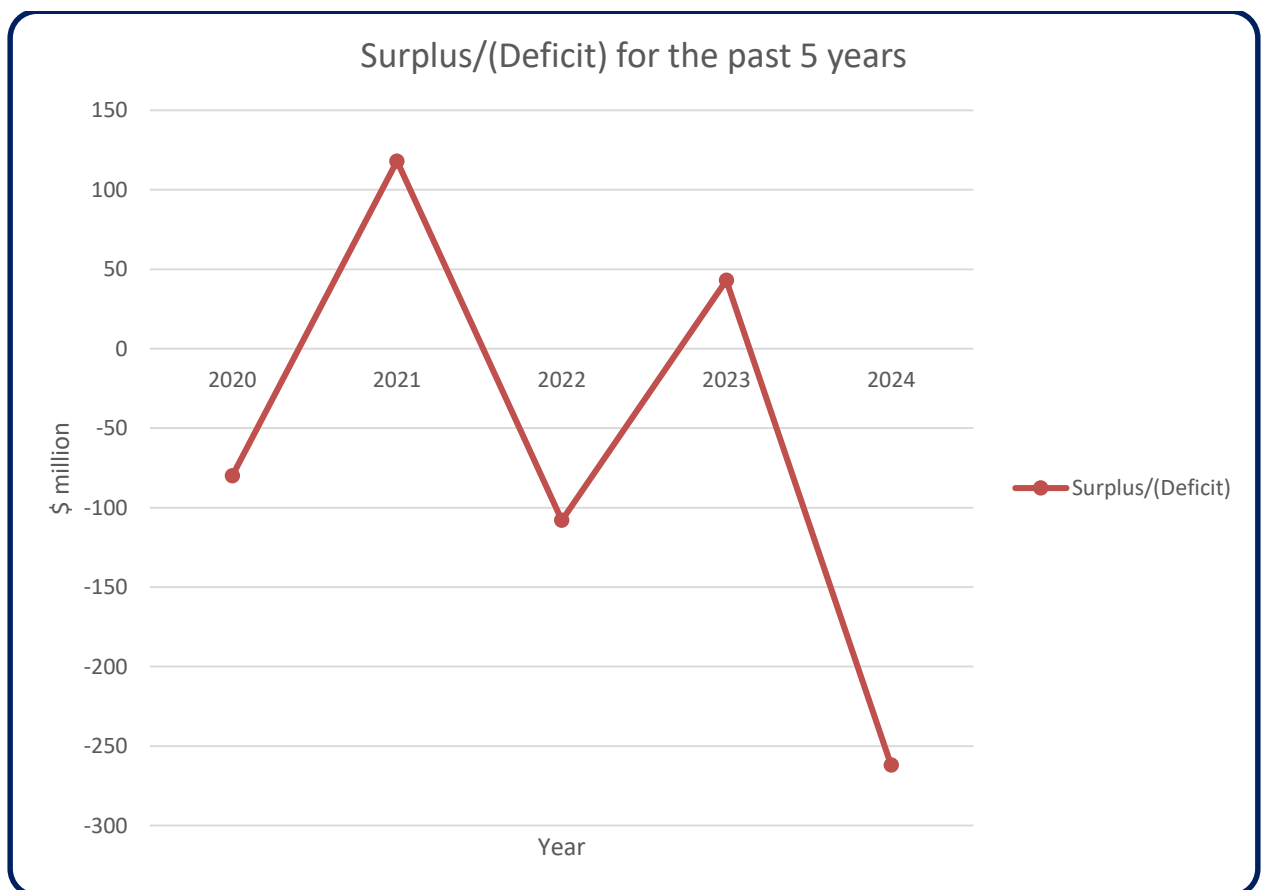
Expenditure Type	2024 Actual Expenditure (\$) million	2023 Actual Expenditure (\$) million
Personal Emoluments & Wages	323	299
Goods & Services	221	263
Interest Payments	16	16
Transfers & Subsidies	329	271
Capital Expenditure	158	228
Principal Payments	21	21
Total (includes rounding)	1,069	1,098

Financial Indicators

The following indicators gives a snapshot of the health of the finances of the Government of St. Kitts and Nevis at the end of December 2024.

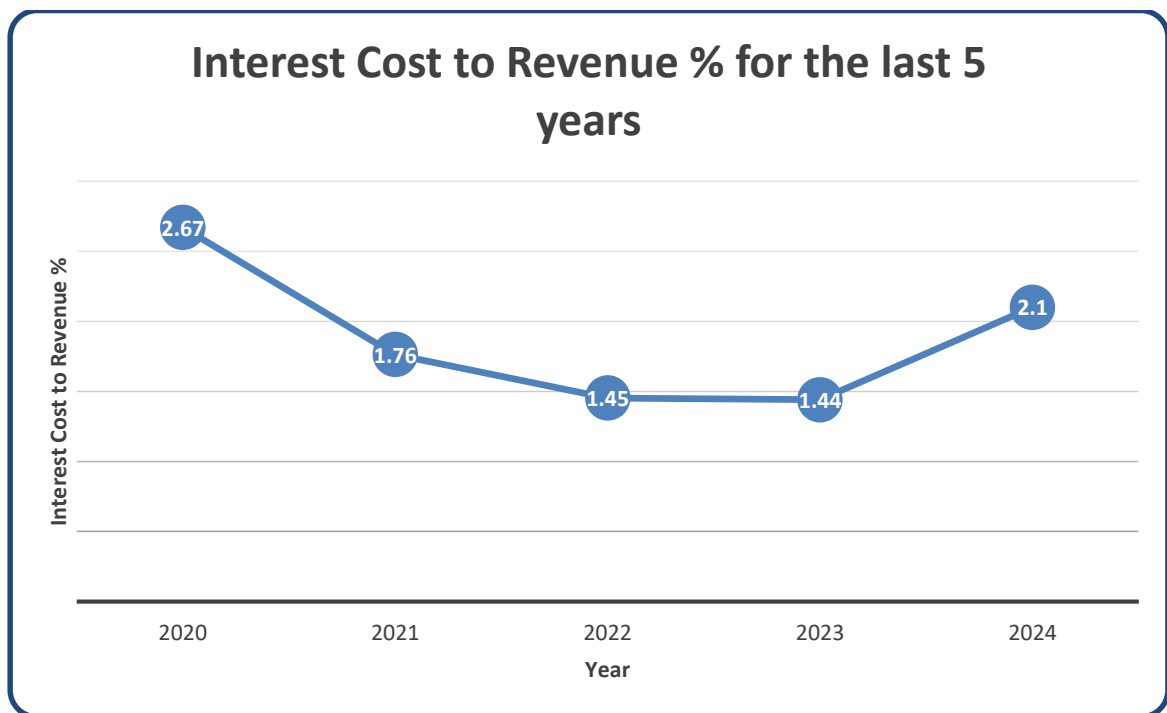
Surplus/Deficit

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 2024, the Government of St. Kitts and Nevis recorded a deficit of \$261 million compared to a surplus of \$43 million in 2023. This meant that the Government's revenues were less than its expenditures at the end of the year. The graph below shows the Government's surplus/deficit for the past 5 years.



Interest Costs to Operating Revenue

Interest costs as a percentage of operating revenue increased from 1.44% in 2023 to 2.1% in 2024. This was as a result of decreased operating revenue compared to the previous year. The chart below shows the interest cost to operating revenue for the last 5 years.



Debt to GDP Ratio

The Debt to GDP ratio is a measure of a country's ability to pay back its debt. The Debt to GDP ratio of the Government of St. Kitts and Nevis decreased from a revised Debt to GDP ratio of 59.6% at end December 2023 to 57.6% at the end of December 2024.

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

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

Net Assets

At the end of December 2024, net assets of the Government of St. Kitts and Nevis amounted to \$151 million, a decrease of \$412 million over the previous financial year, which was largely due to a decrease in Cash and Cash equivalents held.

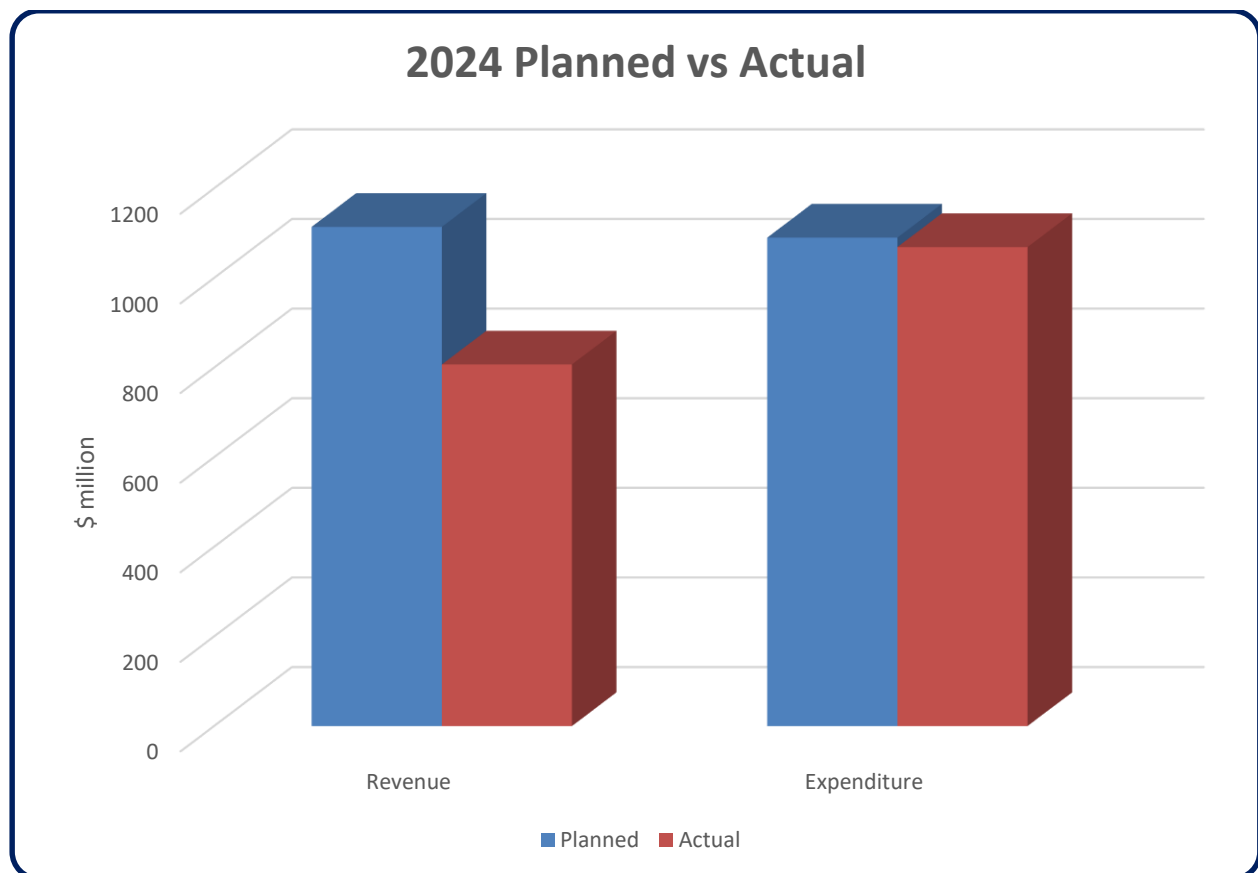
Cash Ratio

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 2024, the cash ratio was 1.04 relative to 2.17 in 2023 indicating a decrease in liquidity coverage compared to the previous year. This was due to the decrease in cash held by Government. The cash and cash equivalents held by the Government decreased by \$276 million when compared to the previous year.

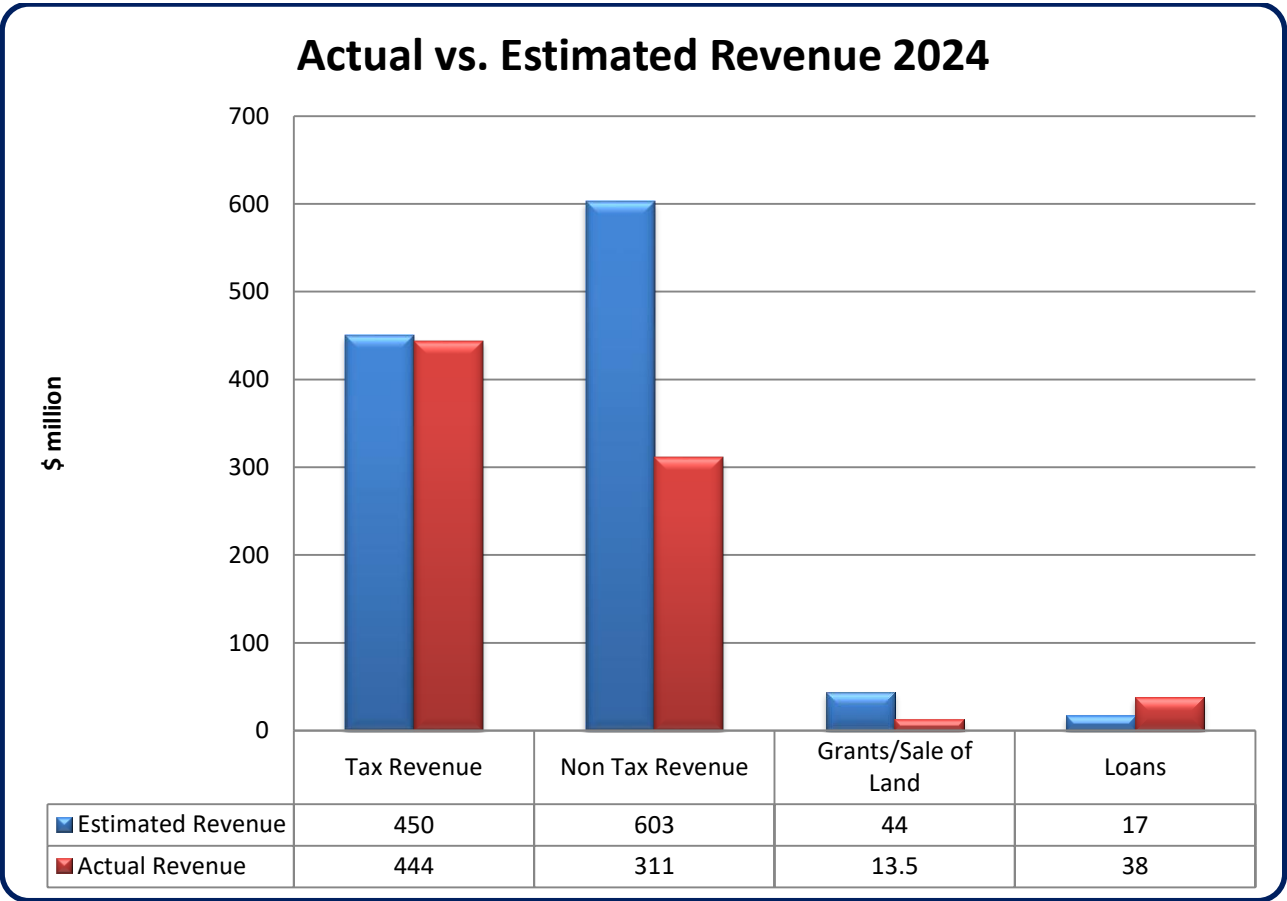
COMPARISON TO THE BUDGET

During the Budget Address held in December 2023, the Government of St. Kitts and Nevis set out the planned budget for 2024 which included Revenue of \$1.114 billion (inclusive of \$15 million for Sale of Land) and Expenditure of \$1.09 billion (inclusive of \$33 million of debt repayment).

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



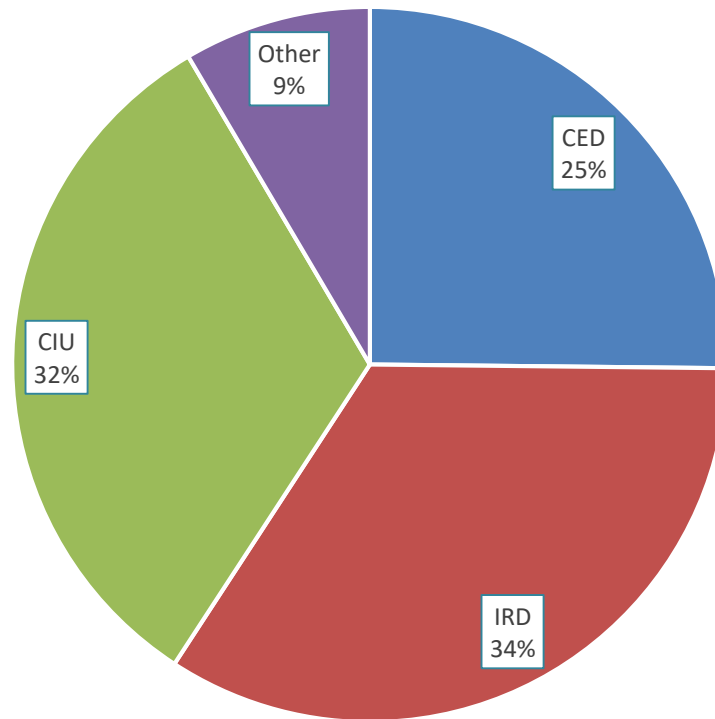
REVENUE



Recurrent Revenue

Recurrent revenue consists of tax and non-tax revenue. Revenue from these sources totaled \$755 million in 2024. The performance of recurrent revenue was \$298 million less than the budget estimate for 2024. The St. Kitts Customs and Excise Department (CED), St. Kitts Inland Revenue Department (IRD) and the Citizenship by Investment Unit (CIU) collected 91% of the Government’s recurrent revenue for 2024. This is shown in the following graph. The Citizenship by Investment Unit, as a department of the government, was closed with effect from August 9th 2024. Revenue collections from the CIU only reflect the period January to August 8th 2024.

2024 Recurrent Revenue Collection by Department



The St. Kitts Inland Revenue Department was the largest contributor to the Government's overall recurrent revenue collections. As seen in the graph above, this department collected 34% of the government's recurrent revenue in 2024. The IRD collected \$257 million in taxes, licenses and fees in 2024. This represented a \$13 million increase in revenue collection over the year 2023. Stamp Duty (\$23 million), Value Added Tax (\$61 million), Corporate Income Tax (\$60 million), Property Tax (\$12 million), Withholding Tax (\$12 million) and Housing and Social Development Levy (\$49 million) all contributed significantly to the St. Kitts Inland Revenue Department's collection for 2024. The Inland Revenue Department surpassed its targeted revenue collection for 2024 by \$3 million. Value Added Tax, Stamp Duty, Withholding Tax and Housing and Social Development Levy all surpassed their projected targets for 2024.

The Citizenship by Investment Unit collected \$244 million between January and August 2024. Actual Government fees totaled \$203 million. Fees collected via the Sustainable Growth Fund contribution amounted to \$36 million. Application fees collected amounted to

\$1.9 million and fees collected from background checks were \$2.9 million. The total revenue collected represented a decrease of \$377 million over the previous financial year. The collection of revenue by the Citizenship by Investment Unit was \$296 million less than its 2024 revenue projection. However, the revenue projection was made for a 12 - month period and the CIU was closed in August of 2024.

The Customs and Excise Department on St. Kitts collected \$190 million in revenues in 2024. 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 (\$66 million), Customs Service Charge (\$39 million), Value Added Tax (\$66 million) and Excise Tax (\$10 million).

The total amount collected by the Customs and Excise Department on St. Kitts in 2024 was \$5 million less in comparison to the amount collected in 2023. The revenue collections failed to meet the target by \$7 million.

Other revenue-collecting Ministries and Departments contributed to the overall recurrent revenue collections including the Ministry of National Security (\$8 million), the Ministry of Agriculture (\$7 million), the Accountant General Department (\$15 million), the Ministry of Public Infrastructure (\$9 million) and Postal Services (\$11 million).

Capital Revenue

Capital revenue collected from the Sale of Lands and Property amounted to \$7 million, falling short of its target by \$8 million.

The Government of St. Kitts and Nevis budgeted for three loans in 2024 totaling \$17 million. The government received one loan in the amount of \$38 million from the Export-Import Bank of the Republic of China for the Smart Hospital Facility within the Ministry of Health and Social Security.

Capital revenue from development aid received in 2024 was \$6.6 million and this was \$23 million less than the estimated budget for 2024. Development aid was estimated at \$29 million for ten (10) Ministries.

1. Six Ministries did not receive the capital revenue from development aid that had been budgeted for.
2. One Ministry received the amount that was stated in the budget.
3. Three Ministries received significantly less in capital revenue from development aid compared to the amount budgeted for.

EXPENDITURE

The appropriations for expenditure during 2024 are shown below.

Original Budget	\$ 1,090,546,541.00
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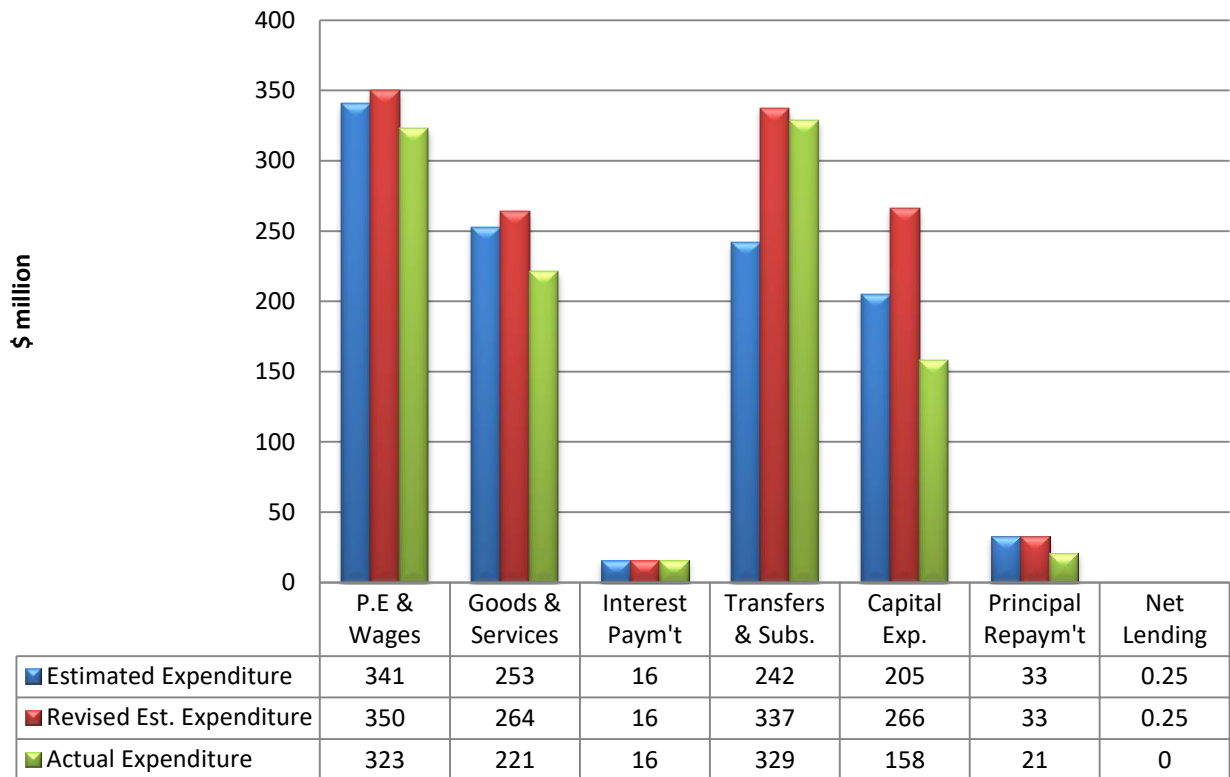
Supplementary Budget	<u>\$ 177,413,620.72</u>
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	<u>\$1,267,960,161.72</u>
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Appropriation warrants to supplement the original budget for 2024 totaled \$177 million, which increased the original budget by 16%.

The chart following shows the estimated, revised estimated and actual expenditure for 2024.

Actual vs. Estimated Expenditure 2024



Recurrent Expenditure

Actual recurrent expenditure totaled \$889 million in 2024.

The budget for recurrent expenditure was revised by Appropriation Warrants and increased by \$115 million resulting in a revised estimate of \$968 million. This revision affected 48% or 12 of the 25 Government Ministries in 2024.

Six (6) Ministries submitted Appropriation Warrants in excess of \$1 million to meet additional expenditures. Table 4 shows the Ministries who requested additional funding in excess of \$1 million.

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

Ministry	Original Budget (\$)	Actual Expenditure (\$)	Variance (\$)
Office of the Prime Minister	113,892,492.00	181,089,493.09	67,197,001.09
Tourism et Al	27,655,095.00	36,655,095.00	9,000,000.00
Public Infrastructure	24,181,555.00	52,193,945.92	28,012,390.92
Education	97,267,249.00	102,645,149.15	5,377,900.15
Sports & Creative Economy	11,715,509.00	13,431,345.48	1,715,836.48
Environment et Al	7,175,969.00	9,191,125.17	2,015,156.17

The following reasons, as stated in the appropriation warrants for 2024, are in respect of the six (6) Ministries whose actual recurrent expenditure exceeded their original budget by over \$1 million.

Office of the Prime Minister

- Funds to support the Skills Training Empowerment Programme (STEP) - \$53 million
- Funds advanced to Belmont Resort Limited during 2024 - \$14 million

Ministry of Tourism, Civil Aviation & International Transport

- Additional funds required to facilitate payments to artistes, production crew, airlines and other service providers for the 2024 Music Festival - \$9 million

Ministry of Public Infrastructure et al

- Funds advanced to St. Kitts Electricity Company (SKELEC) for fuel variation charges - \$24 million

- Funds advanced to St. Kitts Electricity Company (SKELEC) for 6MW power generation by Aggreko - \$3 million
- Additional funds required to cover personnel emoluments for the Ministry - \$495 thousand

Ministry of Education

- Additional funds needed for payroll expenses for Early Childhood, primary, secondary schools and teachers in training at the Clarence Fitzroy Bryant College (CFBC) - \$5.3 million

Ministry of Sports and Creative Economy

- Additional funds required for the hosting of the 2024-2025 National Carnival - \$1 million
- Additional funds required to cover personnel emoluments for the Ministry - \$600 thousand

Ministry of Environment, Climate Action and Constituency Empowerment

- Additional funds required to cover personnel emoluments for the Ministry - \$2 million

Capital Expenditure

The capital expenditure budget for 2024 was approved at \$204 million to support 146 projects. The budget was revised to \$266 million to include funds required in relation to the following projects.

Office of the Prime Minister

- Funds advanced to provide budgetary support for the Elevate Programme - \$7 million
- Funds required to advance payment to DECCOM Development for the Water Storage Tank project - \$2 million

Ministry of Tourism, Civil Aviation & International Transport

- Funds required to facilitate payroll for Marriott Resort Golf Course and Frigate Bay Development Corporation in 2024 - \$1.3 million

Ministry of Public Infrastructure, Energy, Utilities and Domestic Transport

- Funds needed to facilitate mobilization fee to commence construction of the Desalination Plant - \$15 million
- Funds need to facilitate payment to Royal Utilities 2003 Ltd. for the Desalination Plant project - \$10 million
- Funds needed to facilitate payment to Powerscreen of Florida Inc. under the Purchase of Equipment – PWD project - \$4 million
- Additional funds needed for the construction of roads and drains at Shadwell under the Road Improvement Project - \$7 million

Ministry of Health

- Funds needed for the construction of the MRI Housing - \$2.6 million

Ministry of Sports & Creative Economy

- Additional funds required to purchase and install a new track and repair the pavilion at Kim Collins Stadium - \$2.4 million

Actual expenditure for capital projects for 2024 amounted to \$158 million representing 59% of the revised budget. At the end of the 2024 financial year, 27 projects with a combined estimated budget of \$19 million had no expenditure. Of these 27 projects without expenditure in 2024, 4 were entirely new projects, 4 were projects that were continuing from the previous year and had expenditure in 2023; and 19 were projects which had very little or no expenditure in 2023. These 19 projects which had very little or no expenditure in 2023 were rolled over and included in the 2024 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 needed due to the scarce allocation of resources.

The number of projects which were not implemented during 2024 shows that there are gaps in the planning and execution phases of the process that need to be addressed.

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

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

We noted that subventions to the Solid Waste Management Corporation and Support to the Frigate Bay Development Corporation are included as capital expenditures, however these funds are distributed as direct financial support to these entities. The specific use of the funds are not restricted to capital projects.

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

We recommend that subventions to government entities be included in recurrent revenue under the responsible ministry. If the subvention given is restricted to capital projects, then it should be recorded as a capital expenditure.

Actual expenditure on capital projects by Ministry is noted below.

The Governor General spent \$300 thousand or 100% of its budget for Phase II of the Upgrade of Government House project.

The Ministry of Justice, Legal Affairs and Communications spent \$132 thousand or 4% of its \$3 million budget.

The Office of the Prime Minister spent \$23 million or 96% of its revised \$24 million budget. The majority of the funds was spent on the Elevate Programme which had an actual expenditure of \$19 million. A total of \$2.4 million was spent on the Water Storage Tank project. This project was not included in the budget for 2024.

The Ministry of National Security, Citizenship and Immigration spent \$7.7 million or 57% of its \$13.6 million budget allocation for capital projects. Major expenditures included \$2.3 million of construction costs on the Relocation of the Traffic Department project, \$1.4 million on the Refurbishment of Police Stations and \$1.8 million on the Purchase of Vehicles/Equipment.

The Ministry of International Trade, Industry, Commerce and Consumer Affairs spent \$534 thousand or 82% of its \$650 thousand capital budget on Enhancing the National Quality Infrastructure and Equipment Upgrade and Metrology Capacity Enhancement projects.

The Ministry of Finance spent \$6.6 million or 56% of its revised \$11.9 million capital expenditure budget for 2024. The major expenditure was \$3.5 million spent on the Tax Collection Analysis & IT System project.

The Ministry of Social Development & Gender Affairs spent \$508 thousand or 21% of its \$2.4 million capital expenditure budget allocation.

The Ministry of Agriculture, Fisheries and Marine Resources spent \$5.1 million or 54% of its revised \$9.7 million budget. The largest capital expenditure for this Ministry was \$980 thousand on the Agriculture Support project.

The Ministry of Tourism, Civil Aviation and International Transport spent \$9.9 million or 53% of its revised capital expenditure budget of \$18.9 million. Expenditure for this ministry included \$2.3 million spent on the Support to the Frigate Bay Development Corporation and \$7 million spent on the Airlift Support project.

The Ministry of Public Infrastructure et al spent \$62.8 million or 64% out of its revised \$97.6 million capital budget. The Ministry spent \$11 million on the Road Improvement Project, \$11

million on the Rehabilitation of St. Peter's Main Road and F.T Williams Highway project and \$30 million on the Construction of the Desalination Plant project.

The Ministry of Education spent \$5 million or 44% of its revised capital budget allocation of \$11 million. The Ministry spent \$1.9 million on the Construction of the New Basseterre High School Project which represented demolition work at the Basseterre High School grounds.

The Ministry of Health and Social Security spent \$12.7 million or 53% of its revised capital expenditure budget of \$24 million. The largest expenditure was \$6 million spent on the Construction of New Hospital project which represented payment of \$3.1 million to Overseas Engineering Construction Company for mobilization fees, and \$2.5 million to the same company representing project management fees for design and drawings, preconstruction works and legal fees.

The Ministry of Sports and Creative Economy spent \$12.8 million or 92% of its revised \$14 million capital expenditure allotment for 2024. The largest expenditure was \$4 million for the Upgrade of Conaree Playing Field. The amount of \$3.4 million was spent on the Upgrade of Kim Collins Athletic Stadium – Phase II and \$2 million was spent on the Caribbean Premier League (CPL) games.

The Ministry of Sustainable Development spent \$2 million or 32% out of its revised budget of \$6.3 million. The largest expenditure for this ministry included the Special Land Distribution Initiative of \$1.2 million.

The Office of the Attorney General did not spend any of its \$100 thousand budget for the Electoral Reform project.

The Ministry of Employment and Labour spent \$397 thousand or 17% of its budget of \$2.4 million dollars on Relocation of Labour Department.

The Ministry of Housing, Human Settlements, Ecclesiastical & Faith-Based Affairs spent \$3 million or 38% of its \$8 million budget. The largest expenditure was for Support to the National Housing Corporation.

The Ministry of Environment, Climate Action & Constituency Empowerment spent \$2.5 million or 64% of its \$4 million budget. The largest expenditure was \$1.6 million in Support to Solid Waste Management Corporation (SWMC).

The Ministry of Information, Communication, Technology & Posts spent \$2.4 million or 44% of its \$5.4 million budget with the largest expenditure being \$548 thousand on the Digital Transformation project.

The Ministry of Youth Empowerment, Ageing and Disabilities spent \$25 thousand or 6% of its \$425 thousand budget on the Senior Day Care Programme.

The Ministry of Small Business & Entrepreneurship spent \$149 thousand or 99% of its \$150 thousand budget. The Ministry spent \$199 thousand on Entrepreneurship and Innovation Development project.

Principal Repayments

The budget for principal payments on outstanding loans of the Government of St. Kitts and Nevis for 2024 was approved at \$33 million with \$32.3 million budgeted for external debt principal payments and \$864 thousand budgeted for domestic debt principal payments.

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

STATEMENT OF CASH RECEIPTS AND PAYMENTS

The Statement of Cash Receipts and Payments as presented in the Public Accounts, shows the cash receipts and payments of the Government sub-classified by operating, investing and financing activities. This statement also shows the opening and ending balances of cash for 2024.

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

Table 5: Summary Statement of Cash Receipts and Payments

	2024 (\$ million)	2023 (\$ million)
Net Cash Flows :		
Operating Activities	(141)	268
Investing Activities	(152)	(249)
Financing Activities	17	(21)
Net increase/(decrease) in cash	(276)	(2)
Cash at beginning of period	535	537
Cash at end of period	260	535

There was decrease in the cash position of the Government by \$275.7 million at the end of 2024.

Net Cash Flow from Operating Activities

Total receipts from operating activities totaled \$801 million in 2024. Tax revenues collected by the Inland Revenue and Customs and Excise Departments on St. Kitts accounted for 55% of the total receipts from operating activities respectively. Fees, Fines and Forfeitures accounted for 32% of the total receipts from operating activities. Payments on operating activities totaled \$943 million. This resulted in a net cash flow from operating activities of **(\$141)** million in 2024.

Net Cash Flow from Investing Activities

Receipts from investing activities totaled \$176 million which included proceeds from sale of government lands, capital grants received, interest, dividends, and receipts from a bond issued by the Government of St. Lucia. Payments from investing activities which included capital expenditures, issuance of loans and outflows from funds held by the Accountant

General totaled \$328 million resulting in a net cash flow from investing activities of **(\$152)** million.

Net Cash Flow from Financing Activities

In 2024, the government received a loan in the amount of \$38 million from the Export-Import Bank of the Republic of China. Payments on financing activities totaled \$21 million which represented domestic and foreign loan principal payments, resulting in a net cash flow from financing activities of \$17 million.

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

A Statement of Assets and Liabilities is a requirement of the Finance Administration Act Cap 20:13. It is a statement of end of year balances of the Below the Line Accounts, which are not subject to the budgetary process. Since the Government uses the cash basis of accounting, fixed assets (which are expensed) and balances that make up the Public Sector Debt (shown as separate schedules) are not included in the Statement of Financial Assets and Liabilities.

Cash and Cash Equivalents

Cash and cash equivalents decreased by \$276 million over the previous year. At the end of 2024, the Government of St. Kitts and Nevis had an accumulated cash balance of \$260 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 2024, outstanding personal advances given to civil servants totaled \$312 thousand. This amount represents 31 individual accounts with outstanding balances ranging from \$639 to \$30,000.

Subsistence Advances

Advances given to Government Ministers for work related travel totaled \$61 thousand at the end of 2024, a decrease of \$329 thousand over the previous year, which meant that the majority of the previous years' balances had been cleared.

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

The National Audit Office continues to recommend an updated travel policy for the Ministers of Government which does not involve the issuing of subsistence advances.

Loans

In 2023, the Government of St. Kitts and Nevis entered in to a loan agreement with the Royal St. Kitts Beach Resort Ltd. for the issuance of a non-interest bearing loan in the amount of EC\$27 million to aid in the stabilization and long-term viability of the Marriott's operations. In 2023, \$18 million was disbursed and a further \$8 million was disbursed during 2024.

Other Investments

In 2024, the Government of St. Kitts and Nevis invested \$10 million in the Development Bank of St. Kitts and Nevis for a Student Loan Scheme.

Over the period 2018 to 2024, the Government of St. Kitts and Nevis invested a total of \$99 million in nine different instruments in the Development Bank of St. Kitts and Nevis. The amount of \$1 million for the Agriculture Support Fund was repaid in 2024.

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%. The last two payments on this bond was completed by the Government of St. Lucia in 2024.

Trust Funds

Trust Funds increased by \$1.9 million in 2024 as a result of the increase of the receipts into the Severance Payment Fund in comparison to the payments in 2024.

As at December 31, 2024, the balance in the Severance Payment Fund was \$5.3 million with receipts into the Fund totaling \$9.4 million and payments from the Fund totaling \$7.3 million for the year. The table following shows the receipts into and payments out of the Severance Payment Fund for the year 2024.

Table 7: Severance Payment Fund Receipts and Payments

	2024 (\$)
Balance at 1/1/2024	3,264,375.87
Receipts:	
Severance Contributions from Social Security	9,318,430.76
Transfer from capital project	0.00
Treasury Bills Interest	56,250.00
	12,639,056.63
Payments:	
Severance & Long Service Gratuity Payments	7,333,621.76
Balance at 31/12/2024	5,305,434.87

Other Public Funds

Other Public Funds increased by \$907 thousand in 2024.

In 2024, the Government of St. Kitts and Nevis began deductions of 3% from employees and 3% from the employer towards the Pension Fund. At the end of 2024, this fund's balance was in excess of \$9.8 million. However, with the exception of former employees of the Citizenship by Investment Unit, it was noted that there were no deductions from the fund when person's exited the service. The refund of the contributions were taken from the Consolidated Fund instead of the Pension Fund. The refund of contributions amounted to \$78 thousand in 2024.

We recommend that all refund of pension contributions to employees are taken from the Pensions Fund and not the Consolidated Fund.

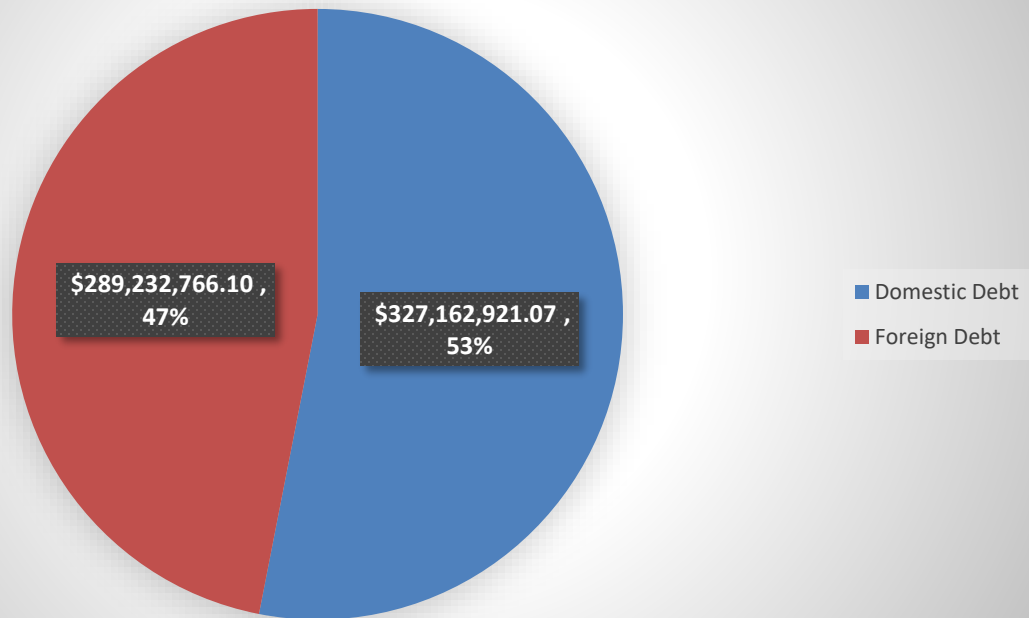
PUBLIC SECTOR DEBT

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 2024, the Public Sector Debt of the Government of St. Kitts and Nevis amounted to \$1.6 billion. The Public Sector Debt decreased by \$23.2 million over the previous year.

The Central Government's debt which has domestic and foreign debt components decreased from \$619 million to \$616 million in 2024. The chart following shows the two components of Central Government debt.

Central Government Debt 2024

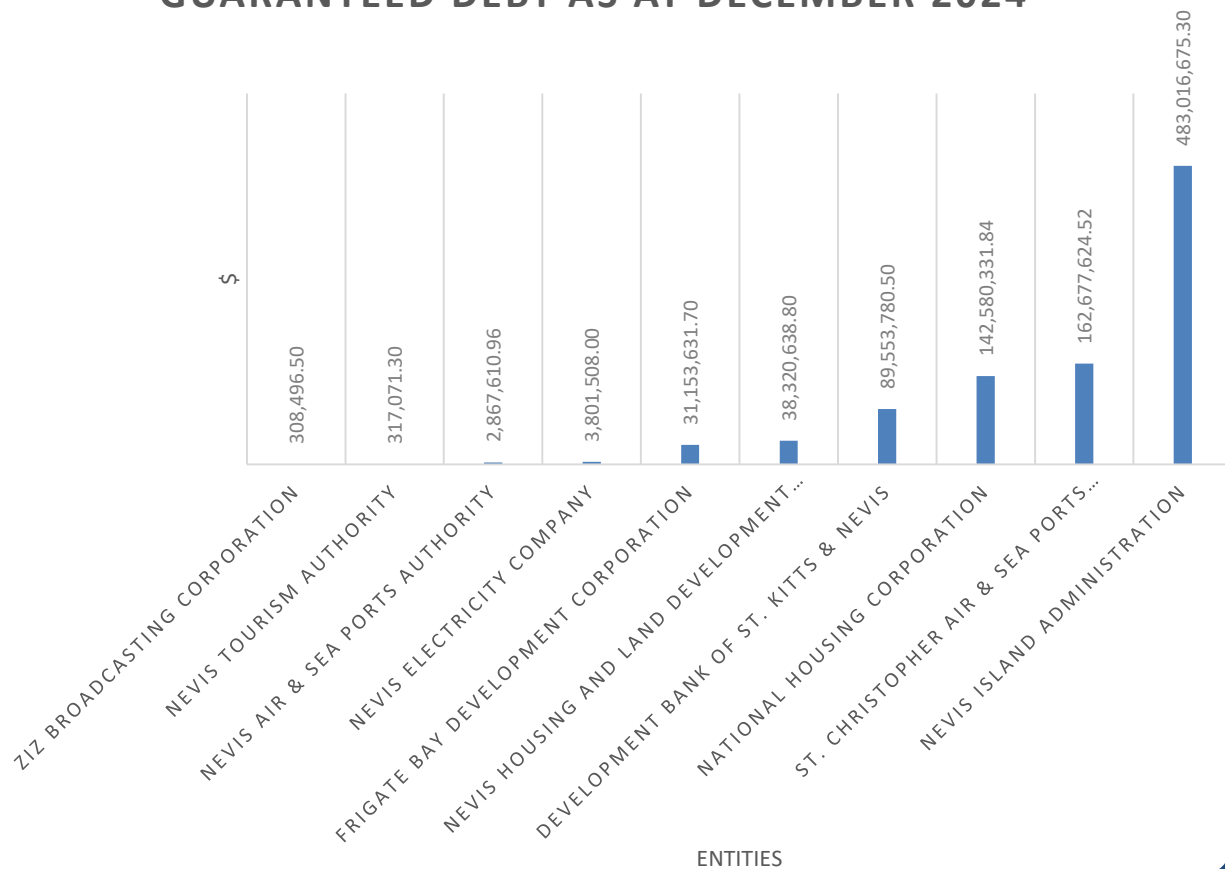


Total domestic debt of the Central Government decreased by \$20.6 million compared to the previous year. Foreign debt of the Central Government increased by \$18.4 million compared to the previous year.

In 2024, the Government of St. Kitts and Nevis received a loan in the amount of \$38 million from the Export-Import Bank of the Republic of China for the Smart Hospital. In 2024, a loan from the Caribbean Development Bank for the OECS Waste Management project was paid off. This loan had a balance of \$267 thousand at the beginning of January 2024.

Contingent liabilities decreased by \$21 million over the previous year. The contingent liabilities total \$955 million, \$338 million more than the Central Government's debt. The chart following shows the contingent liabilities by entity.

GUARANTEED DEBT AS AT DECEMBER 2024



As with the Central Government's debt, contingent liabilities have a domestic and a foreign debt component. Within the contingent liabilities portfolio, domestic debt decreased by \$16 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 \$4.8 million while the treasury bills and domestic loans held by the statutory bodies and government-owned corporations decreased by \$20.7 million, leading to an overall decrease in the domestic contingent liabilities of \$15.8 million.

Contingent liabilities still accounts for 61% of the total public sector debt, as was the case in 2022. For the past 8 years, the contingent liabilities as a percentage of total public sector debt has continually increased from 43% in 2017 to 61% in 2024. We continue to note that amounts owing to the SKN Sugar Industry Diversification Foundation totaling \$28 million are not being repaid.

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

ARREARS OF REVENUE

The statement of arrears of revenue is a requirement of the Finance Administration Act Cap 20.13. The statement shows arrears of revenue as at December 31, 2024 of \$200 million, which was \$39 million more than in 2023. A summary of the arrears is shown in the following table.

Table 8: Arrears of Revenue for 2024

Ministry/Department	Arrears Total (\$)
Finance – Customs and Excise Department	47,552,087.63
Finance – Inland Revenue Department	125,957,067.00
Tourism	279,309.08
Public Infrastructure: Water	21,771,880.68
Public Infrastructure: Public Works	467,000
Ministry of Health: Institution Based Health	3,176,951.86
Ministry of IT et al: Postal Services	416,349.06
Total	199,620,645.31

It can be seen from Table 8 that the Inland Revenue and the Customs and Excise Departments on St. Kitts have the largest amounts of revenue outstanding which totals \$126 million and \$48 million respectively.

The arrears of Government's revenue – collecting departments are significant and the balances are increasing. The recommendation of the previous years' audit still stands. The

departments need to actively collect on outstanding amounts. The Income Tax Commissioners need to be appointed to aid the objections and appeal process at the Inland Revenue Department as the majority of the outstanding revenue is uncollected taxes from that department.

CLIMATE CHANGE ADAPTATION ACTIONS AUDIT

Performance Audit of the implementation of climate change adaptation actions in St. Kitts and Nevis.



SAI: St. Kitts and Nevis

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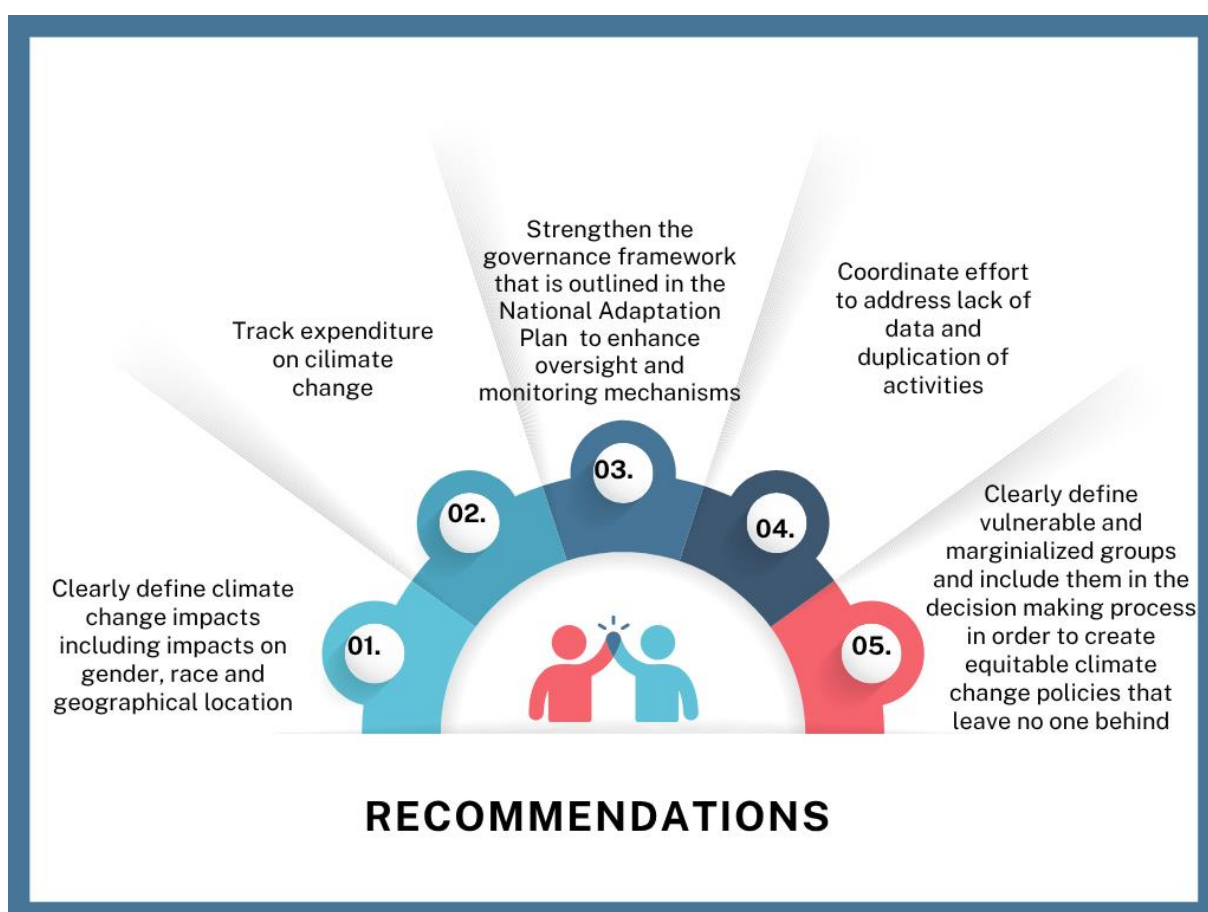
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Executive Summary

In 2023 the INTOSAI Development Initiative (IDI) launched the Cooperative Audit on Climate Change Adaptation Actions (CCAA) in collaboration with INTOSAI Working Group on Environmental Audit (WGEA) and other key stakeholders. The National Audit Office of St. Kitts and Nevis conducted a performance audit of the Implementation of Climate Change Adaptation Planning or Actions. The purpose of this audit is to contribute to improved governance, effectiveness and inclusivity of the national climate change adaptation actions.

We have concluded that St. Kitts and Nevis has acknowledged the importance of Climate Change and has implemented some climate change adaptation actions since the ratification of the Paris Agreement. However, the audit found that certain climate change adaptation actions need to be revisited, revised, updated and wholly implemented.

We provide the following recommendations to the Department of Climate Action within the Ministry of Climate Change and Constituency Empowerment.



Introduction

Climate Change is a global challenge that affects every country, community and individual. As a Small Island Developing State (SIDS), the Federation of St. Kitts and Nevis is extremely vulnerable to the effects of climate change that can lead to increases in sea levels, warmer temperatures, floods, droughts and devastating hurricanes to name a few.

The Paris Agreement was signed on December 1, 2015, by over 195 developing and developed countries including St. Kitts and Nevis to address climate change. The agreement contains provisions to hold countries accountable to their commitments and mobilize greater investments to assist developing countries in building low-carbon, climate resilient economies.

As a member state to the Paris Agreement, St. Kitts and Nevis is required to engage in adaptation planning processes and the implementation of actions, including the development or enhancement of relevant plans, policies and/or contributions, which may include:

- (a) The implementation of adaptation actions, undertakings and/or efforts.
- (b) The process to formulate and implement national adaptation plans.
- (c) The assessment of climate change impacts and vulnerability, with a view to formulating nationally determined prioritized actions, considering vulnerable people, places and ecosystems.
- (d) Monitoring and evaluating and learning from adaptation plans, policies, programs, and actions; and
- (e) Building the resilience of socioeconomic and ecological systems, including through economic diversification and sustainable management of natural resources.

St. Kitts and Nevis is required to submit an updated Nationally Determined Contributions (NDC's) every five (5) years according to Article 4, section 9 of The Paris Agreement, which outlines its priorities, implementation and support needs, plans and actions, without creating any additional burden for developing countries.

The Ministry of Environment, Climate Action and Constituency Empowerment with oversight from the National Climate Change Committee (NCCC) has the overall responsibility for coordinating implementation of the National Climate Adaptation Strategy and Action Plan (NAP). An Adaptation Sub-Committee of the National Climate Change Committee (NCCC) has been established to facilitate this process and is comprised of key implementing agencies from the public sector as well as relevant civil society organizations and private sector representatives.

Some of the objectives of the Ministry are creating and implementing a plan for the review of all legislation under the mandate of Environment and Climate Change, identifying and leveraging opportunities for advancing our climate change agenda, to research the establishment of an agency mandate to advance the sustainable small island state agenda and to strengthen institutional governance and efficient operational capacity.

The St. Kitts and Nevis Climate Change Policy was legislated in November 2017. The St. Christopher and Nevis National Climate Change Adaptation Strategy and Action Plan was

adopted in 2018. Both were developed by the then Department of Environment, Marine Resources, Cooperatives, Environment and Human Settlement (now the Ministry of Environment and Climate Action).

Audit Objectives and Audit Questions

Objective

The main audit objective is to assess the efficiency of the Ministry of Environment and Climate Action in implementing climate change adaptation actions since the ratification of the Paris Agreement.

Specific Audit Objectives and Questions

The audit focused on four (4) specific audit objectives and a number of questions were identified under each one, to determine if the objective was met. These are as follows:

1. To assess the provision of comprehensive climate change adaptation planning. To do this, we will consider:
 - I. Does St. Kitts and Nevis has a national adaptation plan?
 - II. Has St. Kitts and Nevis identified its climate change impacts?
 - III. Has St. Kitts and Nevis assessed the vulnerabilities and risks?
 - IV. Has St. Kitts and Nevis prioritized vulnerabilities and risks?
 - V. Has St. Kitts and Nevis formulated actions it will take to address impacts, risks and vulnerabilities?
 - VI. Is there information on the cost of policies or measures?
 - VII. Has the government identified the vulnerable or marginalized groups based on for example gender, race, class, disability etc. Does the government have data on these?
2. To assess the establishment of the legal and institutional framework in connection with the planning of climate change adaptation activities.
 - I. Is there an overall governance framework?
3. To assess the implementation of adaptation activities.
 - I. Have stakeholders been involved in the process?
 - II. What resources are allocated and spent?
4. To assess the quality of the monitoring and evaluation systems.
 - I. Is progress reported and how? Is there a monitoring framework?
 - II. Are targets and indicators set and measured?

Audit Scope

The audit focused on the actions undertaken by the Ministry of Environment and Climate Action in setting up the adaptation strategy and plan and ensuring coordination of the climate change adaptation planning and actions.

We examined the preparation steps of adaptation planning which consisted of setting up the institutional framework and stakeholder participation, assessment of risk and vulnerabilities, establishing adaptation options and determining priorities, establishing action plan with specified timelines, identifying responsible institutions and funds needed, implementation, monitoring, and evaluation systems.

We also examined whether the adaptation measures from the National Adaptation Plan and the Climate Change Policy were implemented.

The audit considered work done from January 2017 to March 2024.

Audit Methodology

The auditors used a structured set of procedures to plan, execute, and report on the audit, including steps to identify key risks, gather evidence and analyze information. These included:

- Interviews with focal persons within the Ministry of Environment and Climate Action and the Ministry of Sustainable Development.
- Collecting plans, policies, strategies and risk assessments related to climate change from the focal points.
- Reviewing documentation of targets set and measured with progress reports.

PART TWO

FINDINGS

Audit Question 1

Does St. Kitts and Nevis have a National Adaptation Plan (NAP)?

Audit Finding 1

St. Kitts and Nevis has a National Climate Change Adaptation Strategy and Action Plan (NAP), however it needs to be revised.

According to Article 7, Part 9 of the Paris Agreement and the Sustainable Development Goals (SDG) 13.2, it is expected that all countries that signed the Paris Agreement engage in adaptation planning processes to develop a national adaptation plan which should be submitted and updated periodically. The National Climate Change Adaptation Strategy and Action Plan is the national adaptation plan (NAP) for St. Kitts and Nevis. The NAP provides guidance and priorities and appropriate measures for adaptation to reduce vulnerability to the impacts from climate change and build resilience over the long term in St. Kitts and Nevis.

The NAP covers the period from 2018-2030. Ministries with responsibility for climate change adaptation actions were identified in the NAP, however after the change of administration in 2022, ministries were reclassified and therefore the NAP no longer correctly reflects the names of the responsible ministries. For example, before the change of administration, the Department of Environment which was responsible for operationalising the National Climate Change Committee (NCCC). This department was part of the Ministry of Agriculture. After the change of administration, the Ministry of Environment, Climate Action and Constituency Empowerment was created. The NAP has not been updated to reflect this change. Users of the NAP would assume that the Ministry of Agriculture has responsibility for establishing mechanisms to coordinate Climate Change adaptation actions.

An updated NAP would allow all stakeholders to be aware of who is responsible for achieving the tasks outlined within the document. This would allow the Federation to proactively prepare for the effects of climate change across various sectors and communities.

Recommendation

While the Federation has a National Climate Change Adaptation Strategy and Action Plan, the Department of Environment and Climate Action needs to ensure that the NAP is revised and updated to reflect changes that have taken place since its creation.

Audit Question 2

Has St. Kitts and Nevis identified its climate change impacts?

Audit Finding 2

St. Kitts and Nevis has identified the environmental impacts of climate change in the National Climate Change Adaptation Strategy (NAP), however the economic, social, geographical and other impacts are not well defined.

Article 7, Part 9c of the Paris Agreement and SDG 13.1 emphasizes that adaptation plans, strategies and policies should identify the impacts of climate change.

In the NAP, environmental impacts of climate change were identified, such as:

- an increase in average air temperatures.
- an increase in average sea surface temperatures.
- a decrease in average annual rainfall.
- sea level rise across the insular Caribbean.
- an increase in the intensity of tropical storms and hurricanes.
- ocean acidification as carbon dioxide emissions are absorbed by the ocean, reducing pH and the availability of biologically important calcium carbonate minerals.

We noted however that economic, social and geographical impacts were not well defined.

- Economic impacts would include increased costs associated with extreme weather events like hurricanes and floods, disruptions to agricultural production due to changing weather patterns, damage to coastal infrastructure from rising sea levels, and potential impacts on labour productivity due to extreme heat, ultimately leading to reduced economic growth and increased costs for businesses and governments across various sectors.
- Social impacts as a result of climate change, particularly on vulnerable populations, including those in poverty, older adults, low-income households, communities of colour, those experiencing homelessness, and immigrant communities should be included. These impacts include increased risk of extreme weather events, food and water scarcity, displacement, health issues and economic challenges, all of which can worsen existing inequalities. Another social impact is resettlement which could result in the loss of assets or land, including gardens.
- There are geographical areas in the Federation that are at high risk and thus would be more heavily impacted by the effects of climate change such as rising sea levels which can lead to coastal erosion and flooding, increased frequency and intensity of hurricanes, changes in rainfall patterns leading to droughts, and potential damage to coastal infrastructure due to storm surges. These types of geographical impacts were not mentioned in the NAP.

The Chief Technical Officer at the Department of Environment, Climate Action and Constituency Empowerment stated that the NAP was meant to be an overarching or broad based strategy to direct the work of the ministries. Persons were identified as Team Leads from each of the key ministries to communicate progress made on adaptation actions with the Department of Environment, Climate Action and Constituency Empowerment. Each key ministry was expected to determine the impact of climate change and how it would achieve

the adaptation actions outlined in the NAP. While meetings were held with the different stakeholders, there is no evidence to support that this was communicated to the Team Leads.

We requested data from the key ministries that were used to determine the impacts of climate change and progress on adaptation actions, however none was submitted. We found that the availability of data posed a significant problem in determining the economic, social and geographical impacts of climate change for the Department of Climate Action. Team leads from each ministry were not collecting or recording this information, and where information on the impacts of climate change was available, they were not reported to the Department of Climate Action. Some Ministries stated that they were unaware that they needed to collect this information.

If the full impact of climate change on St. Kitts and Nevis is not identified, the federation will not be able to find solutions to adapt to them. As a result, vulnerable people, places and ecosystems may be neglected. The true cost to address the impacts of climate change may not be determined or may be over or understated.

Audit recommendation

The Department of Climate Action should ensure that the full impact of climate change including the economic, social and geographical impacts are identified in the National Adaptation Plan.

There must be a coordinated effort to address the lack of data. The Department of Climate Action should collaborate with the key ministries to ensure that information is collected to determine the social, economic and geographical impacts of climate change.

Audit Question 3

Has the government identified the vulnerable or marginalized groups based on factors such as gender, race, class, disability etc. Does the government have data on these?

Audit Finding 3

While vulnerable and marginalized groups were identified as women, children, youth, differently abled and elderly, a plan targeted to this group was not developed.

The "leave no one behind" principle is a core commitment within the United Nations' 2030 Agenda for Sustainable Development, signifying a pledge to eradicate poverty, end discrimination and exclusion, and reduce inequalities, ensuring that everyone benefits from development efforts without being left behind, regardless of their background or circumstances. It emphasizes reaching the most marginalized and vulnerable populations first. Its aim is to build the resilience of the poor and those in vulnerable situations. The Paris Agreement Article 7, 9c states that the adaptation planning process may include the assessment of climate change impacts and vulnerability, with a view to formulating nationally determined prioritized actions, taking into account vulnerable people, places and ecosystems.

According to the Updated Nationally Determined Contribution (2021), 'the Government of St. Kitts and Nevis plans to take a cross-sectoral approach which include strengthening

coordination with national gender stakeholders, increasing institutional capacities on gender mainstreaming, conducting sectoral gender analysis to inform the design and implementation of climate actions and collecting and assessing sex-disaggregated data in its monitoring and evaluation systems.'

There were no plans outlined to suggest how this would be done. While we noted that gender and age specific data is collected by the Department of Statistics within the Ministry of Sustainable Development and also the Ministry of Social Development and Gender Affairs, it is outdated, has not been collated or broken down by sector and does not specify the vulnerable or marginalised groups.

The NAP highlights the federations' commitment to consider and include the vulnerable and marginalized groups in the formulation and implementation of adaptation actions. It does not detail how these groups are to be included which may affect the federation's ability to achieve its adaptation goals. The vulnerable or marginalized groups may not benefit from climate change adaptation actions due to unfair policies and sharing of resources. The result may be that programmes will not reach the targeted groups.

Audit Recommendation

The Department of Climate Action should ensure that:

- special consideration is given to vulnerable and marginalized groups when formulating adaptation actions. Actions should be laid out to ensure that the vulnerable and marginalised groups are not left behind.
- data on vulnerable and marginalized groups is collected, recorded, analysed and reported.

Audit Question 4

Is there an overall governance framework?

Audit Finding 4

The SKN Climate Change Adaptation Strategy and Action Plan (NAP) outlines the governance framework but this framework has not been established or implemented to date. The Department of Climate Action currently oversees adaptation actions however there is no proper reporting structure.

There should be an overall framework that addresses decision making, monitoring and evaluation.

The governance framework outlined in the NAP is made up of the National Climate Change Committee (NCCC), the NCCC Secretariat, Climate Change Focal Points, and St. Kitts and Nevis Adaptation Working Groups. This governance framework has not been established or implemented to date.

The Department of Climate Action currently oversees adaptation actions, however no proper reporting structure was established between the Department and the key ministries. The oversight function was limited due to the absence of a functional governance framework. Due to the lack of an established governance framework, oversight and accountability are weak.

Audit Recommendation

The Department of Climate Action needs to ensure that the governance framework which comprises of the National Climate Change Committee (NCCC), the NCCC Secretariat, the Climate Change Focal Points and the St. Kitts and Nevis Adaptation and Mitigation Working Groups is established.

Audit Question 5

Is progress reported and how? Is there a monitoring framework?

Audit Finding 5

The monitoring framework has not been established to date however the Department of Climate Action has been requesting updates from the key ministries to update the NDC's and the Biennial Update report. There were no progress reports on adaptation actions provided to our office to substantiate that updates were received.

Good governance principles state that monitoring, oversight and follow-up procedures should be used when implementing projects.

The governance framework outlined in the NAP, has not been established to date. The Chief Technical Officer stated that the Department of Climate Action and the Ministry of Environment have been requesting updates on the progress of adaptation actions from the key ministries to complete the Biennial Update Report required every two years by the Paris Agreement and the Nationally Determined Contributions which is required to be submitted every five years. Our office requested proof of the submission of these updates from the Department of Climate Action, however no evidence was provided during the period the audit was conducted. There is no central repository for progress reports and a lack of oversight by the Department of Climate Action. Due to the lack of an established governance framework and effective oversight, accountability by the key ministries is weak.

Audit Recommendation

We recommend that the Department of Climate Action:

- liaise with the key ministries to receive timely reports or updates on the progress on the adaptation actions outlined in the NAP.
- establish a central repository for all reports and statistics collected from key ministries on climate adaptation actions.

Audit Question 6

Are targets and indicators set and measured?

Audit Finding 6

Short term (1-4 years), medium term (5-10 years) and long term (10+ years) targets and indicators were set in the SKN Climate Change Adaptation Strategy and Action Plan but there was no evidence provided to suggest that they were measured.

Good governance principles suggest that an oversight and monitoring system should be in place to ensure that targets are met. The governance framework outlined in the SKN Climate Change Adaptation Strategy and Action Plan was never established. This resulted in poor monitoring and oversight that was needed to hold key ministries accountable for meeting the adaptation goals outlined in the NAP.

The Chief Technical Officer stated that a designated person was chosen as the Team Lead by each of the key ministries to correspond with the Department of Climate Action with regards to progress on adaptation actions. While evidence suggests that meetings were held with the Department of Climate Action and representatives from the key ministries, no written progress reports on adaptation actions were produced for our analysis.

The NAP identified the key Ministries that were responsible for the various adaptation actions and the time frame allotted to complete them. Time frames stated in the NAP for adaptation actions were short term (1-4 years), medium term (5-10 years) and long term (10+ years). However, the phases of each project was not broken down in the NAP. No evidence was provided to our office to suggest that the key ministries were measuring or reporting the progress on adaptation actions to the Department of Climate Action. As a result, it was difficult to measure the stage of completion of adaptation actions.

Audit Recommendation

The Department of Climate Action should ensure that the targets outline in the NAP are broken down in phases. A clear method of measuring the stages of completion should be outlined in the NAP.

Audit Question 7

Has St. Kitts and Nevis assessed the vulnerabilities and risks?

Audit Finding 7

As stated in the NAP, a general assessment of the vulnerabilities and risks of climate change for St. Kitts and Nevis was done however, a comprehensive assessment for each of the key ministries was not done.

The adaptation planning process must include the assessment of climate change risks and vulnerabilities. We found that the NAP includes a general assessment of the vulnerabilities

and risks of climate change. The known effects of climate change were highlighted per sector. These can be seen in Table 1 below. However a comprehensive assessment of key impacts and vulnerabilities have not been undertaken for each of the key ministries. Lack of historical and current data was cited by the Chief Technical Officer as the main reason why a comprehensive assessment was not provided in the NAP. This would make it difficult for the Federation to adequately prepare for the adverse effects of climate change. Adaptation actions will not be focused on the areas that are most at risk.

Table 1: Key vulnerabilities and risks of climate change for the key ministries

Ministry	Key Vulnerabilities and Risks
Agriculture	• Greater rainfall variability and extremes will impact on water availability for crop and livestock production. • Drought conditions will lead to water stress, while flooding will accelerate soil erosion. • Rising sea levels will exacerbate soil aridity due to saltwater intrusion into groundwater and exacerbate saltwater damage from sea blast. • Increased incidence of invasive species and new pests and diseases also pose a significant threat to the agricultural sector, and could compound damage from existing pests such as monkeys and roaming animals (e.g. cattle, donkeys, sheep, goats and dogs).
Fisheries and Coastal Marine Ecosystem	Climate change will pose a significant risk to coastal and marine ecosystems due to: • sea level rise; • extreme weather and storm surges; • increased sea surface temperatures resulting in coral bleaching; • ocean acidification; • sargassum influx. Specific impacts are uncertain but model projections indicate that there could be decreased productivity of coral reefs, fisheries and wetlands, with adverse impacts on food supply and associated livelihoods due to decreasing nearshore and deep water fish stocks and diminishing benefits associated with fishing activities. These changes will also impact on ecosystem services such as coastal protection. Vulnerable and endangered coastal and marine species, including those endemic to St. Kitts and Nevis, may also be at risk due to impacts on population size and distribution and habitat availability.
Human Health	Changing rainfall patterns and increases in temperature and humidity are likely to provide favourable conditions for water-borne and vector-borne diseases. The possible re-emergence of malaria¹² and appearance of new mosquito-borne viruses, such as chikungunya and zika, are of considerable concern. Extreme weather patterns also threaten to compromise sanitation systems and freshwater availability, with the potential for outbreaks of communicable diseases. Heat stress and related illnesses are projected to increase, particularly in the elderly and infirm, with increasing air temperatures. Additionally, impacts on the agricultural

	sector may indirectly affect human health in terms of nutritional requirements and supply.
Tourism	Current and potential climate change impacts include: • the degradation of natural ecosystems and biodiversity that serve as tourism attractions; • reduced water and energy supply due to saltwater intrusion into groundwater and extreme weather such as drought, floods and hurricanes; • loss and damage to physical infrastructure due to sea level rise and extreme weather including hurricanes, storms and storm surge; • reduced access to high-quality local food due to impacts on agriculture; • threats to human health due to increasing incidence of water-borne and vector-borne diseases.
Water Resources	Climate change will impact on the availability and quality of freshwater resources in several ways: • Erratic rainfall and drought could compromise aquifer recharge and reduce the potential for rainwater harvesting as an alternative supply. • Sea level rise also poses a risk to aquifers due to saltwater intrusion. • Extreme weather, such as floods, hurricanes and storm surge, could also damage water infrastructure, disrupt power supplies for pumping of groundwater and impact on sewerage and solid waste management resulting in water contamination.

Source: National Climate Change Adaptation Strategy and Action Plan

Audit Recommendation

The Department of Climate Action should request the key ministries to collect, record, analyze and submit historical and current data so that a comprehensive assessment of the vulnerabilities and risks of climate change can be conducted.

Audit Question 8

Has St. Kitts and Nevis prioritized vulnerabilities and risks?

Audit Finding 8

The vulnerabilities and risks of climate change were prioritized based on the five (5) key sectors considered most at risk of being directly impacted by climate change. However the impacts on gender, race and geographic location in each sector were not highlighted.

The adaptation planning process should include the assessment of climate change impacts and vulnerabilities, with a view to formulating nationally determined prioritized actions, taking into account vulnerable people, places and ecosystems.

St. Kitts and Nevis has prioritized the vulnerabilities and risks of climate change in the NAP. The vulnerabilities and risks were prioritized by sector along with the adaptation actions to address them. These sectors had a higher risk of being directly impacted by climate change.

There were eight (8) key areas mentioned in the NAP, and five (5) were prioritized being:

1. Agriculture
2. Fisheries and coastal and marine ecosystems
3. Human health
4. Tourism
5. Water

The other areas were:

6. Forest and terrestrial ecosystems
7. Finance and banking
8. Infrastructure and physical development

The NAP aimed to provide guidance on appropriate measures for adaptation through identification of key priorities and actions that reduce vulnerability to specific impacts of climate change and build resilience over the long term. While the NAP used a participatory approach to gain input from stakeholders, data was not included on gender, race and geographic location when prioritizing the vulnerabilities and risks. Geographic locations in the Federation that would be directly impacted by climate change were also not detailed in the NAP.

If the vulnerabilities and risks of climate change are not prioritized to consider factors such as gender, race and geographic location, St. Kitts and Nevis would not be able to direct its resources on sectors, location and people that may be more heavily impacted by climate change.

Audit Recommendation

The Department of Climate Action should revise the National Climate Change Adaptation Strategy and Plan to target specific gender, race and geographic location in each sector when prioritizing the vulnerabilities and risks.

Audit Question 9

Has St. Kitts and Nevis formulated actions it will take to address impacts, risks and vulnerabilities?

Audit Finding 9

St. Kitts and Nevis has formulated short term, medium term and long term adaptation actions it will take to address the impacts, risks and vulnerabilities of climate change, but in most cases, these actions were not completed within the short or medium term.

Countries are required to build the resilience of the poor and those in vulnerable situations and reduce their exposure to vulnerability.

Short, medium and long term adaptation actions were formulated to address the impacts, risks and vulnerabilities of climate change with an aim to build resilience over the long term. However we found that in most cases, adaptation actions stated in the NAP were not completed within the stipulated timeframe. In addition, adaptation actions stated completion dates (short term 1-4 years, medium term 5-10 years and long term 10 + years) but did not outline how progress would be measured. The various adaptation actions were not broken down into phases of completion so that the projects' level of completion, could be easily determined.

Audit Recommendation

We recommend that the Department of Climate Action:

- establish the governance framework which will have overall responsibility for coordinating implementation of the NAP.
- collect the relevant data from the key ministries to track progress on adaptation actions.
- prioritize monitoring and oversight of key ministries to ensure that adaptation actions are started and completed.

Audit Question 10

Have Stakeholders been involved in the process?

Audit Finding 10

A multi-stakeholder engagement process was used in the creation of the National Climate Change Adaptation Strategy and Action Plan, however the general public was not included in the entire process.

Stakeholders should be proactively engaged in different phases of the policy cycle. Key stakeholders included Government Ministries and Departments, Private Sector, Tertiary Institutions and Government Media House along with Regional Partners. Surveys and focus groups were held with the general public in 40% of the prioritized sectors. The general public was not engaged in the implementation of the adaptation actions. There was no evidence to show that follow-up or feedback was solicited from the stakeholders after the initial consultation.

After consulting with the Team Leads, we noted that it was not considered necessary, nor were the Team Leads aware that they needed to engage the general public beyond the creation of the national implementation plan. Engaging stakeholders provides their perspective of the concerns they face and ensures that recommendations for addressing the impacts of climate change are tailored to their needs.

Audit Recommendation

The Department of Climate Action should ensure that all stakeholders are engaged in the implementation of the climate change adaptation actions throughout the entire process. This would create buy-in by the public and would promote awareness of the climate change adaptation initiatives.

Audit Question 11

Is there information on the cost of policies or measures?

Audit Finding 11

Cost was estimated for the various policies and measures to adapt to climate change using only comparative analysis. There was no breakdown showing how the costs were derived.

Good governance principles should be used to define how costs are determined and measured. Cost estimates of adaption actions outlined in the NAP were based on work done in other countries of a similar size. While this is a measure to estimate cost, it may not present a true picture of what is actually needed in St. Kitts and Nevis. Other tools such as needs-based assessments, vulnerability assessments etc. should be used to estimate costs together with comparative analysis, to reflect the needs of St. Kitts and Nevis. We found that there was no breakdown within the NAP to show how the costs were derived.

According to the Chief Technical Officer at the Department of Climate Action, this method was chosen due to a lack of historical data, relevant statistics and time constraints to produce the NAP. As a result, the estimated cost may be over/understated. The result is that the budget may be inadequate to accomplish the adaptation actions.

Audit Recommendation

The Department of Climate Action should ensure that other assessment tools are used to estimate the cost of adaptation actions to be undertaken in St. Kitts and Nevis.

Audit Question 12

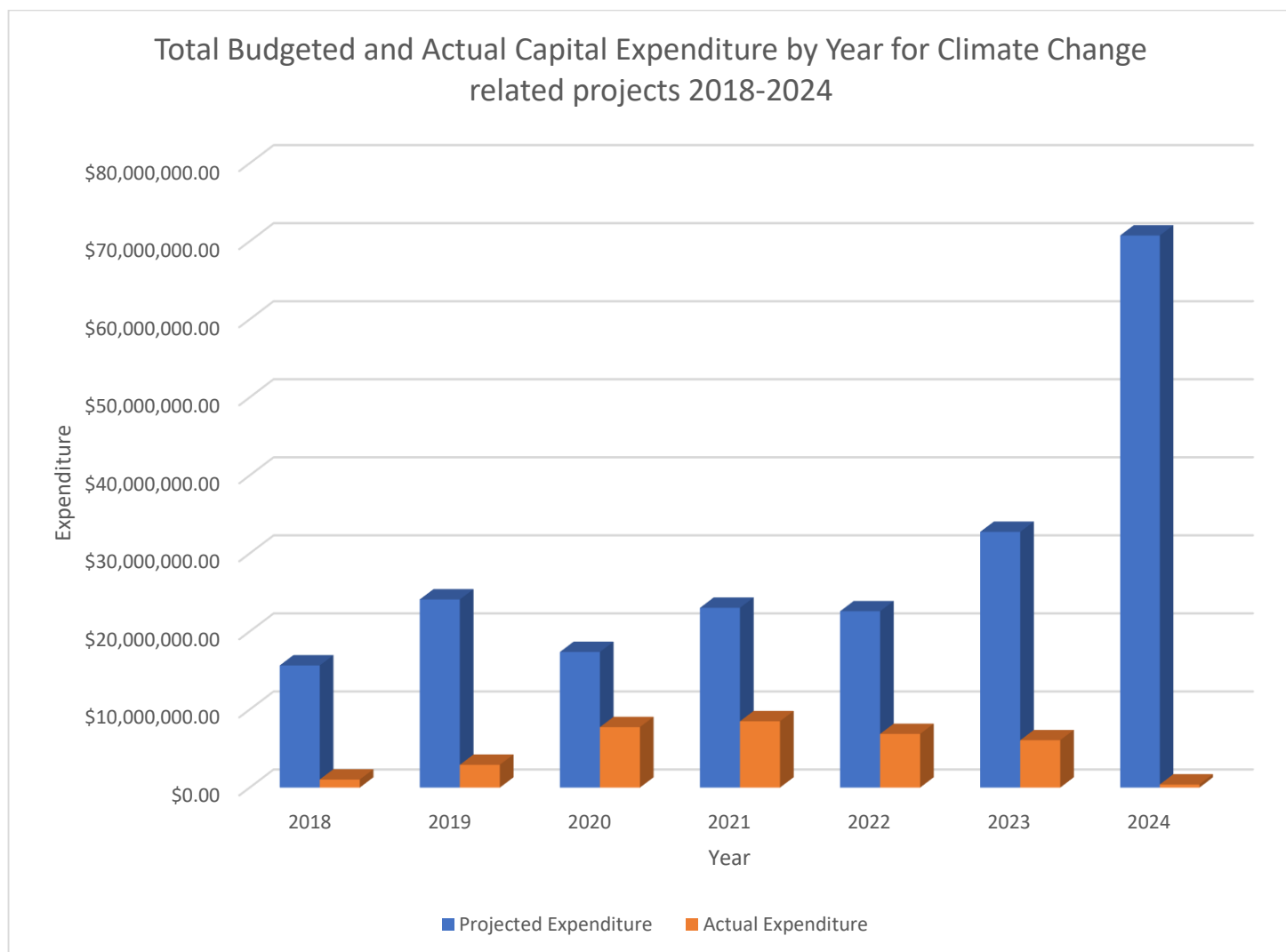
What resources are allocated and spent?

Audit Finding 12

During the period 2018 – March 2024, EC\$206 million was budgeted for climate change related capital projects. However only EC\$33.6 million was actually spent, which equates to 16% of budgeted expenditure.

The principle of economy means minimising the cost of resources. The resources used should be available in due time, in an appropriate quantity and quality and at the best price. The resources for adaptation actions were allocated from external and domestic sources in the form of grants and loans and revenues from the government.

Chart 1: Total Budgeted and Actual Capital Expenditure by Year for Climate Change Projects 2018-2024



Source: Government of St. Kitts and Nevis Estimates 2018 - 2024

The chart above shows the annual budgeted and actual expenditure for climate change related projects from 2018-2024. We noted that EC\$206 million was budgeted from development aid, loans and domestic revenues to fund climate change related projects, however only EC\$33.6 million was actually spent, which equates to 16% of budgeted expenditure.

While funding was expected from development aid for some projects, the funding was not received to execute projects. According to the Chief Technical Officer at the Department of Environment, Climate Action and Constituency Empowerment, this was primarily due to the lack of expertise in the Ministries to apply for funding from external sources. It was also due to the amount of time it took to apply for and be approved for funding of projects. As a result, some adaptation actions outlined in the NAP were not completed.

We had a challenge in determining which capital projects listed in the Estimates of the Government of St. Kitts and Nevis were related to climate change. The projects were not

categorized in the Government of St. Christopher and Nevis Estimates Volumes 1 and 2 for 2018-2024, to determine whether or not they were directly or indirectly related to climate change. As a result, projects were selected based on adaptation activities and actions outlined in the NAP. Other costs could possibly exist that are not capital in nature but are not considered here as there was no way to determine what those costs are and how they relate to climate change actions. The table below highlights the capital projects that were determined to be climate change - related.

Table 2: Climate Change related projects by Ministry

Ministry	Project
Min of Tourism	Coastal Erosion Mitigation Project South Frigate and Friars Bay
Min of Public Infrastructure, Post, Urban Dev & Transport	Natural Disaster Mgmt - Hurricane Lenny Rehab Phase II
Min of Public Infrastructure, Post, Urban Dev & Transport	Coastal Area Revetment Study (Irishtown, Fortlands, New Guinea)
Min of Public Infrastructure, Post, Urban Dev & Transport	Construction of Reservoir Olivees/Beacon Heights/ Sandy Point
Min of Public Infrastructure, Post, Urban Dev & Transport	Development of Water Master Plan
Min of Public Infrastructure, Post, Urban Dev & Transport	Water Resource Management Project - Aquifer Protection
Min of Public Infrastructure, Post, Urban Dev & Transport	Well drilling and Extension of Water Lines (Revenue)
Min of Public Infrastructure, Post, Urban Dev & Transport	Phillips Slope Stabilization Project
Min of Public Infrastructure, Post, Urban Dev & Transport	Slope Stabilization Project - Ottleys and Cunnings
Min of Public Infrastructure, Post, Urban Dev & Transport	Solar Powered Desalination Plant
Min of Public Infrastructure, Post, Urban Dev & Transport	Desalination Plant
Min of Sustainable Development	Conserving Biodiversity and Reducing Habitat Degradation
Min of Sustainable Development	Integrated Water, Land and Ecosystem (IWECO) Management in the Caribbean SIDs Project - Sub-National Project
Min of Sustainable Development	Improving Environmental Management through Sustainable Land Management
Min of Sustainable Development	Climate Action Line of Credit (CLAC) Street Lighting Project
Ministry of Agriculture, Fisheries and Marine Resources	Agriculture Support Project
Ministry of Agriculture, Fisheries and Marine Resources	Greenhouse villages/ Storage Facility
Ministry of Agriculture, Fisheries and Marine Resources	Water Security for Food Security Project

Source: Government of St. Christopher and Nevis Estimates Volumes 1 and 2 for 2018-2024

Audit Recommendation

The Department of Climate Action should develop a mechanism by which climate related expenditure and allocation of resources can be tracked.

Conclusion

St. Kitts and Nevis has acknowledged the importance of climate change adaptation actions and has implemented some climate change adaptation actions since the ratification of the Paris Agreement. However, the audit found that certain climate change adaptation actions need to be revisited, revised, updated and wholly implemented.