

# ANNUAL REPORT 2018



General Audit Chamber

Algemene Rekenkamer



This document is an English translation of the original Dutch language annual report entitled: "Jaarverslag 2018". In the event of textual contradictions or any other differences, the original Dutch text will prevail.

May 2019  
General Audit Chamber, Juancho Yrausquin Bldv 10, Philipsburg, Sint Maarten

## Preamble

This is the annual report 2018 of the General Audit Chamber. More than a year after hurricane Irma, we published three audit reports and issued three advice memoranda. The year 2018 was a very important one for the resilience of our team, proved that “building back better” is equally applicable to the General Audit Chamber. We put more emphasis on digitalization in 2018 and are delighted that this report is the first to be exclusively available in digital form, with links to our audits and our website.

In 2018, the General Audit Chamber set out to increase public outreach via social media. Topics such as the budget, redundancy pay of political authorities and pension, were presented combining animation and information. This initiative has been very successful, with over six thousand views of our animated posts. We will continue this project in the coming year.

**Ronald C. Halman, MBA**  
Chairman

**Keith de Jong, LL.M**  
Act. Secretary-General

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## **1. General**

### **1.1. Introduction**

Parliament and the Governor receive the annual report of the General Audit Chamber prior to July 1<sup>st</sup> of the subsequent year. In this annual report, the General Audit Chamber reports on the activities of the previous year.<sup>1</sup>

The report covers the period from January 1<sup>st</sup>, 2018 through December 31<sup>st</sup>, 2018.

### **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: provides a summary of our operations and the results of audit work conducted in 2018. Furthermore, we show our results regarding Social Media.

Chapter 4: provides the realized financial information for fiscal year 2018. Normally, the realized financial data from the previous annual report are revisited, if necessary. Unfortunately, a review is not possible due to the lack of an approved and audited 2017 Financial Statements from Government.

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<sup>1</sup> National Ordinance General Audit Chamber, article 38.

## 2. The General Audit Chamber

### 2.1. Role

What do we do? We are the institution that is responsible for examining the effectiveness and legal compliance of the revenue and expenditure of Government.<sup>2</sup> Our organization and our methodology are regulated by national ordinance.<sup>3</sup>

#### 2.1.1. Tasks and authorities

We are independent in the execution of our task, which allows us flexibility in carrying out investigation regarding public finances. The General Audit Chamber has been granted certain authority, such as the right to demand information.<sup>4</sup>

The General Audit Chamber is authorized to conduct three types of audit:



Legal Compliance audits  
(was the money lawfully spent?)



Performance audits  
(was the money efficiently spent?)



Integrity audits  
(was there integrity of action?)

Our findings are documented in reports along with our conclusions and recommendations. The recommendations can be used by the subjects of the audit, but the findings are principally intended to facilitate Parliament's supervisory function.

We are also authorized to issue information to Parliament and the Governor. Further consultation can take place on the basis of this information. Additionally, we can communicate proposals, comments and concerns to ministers, which may lead to improvement of the financial management.<sup>5</sup> [For more on our role and the types of audit, click here.](#)

### 2.2. The organization

The General Audit Chamber's board comprises of a Chairman and two members. For most of 2018, two deputy members served on the board. A third deputy member was appointed in October 2018.

The board:

- Mr. Ronald Halman, chairman
- Mr. Mark Kortenoever, vice-chair and member
- Mr. Alphons Gumbs, member
- Mr. Daniel Hassell, deputy member
- Ms. Sheryl Peterson, deputy member
- Mr. [Robert Ferron](#), deputy member (as of October 2018)



Normally the board convenes every two weeks. In 2018, the board met on sixteen occasions. [For more information on our organization, click here.](#)

Due to hurricane Irma, a continuity plan was drafted which contributed to the efficient recovery of the General Audit Chamber. Funding of the recovery was primarily based on insurance proceeds. The continuity plan also contained the planning for fiscal year 2018, for both operational as well as audit activity.

<sup>2</sup> Constitution of St. Maarten, article 74.

<sup>3</sup> National ordinance General Audit Chamber.

<sup>4</sup> Idem, article 26.

<sup>5</sup> Idem, article 39.

### 2.3. Professional contact and business relationships

Cooperation with other audit institutions and professional relationships within the public sector continued in 2018. The following is a summary of these contacts:

Month	Activity
<b>January</b>	Representatives of the World Bank visited. They World Bank manages the reconstruction fund of St. Maarten.
<b>February</b>	Discussions were held with the Minister of Finance. Among the topics discussed, was the progress in preparing and presenting the Financial Statements for 2016 and 2017.
<b>March</b>	The public prosecutor made an introductory visit.
<b>April</b>	A <a href="#">presentation was given to Parliament as part of the orientation week</a> for newly elected members. The tasks and authority of the General Audit Chamber were detailed and the advice on objection and discharge was explained.
<b>June</b>	The <a href="#">Minister of Finance</a> visited the offices of the General Audit Chamber.
	Also in this month, the <a href="#">Dutch representative for Reconstruction</a> met with the Chairman and Secretary-General to discuss the progress of the program.
	The General Audit Chamber participated in the first <a href="#">Conference of Audit Institutions</a> of the Kingdom that was held in Curaçao. Several presentations were provided to colleagues. Prior to the conference, a <a href="#">delegation from the Court of Audit</a> of the Netherlands made an introductory visit to the General Audit Chamber of St. Maarten.
	The Chairman and Secretary-General attended the presentation entitled ' <i>doing business with the World Bank</i> '.
	In this month, the General Audit Chamber also attended the Governor's Symposium, entitled Climate change and small island states.
<b>July</b>	The Reconstruction Coordinator made an introductory visit to the General Audit Chamber.
<b>August</b>	The newly appointed <a href="#">Minister of Finance</a> visited the General Audit Chamber.
	Later in the month, a delegation from the World Bank consulted with the General Audit Chamber.
	The <a href="#">Auditor General of the Supreme Audit Institution of Guyana</a> met with the Chairman of the General Audit Chamber.
	<a href="#">Member of Parliament Peterson</a> visited the General Audit Chamber. In April, he was not yet elected to Parliament and did not attend the orientation week.
<b>September</b>	The incoming members of Government were provided with a presentation along with their members of staff.
<b>October</b>	A delegation from the Council of State of the Netherlands, visited the General Audit Chamber. St. Maarten's member of the Council was introduced during the visit.
	Also, in this month a delegation from the Reconstruction Committee visited the General Audit Chamber.
	The General Audit Chamber contributed to the evaluation of the Kingdom Law Financial Supervision.
<b>November</b>	The Committee for Country Expenditures was provided with a presentation regarding the audit report on redundancy pay for political authorities.
<b>December</b>	The World Bank Group Corporate Governance met with the General Audit Chamber.
	The board of the SOAB met with their counterparts of the General Audit Chamber.
<b>Continuous</b>	During the year, technical contact was maintained with the Cft (Committee on financial supervision- <i>Collegie financieel toezicht</i> ) as well as ministries regarding topics of mutual interest.

### 3. Operations

Activities related to operations for the fiscal year 2018 are presented in the following sections.

#### 3.1. Staffing of the secretariat

By law, the formation of the General Audit Chamber consists of eight (8) FTE's.<sup>6</sup> Table 1 shows the level of staffing in 2018.

In 2018, the staffing complement was seven full-time staff members. This is comprised of a secretary-general, three auditors, a head of finance, and an administrative assistant. Furthermore, the audit team was supported by a part-time certified accountant in 2018.

**Table 1: level of staffing in 2018**

Function	Status
Secretary-General	Full-time
Legal advisor	Full-time
Auditor (3x)	Full-time
Certified accountant	Part-time
Head of Finance	Full-time
Administrative assistant	Full-time

In June 2018, two of our auditors opted to depart from the General Audit Chamber. We wish them much future success.

#### 3.2. Audit work

Audit work conducted in 2018 is described in the following sections.

##### 3.2.1. QuickScan: Crime Prevention Fund



Based on information from the 2015 Financial Statements (the 2016 Financial Statements were not available until October 2018), it appeared that the revenue and expenditure of the Crime Prevention Fund were not accurately or completely accounted for. In previous audit reports, we concluded that the fund's accountability was not adequate. This was the reason for conducting a Quick Scan to gain insight into the fund for fiscal year 2016. [Click here for a link to the report.](#)

The fund was established by law with the objective of financing projects against crime. The fund is managed by the Minister of Justice. We have investigated the size of the fund, as well as compliance with the law and financial management.

The results of our audit show a lack of legal compliance in the past, the financial management was deficient, and the Minister of Justice was not 'in control'. There is a risk that the allocation of funds for projects in 2016, was not in line with the Fund's objectives, and as such, occurred contrary to regulation.

We advised the Minister of Justice to comply with regulations, to clarify who is responsible for what at the Fund, and to put the financial management in order. It was our intention to publish this audit report in the third quarter of 2017. Due to hurricane Irma in September 2017, the report was published in February 2018.

<sup>6</sup> Fulltime equivalent: often abbreviated as FTE, is a unit of measurement to express workload as a function of full-time staffing. One FTE is a complete work week and equivalent to a full-time employee, while 0.5 FTE indicates work is performed in part-time, specifically half.

### 3.2.2. Compliance audit: APS' 2016 Financial Statements

In their 2016 Financial Statements, APS reports a coverage ratio of 99.6% (2015: 92.6%), which again shows that the Fund is not financially healthy. The Minister of Finance plays an important role. Not only does he carry the administrative responsibility for APS, but in our opinion, it is the task of the Minister to protect the interests of the Fund's participants. The lack of settlement of the outstanding claim against government, a longstanding issue, does not help the situation. The improvement of the coverage ratio at the end of 2016 is primarily due to the change of the age of retirement from 60 to 62. [Click here for a link to the report.](#)



It is known that as part of the proposed pension reform, the retirement age will increase to 65. The change of retirement age will again positively impact the coverage ratio, as the period to receive benefits will decrease and the participant will pay premiums longer. We determined that, with exception of a few stipulations, APS acted in compliance with the law. We are not sure APS was 'in control' in 2016, based on the findings regarding the international investment portfolio. As a result, there is a chance that the Fund did not attain a maximum yield on the portfolio.

In our opinion, APS' 2016 Financial Statements provide a true and fair representation of the position and the financial result as of December 31, 2016, with a number of exceptions. These exceptions relate to the valuation of ANG 37.1 million in outstanding claims, uncertainty regarding the timing of the settlement of the claim of ANG 20.2 million, and the adequacy measures for managing the registration and amendment process that ensures a reliable participant administration. As a result, there is uncertainty regarding the size of the provision pension obligation on the balance sheet.

In our reports, we express the hope that future improvement of APS' coverage ratio will not primarily be due to increasing burdens on participants in the form of changes pension fund amendments.

### 3.2.3. Redundancy pay for political authorities

A former member of Parliament or minister is entitled to a benefit. These persons are also referred to as political authorities. The benefit is more popularly known as redundancy pay and is meant to avoid an abrupt and unexpected decline in income. Maximum duration of the benefit of ex-political authorities is two years.

Redundancy pay is directly paid from the national budget. The benefit decreases from 95% to 70% of the monthly salary over time. In addition, once additional income is earned, the amount is deducted from the benefit.



The objectives of our audit were: to determine how many political authorities were entitled to redundancy pay in 2017, the amount of public money spent on the benefit, the functioning of the process from application to payment, and the degree to which the Minister of Finance provided the required (intensive) oversight. Every country within the Kingdom maintains similar regulations. We compared the various regulations and reported the significant differences. [Click here for a link to the report.](#)

Our findings indicated that the benefit (redundancy pay) is not clearly budgeted. Whereas Parliament was able to provide information, Government was unable to show the amount budgeted for redundancy pay in 2017.

Legal procedures were not adhered to. In the past, advances were paid in lieu of the benefit. The legal basis for payment of redundancy pay was absent, with one exception. As far as we were able to determine, applications for the benefit have been pending since 2014 at the Ministry of Finance.

Despite the absence of formal decision-making, advances in lieu of redundancy pay were disbursed under the watchful eye of the Minister of Finance. We were unable to determine the total amount paid in advances in lieu of redundancy pay in 2017. This is because the information received from the Ministry of Finance was both incomplete and unreliable. Our research shows that the intensive oversight, required by the law, does not take place.

We recommend that the Minister of Finance, use our findings to improve the internal organization to secure lawful payments of redundancy benefits.

### 3.2.4. Audit of the confidential expenditure of the St. Maarten Security Service

This audit was initiated in 2017, but implementation was postponed due to hurricane Irma. However, the project's delay is primarily due to protracted discussions with the department itself about the methodology for conducting the audit. In December 2018, the Prime Minister was formally asked to take a position regarding the General Audit Chamber's authority to carry out the investigation.

The audit is pending and will continue.

## 3.3. Advices/Notices

### 3.3.1. Advice on the integrity statements of ministers

Pursuant to the National ordinance for the promotion of integrity of ministers, the General Audit Chamber receives advice requests from the Prime Minister regarding the integrity statements of incoming ministers, or from the Council of Advice regarding the Prime Minister's integrity statement.<sup>7</sup>

We received requests to advise on the statements of incoming ministers of the Romeo-Marlin I Cabinet at the end of February 2018. The General Audit Chamber provided the advice at the beginning of March.

Subsequently, we were requested to advise on the integrity statements of the Romeo-Marlin II Cabinet in July 2018. Our advice was sent to the Prime Minister and the Vice-President of the Council of Advice in that same month. The request for advice on the integrity statement of the Minister of Education, Culture, Youth and Sport, was sent separately. At the beginning of August, we provided the Prime Minister with our written advice.

### 3.3.2. Financial reports of political parties

In accordance with the National ordinance registration and finances of political parties, we review, on request of the Electoral Council, the financial reports of political parties.<sup>8</sup> Advice is issued to the Electoral Council.

The Electoral Council requested the General Audit Chamber to review the reports of registered political parties; these were the 2015 annual reports. During the audit, we requested additional information from the Council. Despite contact regarding the progress of the review, we have not received the requested information so as to finalize the work in 2018.

### 3.3.3. Objection and discharge

We are tasked with the examination of the performance and legal compliance of Government's revenue and expenditure.<sup>9</sup> When, during the conduct of our audits, we find legal non-compliance or deficiencies, we can consider issuing an objection. If we decide to issue an objection, it means that we have identified serious and/or long-standing issues.

The consequences of an objection, including providing discharge of responsibility (Parliament's annual approval of the financial management of ministers), are explained in this advice. We advised Parliament to use this document as a reference in the event the General Audit Chamber issues an objection. Additionally, the advice can be used during the handling of Government's financial statements and discharging ministers of their responsibility for financial management.

<sup>7</sup> National ordinance promotion of integrity of ministers, AB 2010, GT no. 22.

<sup>8</sup> National ordinance registration and finances of political parties, article 29.

<sup>9</sup> Constitution, article 74, second paragraph.

### 3.4. Social Media

Social media was introduced to our communication strategy in 2017. We extended the communication strategy in 2018. The following is a summary of the results.



*Reach*  
46,559

*Reach* refers to the number of times the content on our [Facebook](#) page was shown. In 2018, the *reach* exceeded 46,000.



*Views*  
20,764

The General Audit Chamber's animations accumulated almost 21,000 views in 2018. The most popular was "What is [Redundancy Pay](#)?" with over 6,700 views.



*Engagement*  
4,814

*Engagement* refers to the number of interactions people have with the content, such as likes, comments and shares. In 2018, the engagement exceeded 4,800.

Our animations were popular in 2018, with an average of 2,750 views per post. The views per animation are as follows: (in 1,000)



## 4. Financial report

In the following sections, we report on the utilization of our budget for fiscal year 2018.

### 4.1. 2018 Budget

The Chairman is responsible for financial management.<sup>10</sup> The Secretary-General is authorized to carry out certain financial transactions in the daily operations for efficiency reasons. In 2018, as in previous years, the Secretary-General provided the board with reports regarding the use of this authority.

Budget realization, as reported in this Chapter, is based on unaudited information. Reliable information regarding payments done on behalf of the General Audit Chamber, are not available from the Ministry of Finance. We therefore report based on the data from our internal financial system in which we record transactions.

#### 4.1.1. Budget realization

The budget realization for 2018 stands at 67%. Personnel costs were lower than budgeted. There are several reasons for this. In June, two staff members opted to leave the employ of the General Audit Chamber. Training and travel expenditure were also lower due to the hurricane. In December, we submitted a budget amendment to compensate for overruns with other items.

The total expenditure corresponds to the pattern of previous years despite the situation caused by the hurricane. The availability of insurance funds plays a role in this, as the General Audit Chamber did not request any additional funds from the Country for the reconstruction of the institute.

Table 2 depicts a summary of the budget spent. These is provisional data, subject to change when the Government's audited financial statements are available.

**Table 2: summary of budget realization for 2018**

<b>Budget item (ANG)</b>	<b>Budget 2018</b>	<b>Expenditure estimate</b>	<b>Balance</b>	<b>Realization (%)</b>
Personnel costs	1,453,436	850,040	603,396	58
Material expenditure, goods & services	752,325	626,997	125,328	83
<b>Total</b>	<b>2,205,761</b>	<b>1,477,037</b>	<b>728,724</b>	<b>67</b>

The budget items on the capital account were not used in 2018. Therefore, the capital account is excluded from the table above.

Our annual reports are published prior to Government's financial statements becoming available. Normally, we report on any adjustments on the basis of audited information. Because the 2017 Financial Statements of St. Maarten are not yet available, we are unable to present potential restatements. We will report on any changes in our next annual report once the information is present.

<sup>10</sup> National ordinance General Audit Chamber, article 46, second paragraph.



General Audit Chamber

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Algemene Rekenkamer