



**Court of Audit of St. Eustatius**

Public Entity of St. Eustatius  
for the attention of the Government Commissioner, Mr Van Rij  
Government Guesthouse  
Fort Oranjestraat  
Oranjestad, St. Eustatius

Subject: audit schedule 2020

11 December 2020

Dear Mr Van Rij,

On 14 May 2020 you appointed the members of the Court of Audit of St. Eustatius, providing the Public Entity with an operational Court of Audit. Despite the restrictions due to Covid-19 and the fact that it was impossible to visit the island, the Court of Audit has been able to carry out a lot of preparatory work since that time. It has worked remotely, using digital means of communication to speak with various stakeholders, both within and outside the Public Entity, and has consulted various documents. The Court of Audit has thus been able to gain a good initial impression of the administrative state of affairs on the island and the principal problems encountered there. On this basis it was possible to determine an appropriate initial audit topic.

In determining an audit topic, the Court of Audit ensured that there would be no overlap with audits conducted by the Netherlands Court of Audit. It was also necessary to exclude topics on which the Netherlands Court of Audit has audit powers, as a large proportion of the Public Entity's financial resources comprise earmarked funds made available by the Government of the Netherlands. This proportion will have been particularly large in recent years, with the Netherlands having assumed administrative authority over the island. The Court of Audit of St. Eustatius has no power to audit the use of these resources.

The Court of Audit finally decided to begin an audit this year of the granting of subsidies to various foundations. This will cover the deployment of the Public Entity's own resources to organisations based on the island which expressly fulfil a public function. It is therefore a topic for which the administration of the Public Entity bears primary responsibility and which is of great importance to the citizens of St. Eustatius. The audit begins in the autumn of 2020. The report is due to be completed in the spring of 2021, partly depending on the availability of information and the possibility of visiting the island.

On behalf of the Board of the Court of Audit of St. Eustatius, I have appended the audit plan for information purposes. Please also share this with the recently installed Island Council. We will shortly provide a version of this document in English.

Yours sincerely,

drs. P. Hofstra RO CIA  
Chairman



## ANNEX: PLAN FOR AN AUDIT OF THE GRANTING OF SUBSIDIES

### 1-1 introduction

The granting of subsidies is an important means by which governments can achieve social objectives. Governments grant subsidies for a wide variety of reasons. For example, a subsidy can enable an organisation to offer activities for young people, a library to contribute to citizens' language skills and cultural activities to be organised. All these activities help ensure that citizens can use facilities and that functions important to society can continue to exist.

The Public Entity of St. Eustatius (referred to in this document as St. Eustatius or OLSE) grants subsidies to a range of organisations. These are foundations focused on activities in areas such as tourism, social housing, monument conservation, libraries or sport. An amount of \$1.775 million was included for these in the 2020 budget. This sum provides financial support for a total of 11 organisations. The smallest subsidy is over \$23,000 for the Expertise Center. The largest budget is earmarked for the St. Eustatius Tourist Development Foundation: \$330,000.<sup>1</sup>

To deliver maximum impact for citizens, it is important that the OLSE grants subsidies diligently and that the organisations concerned put the subsidy to the best possible use. Due to their high social value, the Court of Audit intends to conduct an audit of the granting of subsidies. The Court of Audit will examine how the granting of subsidies is organised, how the subsidy process operates in practice and what social impacts the subsidies have. The Court of Audit will devote particular attention to possible improvements.

### 1-2 subsidy regulation

The way in which subsidies are granted is set out in the St. Eustatius Subsidy Regulation 2020. That regulation distinguishes two types of subsidy:

- the event subsidy: contribution to support the organisation of an event for residents or specific target groups;
- the task subsidy: contribution to an institution to perform a task recognised by the Public Entity.

For the granting of subsidies the subsidy regulation specifies requirements for the application, granting and accounting. The current regulation was adopted in July 2020 and replaces the previous regulation of 2018. Changes compared to the previous regulation include:

- introduction of the concept of performance agreement. Previously a management agreement had to be drawn up;
- provision for the setting of a subsidy ceiling;
- more detailed requirements for financial accounting. These include a distinction in terms of the amount of the subsidy (accounting for subsidies below \$5,000, between \$5,000 and \$25,000 and above \$25,000). Amounts over \$25,000, for example, require financial statements and an audit report.

### 1-3 objective and central question

By means of this audit the Court of Audit intends to assess whether:

- a structure is in place that enables subsidies to be granted lawfully;
- the subsidy process in practice meets the specified conditions and is conducted efficiently;
- the subsidies contribute to the desired social impacts;

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<sup>1</sup> Public Entity of St. Eustatius, 'Budget 2020-2023', 2019.



- improvements could be made to the organisation or the process of granting subsidies.

The central question for the audit is as follows:

*Does the Public Entity of St. Eustatius grant subsidies in a lawful and efficient manner, do these subsidies contribute to the desired social impacts and could improvements be made?*

#### **subsidiary questions**

- 1 How is the granting of subsidies arranged in terms of organisation and content?
- 2 Is there a structure within which subsidies can be lawfully granted?
- 3 Does the granting of subsidies meet the conditions in practice and is it conducted efficiently?
- 4 Do the subsidies contribute to the desired social impacts?
- 5 What improvements are required to the organisation or implementation?

### **1-4 scope and standards framework**

In the audit the Court of Audit will examine only the granting of subsidies to the 11 organisations included in the St. Eustatius budget. Other incidental grants of subsidies for events or to support students abroad fall outside the scope of the audit. In the audit the Court of Audit will as far as possible examine the current position. The focus will be on subsidies granted in 2019, because for that year it is possible to obtain a complete picture of the entire application and accounting process. These subsidies were granted under the old regulation dating from 2018. The Court of Audit will therefore also assess the extent to which the new regulation already addresses any deficiencies.

In the assessment of question 4 (contribution to social impacts) the Court of Audit will limit itself to surveying the activities undertaken by the institutions and the results of the activities as presented by the institutions themselves. An audit of target groups or users of the foundations' activities falls outside the audit scope.

#### **standards framework**

The Court of Audit uses a standards framework to answer audit questions.

The standards have been derived from common requirements relating to the lawfulness, efficiency and effectiveness of the granting of subsidies. The Court of Audit will refine these standards further during the conduct of the audit if there are grounds to do so. Some of the audit questions (one and five) have the purpose of taking stock or reaching a conclusion. No standards have been formulated for these.

#### *1 How is the granting of subsidies arranged in terms of organisation and content?*

This is a stock-taking question to which no standards apply.

#### *2 Is there a structure within which subsidies can be lawfully granted?*

- there is a regulation setting out the methods of application, granting and accounting;
- there is a subsidy application format that includes information of relevance to the assessment;
- there is a transparent framework for the assessment of applications;
- the assessment is carried out by officials who have no interests in the organisation they are assessing;
- an order specifies the conditions which the subsidy recipient must meet;
- specific deliverables are agreed with the subsidy recipient and these are a logical result of the policy;
- agreements are entered into on the method of accounting for the content and the financing;
- an audit protocol is used to assess the extent to which subsidy recipients meet the specified conditions.



## Court of Audit of St. Eustatius

### 3 *Does the granting of subsidies meet the conditions in practice and is it conducted efficiently?*

- applications are submitted, granted and adopted within the specified periods;
- the submission periods are realistic and the required information is appropriate and does not lead to unnecessary administrative burdens;
- the application format is comprehensible, concrete and accessible to applicants;
- subsidy applications are only granted if they include the required data;
- subsidy applications are assessed transparently;
- the granting of the subsidy and the amount involved are properly justified;
- subsidy recipients provide the required accounting information on time with regard to content and financing;
- the accounting meets the conditions in the regulation and the order;
- the accounting is assessed and any necessary action is taken;
- the subsidy recipient can clearly understand which administrative obligations have to be met and when.

### 4 *Do the subsidies contribute to the desired social impacts?*

- the applications establish a clear link with the policy goals;
- the assessment includes a review of the extent to which the application meets the policy goals;
- the subsidy recipient's activities are consistent with the policy goals;
- the results of the activities are measured.

### 5 *What improvements are required to the organisation or implementation?*

This is a stock-taking question to which no standards apply.

## 1-5 **organisation, schedule and conduct of the audit**

The audit mainly includes studying relevant documents, interviews with subsidised organisations and interviews with parties involved in the granting of the subsidy by the OSLE.

To answer these questions, the Court of Audit will study the following documents among others:

- budgets and financial statements of St. Eustatius;
- the subsidy regulation, application forms and other policy frameworks for the granting of subsidies;
- submitted applications, assessments, orders, work plans, accounting documents of institutions.

The Court of Audit will conduct discussions with the 11 subsidised organisations. The aim is to understand the subsidy application and accounting process, review information in the documents and add any missing information. The Court of Audit will also conduct discussions with parties involved in the granting of subsidies by the Public Entity. Discussions will also take place with the Island Secretary and the Government Commissioner.

The Court of Audit will record the results in a summary report. This will first be presented to the civil service organisation to hear its view. On this basis the Court of Audit will draw up the administrative conclusions and recommendations. The full report will then be presented to the day-to-day management of the Public Entity for clearance at ministerial level.

### **schedule**

The audit began in December 2020. It is scheduled to be completed in the first quarter of 2021.



## Court of Audit of St. Eustatius

### **conduct**

The audit is being conducted by a project team consisting of Rolf Willemse and Jaap Wils.

### **1-6 privacy**

No personal data will be processed in this audit, other than the data of employees of the subsidised organisations or the Public Entity without which the Court of Audit would not be able to conduct the audit. These employees' data will only include their name, position and business contact details and will be used in accordance with the GDPR and the Court of Audit's privacy policy based upon it (see various documents at [www.rekenkamer.rotterdam.nl](http://www.rekenkamer.rotterdam.nl)). The audit will not involve the processing of sensitive personal data.