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General Audit Chamber
Algemene Rekenkamer

ANNUAL REPORT



This document is an English translation of the original Dutch language annual report entitled: "Jaarverslag 2019". In the event of textual contradictions or any other differences, the original Dutch text will prevail.

February 2020

General Audit Chamber, Juancho Yrausquin Bldv 10, Philipsburg, Sint Maarten

Preface

This document is the 2019 Annual Report of the General Audit Chamber. 2019 is a transition year, with changes of both the board and the secretary-general. Mr. Ronald Halman took his leave after serving 7 years as chairman in August 2019, together with board members Mark Kortenoever, Alphons Gumbs and deputy member Daniel Hassel. We are all very grateful to each of them for their service. Thanks, in part to them, the General Audit Chamber represents integrity, dedication and methodical reports. In this regard, we cannot forget to mention the former secretary-general, Mrs. Joane Dovale-Meit, who, with her insight and dedication, not only fundamentally contributed to the institute that exists today, but also to Country St. Maarten in general.

Sheryl Peterson
Chair, a.i.

Keith de Jong, LL.M
Secretary-General

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1. General

1.1. Introduction

Prior to July 1st of each year, Parliament and the Governor receive the annual report from the General Audit Chamber. In this annual report, the General Audit Chamber reports about the activities carried out in the period January 1, 2019 to December 31, 2019.¹

1.2. Reading guide

Chapter 2: contains information about our organization, including the tasks and authorities of the General Audit Chamber of St. Maarten.

Chapter 3: represents a summary of the operations and the results of the audit work conducted in 2019. We also present the achievement of our Social Media initiative.

Chapter 4: reports on the budget realization for fiscal year 2019. Normally, the realization figures are reviewed, where necessary, in the financial chapter. Unfortunately, due to the absence of an approved and audited 2018 Financial Statement from government, such a review is not possible.

¹ National Ordinance General Audit Chamber, article 38.

2. The General Audit Chamber

2.1. Role

By Constitution, we are the institution responsible for investigating the effectiveness and legal compliance of the Government's income and expenditure.² Our organization and the way in which we carry out our tasks is regulated by national ordinance.³

2.1.1. Tasks and authorities

We are independent in the execution of our tasks. This independence allows us flexibility when investigating public finances. The General Audit Chamber is granted certain authorities among which the right to demand information.⁴

The General Audit Chamber is authorized to carry out three types of audits:



Legal compliance audits
(was the money legitimately spent?)



Performance audits
(was the money spent effectively?)



Integrity audits
(was there integrity in actions?)

Our findings are presented in reports along with our conclusions and recommendations. The recommendations can be used by the entities audited, but primarily facilitate Parliament in the conduct of their supervisory task.

We are also authorized to issue notifications to Parliament and the Governor. Based on these notification, additional consultations may take place. In addition, we can issue suggestions, comments and concerns to ministers, which could result in improvement of the financial management.⁵ [For more information about our role and our audits, please click here.](#)

2.2. The organization

The General Audit Chamber has a board consisting of a chairperson and two members. Until August 23, 2019, the board was made up of a chairman, two members and two deputy members. As of August 24, the board was comprised of two deputy members; Mrs. Sheryl Peterson (chair ad interim) and Mr. Robert Ferron (member ad interim).

In 2019, the General Audit Chamber initiated the procedure to appoint a new board.

The Board:

- Mr. Ronald Halman, chairman
- Mr. Mark Kortenoever, vice chair, and also member
- Mr. Alphons Gumbs, member
- Mr. Daniel Hassell, deputy member
- Mrs. Sheryl Peterson, deputy member
- Mr. Robert Ferron, deputy member



Normally the board meets every two weeks. In 2019, the board met 18 times. [For more information about our organization, click here.](#)

² Constitution of Sint Maarten, article 74.

³ National Ordinance General Audit Chamber.

⁴ Idem, article 26.

⁵ Idem, article 39.

2.3. Professional contacts and relationships

Cooperation with other supreme audit institutions and professional relationships within the public sector continued in 2019. The following is a summary of the contact:

- World Bank representatives visited in February. The World Bank manages the reconstruction fund St. Maarten.
- In March, the Chairman and the Secretary-General held a teleconference with all the Supreme Audit Institutions of the Kingdom. The objective of the discussion was to update each other regarding the state of affairs at each audit institution.
- In the context of the legal platform, the Secretary-General provided a presentation to government, regarding the role of the Audit Chamber in April.
- The Financial Management Days, organized by the Board of Financial Supervision (Cft) and held on Curaçao, were attended on June 10th and 11th. During these days, the financial management of all (Dutch) Caribbean countries were discussed. Cft also provided training and presentations.
- There was telephone contact with the Court of Audit of the Netherlands in July regarding the progress of St. Maarten's reconstruction effort, the current events relating to the General Audit Chamber of St. Maarten, as well as the possible establishment of an Audit Chamber function for the BES-islands, whereby St. Maarten's Audit Chamber could potentially play a role.
- A meeting with the Pension Reform Steering Committee took place in July. The objective of the meeting was to discuss the notification we sent to Parliament regarding the proposed reforms.
- At the end of July, a meeting was held with the SOAB regarding the status of the 2017 and 2018 Financial Statements of Government. A follow-up was held in December.
- The General Audit Chamber was represented at the opening ceremony for the new Parliamentary year.
- A joint consultation between the Secretary-Generals of the General Audit Chamber, Council of Advice, the Ombudsman, the Social-Economic Council and the Law Enforcement Council was organized in September. The goal was to determine if there was a need to meet regularly to discuss topics of mutual interest. It was agreed to convene periodically in order to keep each other informed of current topics. The Secretary-General of the Integrity Chamber has also been invited.
- In November, the General Audit Chamber successfully organized the annual team building event. The Council of Advice, the Ombudsman and the Law Enforcement Council participated.
- Throughout the year, formal contact was maintained with the Cft and the ministries regarding matters of mutual interest.

3. The operations

The activities regarding operations for the year of 2019 are described in the following paragraphs.

3.1. Staffing-levels at the secretariat

By law, the General Audit Chamber should be staffed by eight (8) FTE's.⁶ Table 1 shows the current staffing levels in 2019.

In 2019, the staff is comprised of 5 full-time workers. This refers to a secretary-general, legal advisor, an auditor, a head of financial administration, and an administrative officer. In addition, the audit team was supported for the entirety of 2019 by means of a part-time certified accountant (*registeraccountant*) and a consultant.

As of June 1, 2019, a legal advisor joined the team. Until August 2019, the auditor was on sick leave. Despite several interviews a number of functions remain vacant. The Audit Chamber continues to seek suitable candidates for the position.

Table 1: the staffing levels in 2019

Function	Status
Secretary-General	Full-time
Legal advisor	Full-time
Auditor	Full-time
Head of Financial Administration	Full-time
Administrative Officer	Full-time
Certified Accountant	Part-time
Consultant	Part-time

3.2. Training and courses

In June, the secretariat successfully completed training as Emergency First Responders. All employees are certified in First Aid. In August, the secretary-general and administrative officer took a follow-up course in fire prevention, hurricane preparedness, as well as an advanced first aid course.

The administrative officer drafted an emergency contingency plan in August. An unscheduled evacuation exercise was conducted to test the plan.

3.3. Audit activities

The audit work conducted in 2019 is described in the following sections.

3.3.1. Legal Compliance Audit: 2016 Financial Statements of Government



On January 14, 2019, the General Audit Chamber issued its report to Parliament on the legal compliance audit of the 2016 Financial Statements of Government.

Our results depict a worrisome situation, similar to previous years. Information is flawed, substantiation of public expenditure is minimal, public funds were unlawfully spent and accountability to Parliament is absent.

[Click](#) here to read the report.

⁶ Full-time equivalent: often abbreviated as FTE, is a unit of measurement that expresses the scope of a function or staffing level. One FTE is a full working week and equivalent to a full-time employee, while 0.5 FTE indicates that work is carried out half of the time.

3.3.2. Legal Compliance Audit: APS' 2017 Financial Statements

The General Audit Chamber presented its report entitled Compliance Audit: 2017 Financial Statements of the General Pension Fund St. Maarten (APS) on April 8, 2019, to Parliament.

Despite a coverage ratio at the end of 2017 of 103.1% (2016: 99.6%), APS is not necessarily financially sound. The assets are still insufficient to cover general and investment risk. The report explains that the increase of the 2016 coverage ratio of 99.6%, to 103.1% at the end of 2017 is partly based on an investment result of 2%.

[Click here](#) for the report.



3.3.3. Performance audit: APS' Investment Process



Pension funds invest to maintain the affordability of pensions. But how does the process actually work and is a participant's premium invested in a responsible manner? In this report, published in July 2019, we present our results regarding the audit of the investment process.

We believe that APS' investment process is generally in order. However, we are of the opinion that APS' investment policy is complex and as a result, costly. We believe that the investment policy can be executed more cost-efficiently. Our advice is that APS maintain a more critical attitude regarding the functioning of the fiduciary manager.

[Click here](#) to read the report.

3.3.4. Performance audit: Efficient collection of Government claims

Government's money primarily is derived from tax revenue. When government can no longer pay its bills (salaries and supplier invoices) a problem arises. It is in Government's interest to collect and settle claims as quickly as possible.

We conclude that Government's progress in settling claims is **not** efficient. This means that "money is left on the street". How much is unknown because the debtor administration is seriously degraded, and it is not possible to make a realistic estimate of the extent of the outstanding claims.

[Click here](#) to link to the report.



3.3.5. Legal Compliance Audit: APS' 2018 Financial Statements



The coverage rate at the end of 2018 is 97.6% (2017: 103.1%). The assets are insufficient to cover both the general- and investment risks.

The decrease in the coverage ratio is primarily due to the negative return on international investments. While there was a positive result in 2017 of ANG 22.5 million, in 2018 there was a negative result of ANG 36.9 million. Effectively that is a decrease of ANG 59.4 million.

As a result, among others, the coverage ratio dropped by 5.5%.

[Click here](#) to read the report.

3.3.6. Legal Compliance Audit: 2017 Financial Statement of Government

Government did not present the 2017 Financial Statements (and therefore also the 2018 Financial Statements) in 2019. By law, the 2017 Financial Statements should have been presented in September 2018. This means that the legal deadline has been missed by more than a year. The 2018 Financial Statements are also delayed.

The General Audit Chamber published a financial calendar in 2019, that lists each legal deadline. We do this to emphasize the importance of adhering to deadlines.

[Click here](#) to view the financial calendar.

Government has set itself a goal of achieving a positive auditor's opinion in 2021. We believe this is a good endeavor. However, the absence of both financial statements makes it evident that there is still a lot of work to be done.

3.3.7. Audit of the confidential expenditures of the Security Service of St. Maarten

This investigation started in 2017 but implementation has been delayed due to the post-Hurricane Irma situation and the change of board in 2019.

The investigation is pending and will continue.

3.4. Advices/Notifications

3.4.1. Advice regarding ministers' integrity statements

Under article 2 of the National Ordinance Promotion of Integrity Ministers, within 30 days of accepting their function, a minister must submit a written statement regarding their assets and that of their direct family to the Prime Minister.

The Prime Minister decides which business interests, secondary functions and secondary activities are undesirable. The Prime Minister requests advice from the General Audit Chamber regarding the decision.

No such request was received in 2019 for the majority of ministers. We consider this worrisome, particularly because the law is intended to promote integrity.

3.4.2. Advice regarding the financial reports of political parties

Based on the National Ordinance Registration and Financing of Political Parties, we review, on request of the Electoral Council, the financial reports of political parties.⁷ Our advice is sent to the Electoral Council. In 2018, the Electoral Council requested that we examine the 2015 financial reports of registered parties. In 2019, the same request was made with regard to the 2016 financial reports.

We advised on the financial reports of 2015 and 2016 in 2019. The financial reports for 2017 and 2018 have not yet been presented to us.

⁷ National Ordinance Registration and Financing of Political Parties, article 29.

3.4.3. Policy on Parliament requests to conduct inquiries

The “Policy on Parliament requests” was presented to Parliament in March 2019. Parliament can request that the General Audit Chamber carry out an investigation, however, we independently determine whether to honor such a request. A policy was drafted as a reference for Parliament in terms of how such a request can be made and what the role of the Audit Chamber will be in the evaluation and subsequent execution of such an investigation.

3.4.4. Notification on pension reform

On March 8, 2019, a Parliamentary meeting in which the Ministry of General Affairs discussed the amendment of the National Pension Ordinance for government workers. As a result of this meeting, the board of the General Audit Chamber decided to conduct an indicative review.

The calculations for the study were carried out by an external actuary on our behalf. We wish to emphasize that the review does not constitute an in-depth audit. Due to time constraints (pension reform was going to take place soon) we opted to conduct an indicative review to facilitate Parliament. Our notification was sent to Parliament in May 2019.

3.5. Social Media

For the General Audit Chamber, social media has been a valuable tool for extending communication and reaching out to the public. Our social media presence has been helpful in extending our outreach.

To determine the effectiveness of our investment in social media, we actively review key performance indicators (KPI’s). Our main social media KPI’s focus on engagement and reach.

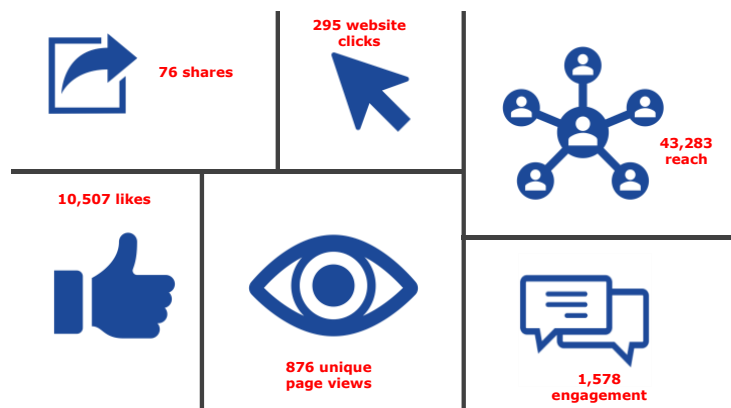
Engagement measures the number of likes, shares, and comments that our social updates receive. Reach indicates how many times a post was viewed. Table 2 shows our 2019 social media KPI’s for our [Facebook page](#).

We posted several video animations in 2019. This is a popular and effective technique to communicate complex audit topics. Our [multi-part series](#) on pensions performed particularly well, with a reach of over 10,000 and 53 shares. The video explaining [functioning and operations](#) of the General Audit Chamber was second most effective in terms of our reach and engagement KPI’s, with a reach of almost 6,300, 69 website clicks and 13 post shares.

We took note that more institutions are using video animations and even started publishing digitally as well, to reduce paper use. , These initiatives are most welcome of course.

The General Audit Chamber will continue to use innovative ways to inform and communicate.

Table 2: Key Performance Indicators



4. Financial accountability

The use of our budget for fiscal year 2019 is described below.

4.1. Budget 2019

The Chairman is responsible for the financial management.⁸ For efficiency of daily operations, the Secretary-General is mandated to carry out certain financial transactions. The Secretary-General reported about this, as was the case in previous years.

Budget realization as reported in the chapter is not based on audited figures. Reliable information regarding payments made on behalf of the General Audit Chamber are not available at the Ministry of Finance. We use our internal systems to register expenditures.

4.1.1. Budget realization

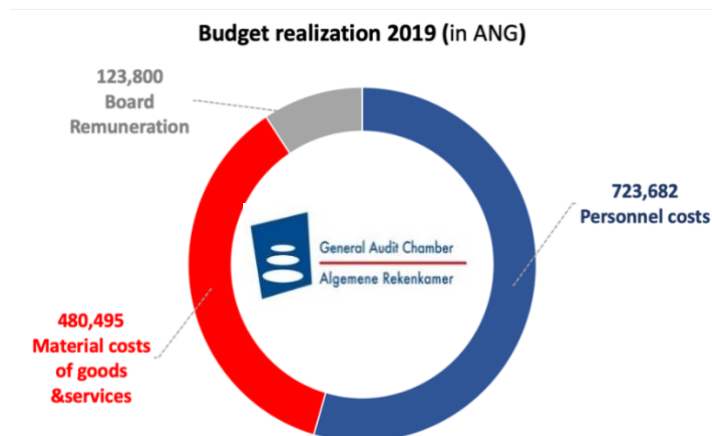
The total budget realization of budget 2019 is 68%. Personnel expenditure is lower than budgeted mainly because of open vacancies. Expenditure for training and travel were at a minimum. The total expenditure corresponds to the spending pattern of previous years. Table 3 shows an overview of the budget realization.

Table 3: overview of the 2019 budget realization

Budget items (ANG)	Budget 2019	Expenditure	Remainder	Realization (%)
Personnel costs	1,264,595	723,682	540,913	57
Material costs of goods & services	538,049	480,495	57,554	89
Remuneration Board	148,000	123,800	24,200	84
Total	1,950,644	1,327,977	622,667	68

Our annual reports are issued prior to the availability of the Government's Financial Statements. Because Government's 2019 Financial Statements are not available, we are unable to report on possible adjustments.

For "material costs of goods and services" we submitted a budget of ANG 750,160.



Mid 2019, the Minister of Finance unlawfully and unilaterally lowered this amount to ANG 686,049.

To avoid stagnating an already delayed budget process, internally we accepted the reduction with the condition that, if the funds were needed, we would request such. We informed the Minister of Finance accordingly.

Because of careful re-budgeting we stayed within the proposed budgeted amounts.

4.1.2. Transition to in-house financial management

Since inception, the General Audit Chamber's financial management was carried out by the Ministry of Finance based on a Service Level Agreement (SLA). In 2019, preparations were made to transition to the in-house financial management of material- and capital expenditures, starting in 2020. In consultation with the Minister of Finance, we agreed to provide quarterly reports. The annual accountability will be presented by no later than March 31 of the following year.

⁸ National Ordinance General Audit Chamber, article 49, paragraph.



General Audit Chamber

Algemene Rekenkamer