



Court of Audit of St. Eustatius

GRANTING OF SUBSIDIES - AUDIT

December, 2021

Members Court of Audit Saint Eustatius:

Drs. P. Hofstra RO CIA, chair

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Audit conducted by:

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1 Introduction

1-1 Reason for the audit

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

The Public Entity of St. Eustatius (also referred to in this document as St. Eustatius or the PESE) grants subsidies to a range of organizations. These are foundations focused on activities in areas such as tourism, social housing, monument conservation, libraries or sport. To deliver maximum impact for citizens, it is important that the PESE grants subsidies diligently and that the organizations concerned put the subsidy to the best possible use. Due to their high social value, the Court of Audit has conducted an audit of the granting of subsidies.

1-2 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;
- improvements could be made to the organization 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 much subsidy is granted, and how is the granting of subsidies arranged in terms of organization and content?
- 2 Is there a structure within which subsidies can be lawfully granted?
- 3 Does the granting of subsidies fulfil the conditions in practice and is it conducted efficiently?
- 4 Do the subsidies contribute to the desired social impacts?
- 5 What improvements in the organization or implementation are necessary?

1-3 Research method

The audit mainly included studying relevant documents, interviews with subsidized organizations and interviews with parties involved in the granting of the subsidy by the PESE.

In order to answer these questions the Court of Audit studied, among others, the following documents:

- budgets and annual accounts of St. Eustatius;
- the subsidy regulations, application forms and other process descriptions for the granting of subsidies;



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- submitted applications, assessments, orders, performance agreements and accounting documents of institutions.

The Court of Audit has conducted discussions with eleven subsidized organizations and with two organizations that submitted applications that were not awarded. The Court of Audit has also spoken with employees of the Public Entity who are involved with the granting of subsidies.

The results of the audit were first presented to the civil service organization on the 25th of October 2021 to hear its view. After processing the responses the Court of Audit has drawn up its administrative conclusions and recommendations. On the 15th of November 2021 the full report, including the conclusions and recommendations, has been presented to the Executive Council of the Public Entity for administrative consideration of the issues.

1-4 Document structure

The administrative conclusions and recommendations, including the reaction of the executive council and the epilogue of the audit office, will be presented after this section. They are mainly intended for the political-administrative debate between the Island Council and the Executive Council. The administrative conclusions and recommendations are derived from the findings from the answers to the audit questions. These are contained in sections 3 to 7.

In section 3 we address the number of subsidies and the manner in which their granting is regulated within the organization. Section 4 then addresses the manner in which the process of application and granting of subsidies is regulated on paper. The fifth section deals with the manner in which the granting of subsidy functions in practice. Section 6 covers the degree to which there is attention for the social impacts of subsidies. Finally, section 7 deals with points for improvement in the design and implementation.

Every section starts with an introduction of the standards that are assessed, followed by a paragraph in which the findings on the tested standards are presented. This paragraph begins with a brief summary, in italics, of the main findings.



2 Administrative conclusions and recommendations

2-1 Introduction

This section contains the administrative conclusions and recommendations arising from the audit, the executive council's reaction and the epilogue of the court of audit.

2-2 Administrative conclusions

1. *In the last two years the Public Entity has made progress in improving the organization of the subsidy process. More attention is being paid to making agreements concerning deliverables and accountability. There has also recently been more attention for contact with organizations. At the same time the Court of Audit sees many aspects of the organization and implementation that require improvement.*

The organization of the granting of subsidies has recently been put reasonably in order. Among other things, the performance agreements that have been introduced provide clarity to institutions with regard to what is expected of them. However, some important process agreements or operational instructions to ensure a transparent and independent process of assessing and monitoring the grants are still lacking. For example, the Court of Audit cannot currently identify an assessment framework with which the Public Entity makes a collective judgement on the quality of all applications. This is particularly important in order to offer any new applicants an equal opportunity. Agreements to limit conflicts of interest are also currently lacking. Furthermore, an operational instruction on the monitoring of compliance with agreements by institutions is currently lacking.

Despite the improvements in the organization, in recent years many conditions have not been met by both some of the institutions and the Public Entity. This concerns the meeting of deadlines, the completeness of applications and the compliance with the accountability requirements. In addition, no active monitoring and assessment of the results of institutions has taken place. The archiving of relevant documents by the Public Entity is also unsatisfactory. Progress can be discerned in the implementation in 2021. In particular, in the past year the Public Entity has invested in better communication and involvement with institutions and more attention for compliance with reporting obligations.

2. *An important point for attention with regard to accountability is that subsidized institutions may issue annual accounts without an audit report. Because of this the Executive Council and the Island Council have no insight into whether the subsidy monies are allocated to the right things and in accordance with the rules (fairness and lawfulness).*

In recent years not all institutions have supplied annual accounts at the end of the subsidy year. In addition, in most cases the documents that have been supplied have not been compiled by an accountant. None of the annual accounts contained an audit report by an accountant. On the basis of the subsidy regulations an audit report is required for every subsidy over \$25,000, but in the performance agreement it is specified that this is only necessary at the request of the Public Entity. In practice no use is made of this provision. Because of this there is no 'lock on the door' with which it can be assured that subsidies are granted in the correct manner.



3. *Because of the manner of reporting by the PESE in annual accounts and budgets it is difficult to discover how much subsidy has been received by all institutions. This means the Island Council acquires insufficient insight into who has received or will receive what. This impairs its budgetary powers and monitoring task.*

The annual accounts and budgets do not give a complete picture of the annual utilization of subsidy by each institution. This is because some institutions are mentioned separately and others are not. There are also inconsistencies between the budgets and the annual accounts, for example because an institution had not received any subsidy although this was stated in the budget. Annual accounts do not give a complete picture of the subsidy actually granted to each institution.

4. *Subsidies are intended to distribute money for socially relevant activities on the basis of political priorities and policy frameworks. In practice the granting of subsidies largely takes place on the basis of the past, because the tasks of the organization were then regarded as socially relevant. Subsidies are rarely used to distribute the money on the basis of the political ambitions and policy aims of the Public Entity (with the exception of the sport policy). An important cause of this is that policy aims are insufficiently present.*

For many years the subsidies have been granted to a more or less fixed group of institutions. The Public Entity has established that these institutions focus on socially relevant activities. There is however no further substantiation of this. There is no direct relationship with the policy aims of the Public Entity. An exception is the sport policy, in which a clear relationship has been established between policy aims and the activities of the foundation concerned.

5. *As a consequence of the lack of policy aims and a focus on this in the granting of subsidy, little attention is paid to the reason why subsidy is granted in the justification for subsidy decisions by the PESE. The justification is primarily financially driven, and pays no attention to the policy aims that the application fits (or does not fit) in with. Foundations are also not sufficiently challenged to state what they need the subsidy for and what they achieve with it.*

The rationale in subsidy decisions for the granting or refusal is extremely brief and amounts to little more than a standard phrase concerning the social relevance of activities. In granting a lower amount than applied for or in the event of a rejection reference is only made to the limited financial resources. There is no substantive explanation of the policy aims that the subsidy must contribute to. In the application form institutions are requested to specify their aims and results in concrete terms. In many applications, however, this is hardly done.

6. *Subsidy should only be given for an approved task and associated activities or projects. These concepts are however broadly interpreted by the PESE, because of which subsidy is also granted to organizations for things that strictly speaking do not fit within the subsidy framework.*

The absence of clear policy aims and a clear interpretation of the concept of an 'approved task' makes it difficult for the granting of subsidy to determine which organizations are or are not eligible for a subsidy. Various organizations now receive subsidy without there being a clear connection with the performance of an approved task and activities to be carried out in this connection. This concerns, for example, the financing of an institution's rental expenses or a part of the running costs of a building.



7. *For a number of institutions the subsidy relationship is partly based on other agreements, such as a contract for professional services or management contract. In these contracts agreements on the performance of activities are made with the foundation in question. Because of this, various instruments of civil and administrative law are used alongside each other without their mutual relationship being clear. It is not clear what the institutions concerned and the PESE should invoke in the event of disputes.*

Only institutions such as the St Eustatius Center for Archaeological Research (SECAR), the St Eustatius National Parks Foundation (STENAPA) and the St Eustatius Sports Facilities Foundation (SSFF) have entered into separate agreements with the Public Entity in addition to the subsidy. The mutual tasks and responsibilities are established in these. These agreements make it clear for the institutions concerned what their activities must contribute to. At the same time, it is not clear how these agreements precisely relate to the subsidy decision and the agreements in the performance agreements. If disputes arise concerning the performance of tasks, it is not clear whether the subsidy conditions (in administrative law) or agreements (in civil law) can be invoked.

2-3 Recommendations

On the basis of the administrative conclusions, the Court of Audit has arrived at the following recommendations to the Executive Council:

1. Implement the points for improvement specified in section 7.
2. Always make use of the provision in the subsidy regulations that foundations with a subsidy of more than \$25,000 must supply an audit report with their annual accounts.
3. Include a subsidy statement in the budgets and the annual accounts, in which the subsidy budgeted for and ultimately granted are stated.
4. Formulate concrete objectives for each area of policy in which subsidized institutions are active (What do we want to achieve? What social impacts do we envisage?). Do this in dialogue with the foundations in question. Then present these objectives – contained in a policy plan or otherwise to the Island Council, thus enabling the Island Council to set further priorities. Determine the distribution and the level of the subsidies on the basis of the outcome of the political debate in the Island Council.
5. Avoid subsidies being granted to foundations while, strictly speaking, there cannot be considered to be a task recognized by the PESE (such as only subsidy for rental costs).
6. Do not use different instruments alongside each other in the relationship with foundations; thus not a subsidy relationship alongside a contract for professional services or management contract, but either one or the other.

2-4 Reaction executive council¹

Als plaatsvervangend regeringscommissaris heb ik kennis genomen van de conclusies en aanbevelingen van uw onderzoek naar de subsidieverstrekking bij het Openbaar Lichaam van Sint Eustatius. Het verlenen van subsidies maakt de bewoners, ondernemingen en instellingen op Sint Eustatius mogelijk om bij te dragen aan een eiland welke aantrekkelijk is om op te leven.

¹ It was not possible to have an English translation of the reaction on time. In order to do justice to the remarks made, the reaction has been included in the audit report in its original form (that is, in Dutch).



Namens het Openbaar Lichaam spreek ik mijn waardering uit voor het onderzoek naar dit thema. Onder de Wet Herstel Voorzieningen St. Eustatius is dit één van de criteria, welke onderdeel uitmaakt in de stap naar het herstel van het democratisch poliek-bestuurlijk bestel. Uw onderzoek geeft aan dat het Openbaar Lichaam in de afgelopen twee jaar vooruitgang heeft geboekt in het beter organiseren van het subsidieproces. En daarnaast wordt er meer aandacht besteed aan het maken van afspraken over prestaties en verantwoording. De afgelopen twee jaar is geïnvesteerd in het op orde brengen van de werkprocessen rond het proces van subsidieverlening.

Uw onderzoeksbevinding bevat zes bestuurlijke conclusies waar de (plv.) Regeringscommissaris zich in kan vinden. Met een kanttekening waar het gaat om de bestuurlijke conclusie onder punt 3, 'Door de wijze van rapporteren door OLE in jaarrekeningen en begrotingen is het niet goed mogelijk voor alle instellingen te herleiden hoeveel subsidie is ontvangen. De eilandraad krijgt daarmee onvoldoende zicht op wie wat heeft gekregen of gaat krijgen. Dit doet afbreuk aan haar budgetrecht en controlerende taak'.

Hierover willen wij opmerken dat de Eilandsraad in deze fase van de Nederlandse politiek-bestuurlijke interventie onder de juridische grondslag van de Wet Herstel Voorzieningen St. Eustatius nog geen budgettaire bevoegdheid heeft en dat deze bevoegdheid vooralsnog bij de (plv.) Regeringscommissaris is belegd. Echter, uw onderzoek geeft voldoende inzicht in de verbeteracties die er thans nog zijn om dit onderwerp/criteria duurzaam te implementeren en te waarborgen en dit helpt zowel de Eilandsraad als het Openbaar Lichaam in het helder krijgen van wat er nog moet gebeuren om een helder subsidieproces te hebben voor bewoners, ondernemingen en instellingen.

2-5 Epilogue Court of Audit

The Court of Audit would like to thank the Executive Council for the positive reception of the research results. Although this has not been explicitly stated, the Court of Audit assumes that the Executive Council also wants to follow up on all recommendations. The political-administrative debate on this will still take place in a meeting of the island council.

With respect to conclusion 3, the Executive Council rightly notes that the Island Council has not yet regained its budgetary authority. However, as the reaction also shows, it is already possible to act in the spirit of the conclusion, in anticipation of a full restoration of the powers of the Island Council.



3 Granting of subsidies: scope and organization

3-1 Introduction

This section is mainly focused on the following question:

1 *How much subsidy is granted, and how is the granting arranged in organizational terms?*

This is a question for the purpose of taking stock. The Court of Audit does not apply any standards for this.

3-2 Scope and organization of the subsidy process

The Public Entity grants subsidy of approximately \$1.7 million to eleven organizations. Both the number of organizations that receive subsidy and the amount of the subsidy have been virtually constant for many years. Indexations or adjustments on the basis of agreements on specific deliverables have not taken place in recent years.

The annual accounts and budgets do not give a complete picture of the annual utilization of subsidy by each institution. It is not possible to deduce how much subsidy has been received by all institutions.

A process description has been drawn up for the processing of applications and the granting of subsidies. The process description is a concrete translation of the subsidy regulations. Not all employees of the PESE are familiar with the process description.

Subsidies granted

In 2021 the Public Entity has granted subsidies to eleven organizations, with a total amount of over \$1.7 million. The highest subsidy amount was \$330,000, the lowest amount was \$10,000.

Table 1 provides an overview of the annual utilization of subsidies.

Table 1: overview utilization task subsidies (\$) ²					
	2018	2019	2020	2021	2022-2024
Small Enterprise Stimulation Program	30,000	30,000	30,000	30,000	30,000
Public Library	166,706	168,879	168,879	168,879	168,879
Sports Facilities Foundation	329,221	320,300	320,300	320,300	320,300
Monuments Foundation	46,152	39,888	51,956	- ³	51,956
Historical Foundation	85,592	87,036	106,782	106,782	106,782
Center for Archaeological Research	50,000	50,000	50,000	50,000	50,000
National Parks	175,000	176,150	177,150	177,150	177,150
Tourism Development Foundation	346,401	330,103	330,103	330,103	330,103
Youth Care Foundation	300,000	300,000	300,000	300,000	300,000
Housing Foundation	216,000	217,000	216,000	216,000	216,000
Mega Youth Foundation	45,600	-	-	-	-
Social and Welfare Work Organization	-	41,920	-	-	-

² Sint Eustatius Public Entity, 'Annual Accounts of Sint Eustatius Public Body 2020', 17 September 2021; Sint Eustatius Public Entity, 'Annual Accounts of Sint Eustatius Public Body 2019', 30 June 2021; Sint Eustatius Public Entity: 'Multi-Annual Budget 2021-2024', November 2020.

³ According to the budget the Monuments Foundation received subsidy in 2021, but in reality that was not the case.



Expertise Center	-	-	23,880 ⁴	23,880	23,880
Lions Club	-	-	- ⁵	10,000	10,000
Total	1,790,672	1,761,276	1,751,170	1,733,094	1,785,050

The figures in the table are based on the annual accounts and the budgets of the PESE. The figures for 2018-2020 are derived from the annual accounts. For 2021 and later the figures are based on the budgets.

While few alterations have taken place in recent years, for some components it is not entirely possible to identify which institutions have received subsidy. In the annual accounts the manner of reporting is not entirely consistent, because some institutions are mentioned separately and others are not. With regard to some institutions the manner of reporting results in a lack of clarity concerning the exact subsidy received. There are also inconsistencies between the budget and the annual accounts. Some institutions that have received subsidy according to the budget have not received this, and vice versa. This is explained further in the text box below.

Inconsistencies in respect of the annual accounts and budgets

Because of the manner of categorizing the subsidies in the annual accounts the subsidy cannot be linked to a specific organization in all cases. A category 'miscellaneous costs' is stated in the annual accounts, in which subsidies to organizations are included. This specifically applies to the Expertise Center, which is not mentioned separately but did receive subsidy in various years. For 2020 the Court of Audit deduces from the subsidy decision and the budget that this organization has received subsidy. For previous years this is not clear. Furthermore, in the 2019 annual accounts the amounts of subsidy to the Monuments Foundation and the Center for Archaeological Research for 2018 have been interchanged. A further observation of the Court of Audit is that according to interviews the Lions Club did indeed receive a financial contribution in 2020. This is not shown by the annual accounts or the budget. From an explanation by the PESE the Court of Audit concludes that a financial contribution was indeed received by the Lions Club in 2020. This was however not a subsidy, but a remuneration for work on the Van Putten Youth Centre by the Lions Club. Finally, contrary to the budget the Monuments Foundations did not receive any subsidy in 2021.

There has been little difference in the granting of subsidy by the Public Entity in recent years. Both the number of organizations that receive subsidy and the amount of subsidy have remained virtually identical in recent years. There have been minor fluctuations in the budgets of various institutions between 2018 and 2019. From 2019 the budgets of the institutions have remained virtually unchanged. No indexation or adjustment has taken place.

The main changes in the period 2018-2021 are:

- The Mega Youth Foundation received subsidy in 2018, and no more after this;
- The Social and Welfare Work Organization only received subsidy for one year, in 2019;
- According to the budgets, the Expertise Center received subsidy from 2020. This organization has however received financing for accommodation expenses from the PESE for some time. This is shown by a covenant that was entered into in 2012.⁶ From 2020 the financing is included in the budget under the subsidies.

⁴ On the basis of the subsidy decision. The subsidy for the Expertise Center cannot be retrieved from the annual accounts, because this is probably included in the category 'miscellaneous costs'.

⁵ According to interviews with both the PESE and the Lions Club, a financial contribution was also received in 2020. This was however not a subsidy.

⁶ 'Covenant between the Minister of Education, Culture and Science and the Public Entity of Sint Eustatius, Sint Eustatius education accommodation plan 2012-2015', October 2012.



- The only actual newcomer is the Lions Club, which has received subsidy from 2021 for the management and running of the Ernest van Putten Youth Center.

Organization

Various departments of the Public Entity are involved in handling applications, the decision-making on the allocation and the monitoring of the implementation. A process description, which includes the various steps of the process, was drawn up by the Public Entity in 2020.⁷ According to the description, the process is organized as follows:

- Applications must be submitted to the service desk via the 'task subsidy application form'. The first check on the completeness of the application must be carried out here.
- An assessment of the completeness of the documents is then carried out by the Finance department. This then sends the application to the Economy, Nature and Infrastructure or Social Policy directorates.
- The directorates must assess whether the activities are in line with the vision/policy aims, after which they issue a positive or negative recommendation.
- The Finance department must assess whether the subsidy application fits within the available budget.
- The recommendation must then be submitted to the Executive Council. This is a joint recommendation of the relevant directorate and the Finance department. The Finance department coordinates this.
- The provisional decisions (granting decisions or rejections) are sent to the organizations by letter. The Finance department is responsible for this.
- After the establishment of the budget, the definitive subsidy decision is taken. The Finance department informs the institutions concerned by letter.
- During the year the reports of institutions on the progress and the finances must be monitored by the directorate concerned and the Finance department.

The extent to which the Public Entity actually makes use of the process description is not clear. Not all interviewed employees of the PESE were familiar with the process description.

The Legal Affairs department can possibly be asked for advice. This is however not a standard component of the subsidy process. Advice is mainly given on specific components, such as the performance agreement.⁸

A diagram has also been drawn up for the process steps.⁹ This process is represented in the figure below.

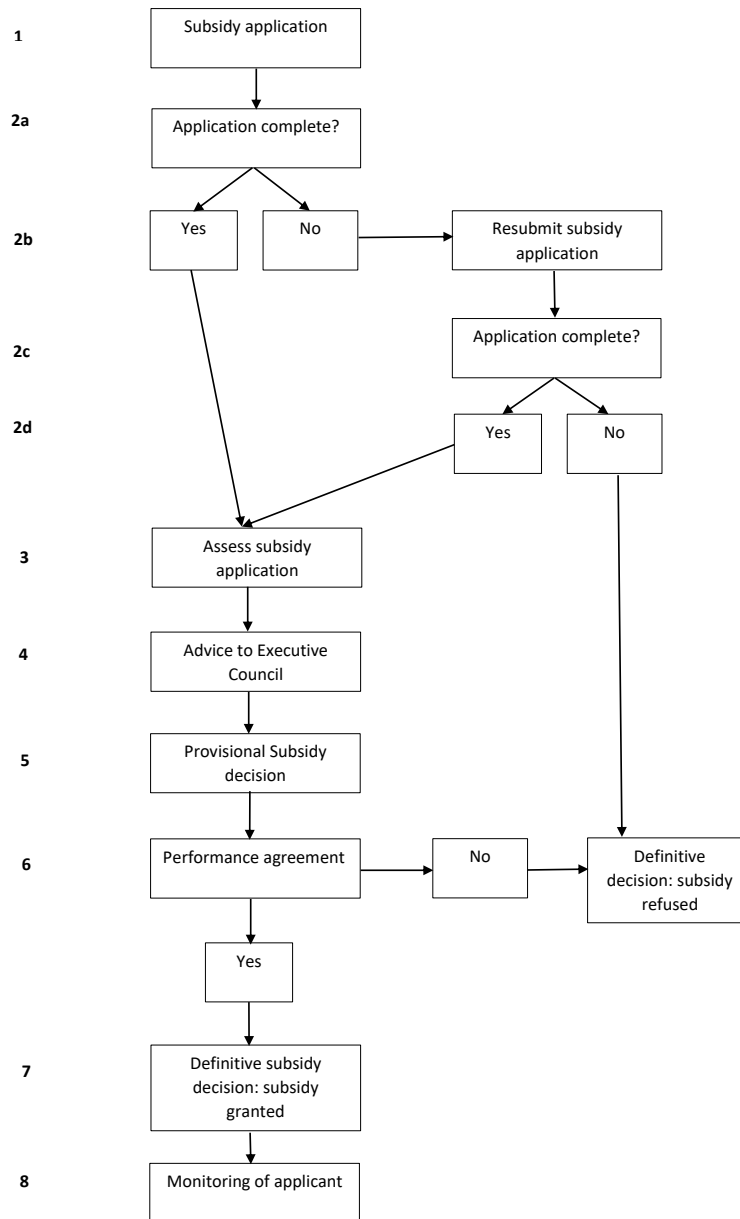
⁷ Public Entity of St. Eustatius, 'PESE task subsidy process description', undated.

⁸ Interview with Public Entity official.

⁹ Public Entity of St. Eustatius, 'PESE task subsidy process description', undated.



Figure 1: process steps diagram



The process description can be seen as a concrete translation of the subsidy regulations. In the subsidy regulations explicit deadlines are linked to the various steps in the application process:¹⁰

- The application must be submitted before 1 April.
- Organizations submitting an incomplete application are informed of this within a week, and are given two weeks to remedy the defects.
- The Executive Council makes a provisional decision within eight weeks of receipt of the application. If further information is necessary this decision is taken before 15 August at the latest.
- The definitive decision is taken by 31 December at the latest, after the establishment of the budget.

¹⁰ Sint Eustatius Subsidy Regulations 2020, July 2020



4 Process of application and granting

4-1 Introduction

This section is mainly focused on the following question:

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

For this question the standards below are applied. The degree to which these standards are complied with is explained in further detail in the following paragraph.

Table 2: Standards for process of granting subsidies

- | |
|---|
| <ul style="list-style-type: none">• there are regulations in which the method of application, granting and accounting are established;• there is a subsidy application format that includes information of relevance to the assessment;• there is a transparent framework for the assessment of the applications;• the assessment is carried out by officials who have no interests in the organization they are assessing;• the conditions that the subsidy recipient must meet are specified in a decision;• specific deliverables are agreed with the subsidy recipient, and these are a logical result of the policy;• agreements are made on the method of accounting for the content and the financing;• there is an audit protocol for assessing the extent to which subsidy recipients comply with the specified conditions. |
|---|

4-2 Structure

The Public Entity has recently put the structure for the granting of subsidies in reasonable order. There is a regulation, a format for applications, a decision is formulated and there are agreements on deliverables and the manner of accountability.

The Court of Audit ensures that process agreements are neither missing nor worked out in insufficient detail.

- *There is currently no assessment framework for the evaluation of subsidies. An assessment framework is necessary in order to make an evaluation of the quality of an application and to compare it with other subsidy applications.*
- *Secondly, there are currently no clear agreements contained in the assessment process concerning the way in which the possible direct or indirect involvement of those carrying out the assessment in the subsidy application in question is dealt with.*
- *A third point for attention is the justification of the subsidy decision. The explanatory notes hardly contain any substantiation of the reasons why a subsidy application is accepted or rejected.*
- *The performance agreements that have been introduced form a good basis for making concrete agreements on what is expected of the subsidized institutions. The degree to which concrete and measurable agreements are currently made differs considerably for each institution.*
- *A final point for attention is the lack of an operational instruction or process agreements within the Public Entity on the monitoring of compliance with agreements by institutions.*



Subsidy regulations

Since recently the Public Entity has had subsidy regulations in which the manner in which subsidies are granted is established: the Sint Eustatius Subsidy Regulations 2020. The regulations distinguish between two types of subsidy:

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

In the audit the Court of Audit has specifically examined task subsidy. Incidental grants of subsidies for events fall outside of the scope of the audit.

For the granting of subsidies the subsidy regulations specify requirements for the application, provision and accounting. The current regulations were established in July 2020, and replace the previous regulations of 2018. Changes compared to the previous regulations include:

- introduction of the concept of a 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.

These regulations give the Public Entity a good legal basis for dealing with applications and the granting of subsidies, as well as the manner of accountability.

Application

An application form has been drawn up for applying for a subsidy.¹¹ The form requests, among other things, a description of the task to be carried out with the subsidy, the aim of this task, the activities to be carried out, the target group to be reached and the intended results. A financial explanation is also requested, and documents such as annual accounts and a work program must be supplied. The form has a logical structure, and deals with relevant topics that are necessary for the assessment of the subsidy.

Assessment

There is a format with an assessment form that can be filled in for each institution. This 'Subsidy application assessment advice form' contains questions on the subsidy application that can be filled in by the assessor. Themes that are covered are the possibility of the organization acquiring income itself, the degree to which the application fits within the policy, the necessity of the task being carried out and possible conditions to be included in the performance agreement.

With the form it is possible to substantiate why a separate subsidy is granted. It is notable that it is not explained in detail in the form how the level of the subsidy comes about. It is assumed that there is an available amount of subsidy that will be granted. No relationship is established between the activities of the foundation and the level of the amount.

There is no assessment framework for the evaluation of the subsidies as a whole. An assessment framework is particularly important if organizations other than the existing recipients of subsidy make an application for subsidy. Particularly if this concerns an application for

¹¹ Public Entity of St. Eustatius, 'Task subsidy application form', undated.



activities that show overlap, it is important that the Public Entity can make a balanced assessment between subsidies. This may be done, for example, by awarding points to various components of the application, and in this way to compare the quality and the social importance of the various applicants with each other. In this way it is easier to make a deliberation between different subsidy applications and to substantiate decisions.

Impartiality of persons concerned in assessment

It is important for an objective assessment of a subsidy application that it is carried out by officials who have no interests in the organization they are assessing. This interest could be, for example, that family or close relations are employed in the foundation or that the official has conflicting business or personal interests with regard to the activities of the foundation. This gives rise to a possible risk of a conflict of interests in the granting of the subsidy. There is currently a lack of clear agreements in the assessment process to prevent the occurrence of a conflict of interests. In such agreements there must be attention for reporting possible interests by persons who are involved in the assessment. There must also be attention for how the decision-making proceeds in these cases.

Another element of preventing conflicts of interests is ensuring the involvement of several persons and departments in the granting of the subsidy. It can be concluded from section 2 that there is a separation of roles because the Finance department and a policy board are involved at all times. On paper the necessary separation of roles is regulated. However, in the advice forms sent out by the Court of Audit it remains unclear who has drawn up the advice on the subsidy on behalf of the PESE, and who has been involved in this. Because of this it is not easy to discern whether this procedure has been complied with in practice.

Decision

Every year the PESE draws up a letter in which the applicant for the subsidy is informed of the decision on the subsidy application. In the event that the subsidy is granted, the substantiation consists of a standard phrase stating that it falls within the socially relevant tasks of the Public Entity. No further explanation is given. An explanation of the amount of subsidy granted if this deviates from the application is also lacking. It is only stated that the financial resources of the Public Entity must be taken into account. However, why a lower amount has been granted and what activities in the application will then not be financed remains unclear. In the event of a rejection, it is stated that the Public Entity must take account of the available budget and can therefore not grant any subsidy. A substantive explanation is also lacking here.

Agreements on deliverables

Since the introduction of the new subsidy regulations the Public Entity makes use of performance agreements. With the introduction of performance agreements it has become easier to make concrete agreements on what is expected of subsidized institutions and what aims they will be expected to achieve. The degree to which the agreements in the performance agreement are in fact concrete varies greatly. Concrete agreements on the deliverables to be achieved were indeed made with the Youth Care Foundation. Among other things, employees must comply with training requirements, the activities to be organized have been specified and agreements have been made on the availability of day nursery places for children in a vulnerable situation. These agreements are concrete and in principle measurable. The agreements with the Sport Facilities Foundation in the performance agreement are very general. In the agreement reference is made to the agreement on the 'performance of tasks identified in the sport policy'.



Agreements on accountability for activities and finances

Under the old subsidy regulations (up to 2020) every institution had to submit an annual report and annual accounts every year. This requirement still applies in the new subsidy regulations, but this is further specified on the basis of the size of the subsidy. A distinction is made between smaller and larger amounts of subsidy. For amounts above \$ 25,000 the annual accounts must be accompanied by an audit report.

In the performance agreements that have been drawn up under the new subsidy regulations further agreements are made on the manner of accountability for the activities and the finances. An annual report and annual accounts must be provided every year. The annual accounts do not have to be accompanied by an audit report. The Public Entity does however reserve the right to carry out an audit on the annual accounts or to outsource this to an accountancy firm. In an explanatory memorandum the Public Entity informed the Court of Audit that from 2022 it intends to have all institutions audited by an accountant every year. The accountant will be hired in for this purpose by the Public Entity.

The performance agreement also requires a quarterly report on finances and the progress of activities. This frequency is fairly high, but gives the Public Entity the opportunity to closely monitor the situation.

Audit protocol

The Court of Audit has not found any internal work instructions or an audit protocol at the Public Entity concerning the monitoring of the fulfilment of agreements by institutions. With such monitoring the Public Entity can determine whether agreements concerning activities and objectives have been fulfilled and whether the subsidy has been utilized correctly.



5 Compliance with conditions in practice

5-1 Introduction

This section is mainly focused on the following question:

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

For this question the standards below are applied.

Table 3: standards for compliance with conditions for granting of subsidy

- applications are submitted, granted and established 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 details;
- subsidy applications are assessed transparently;
- the granting of the subsidy and the amount involved are properly justified;
- subsidy recipients provide the required accounting information with regard to content and financing in good time;
- the accounting meets the conditions in the regulations and the decision;
- 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.

5-2 Practice of granting subsidy

The conditions have not been fulfilled on many points in recent years. This applies to both some of the institutions and to the Public Entity. The deadlines have not been met, applications were regularly incomplete and the accountability requirements were not complied with by some of the institutions. The archiving of documents for each institution at the Public Entity has also been inadequate. In 2020, but particularly in 2021, there have been improvements in both the applications and the accountability.

Active monitoring and assessment of the financial and other results of institutions has been lacking in recent years. Some of the institutions have systematically failed to provide complete accountability without this having had any consequences. The PESE has also not made use of the possibility of requesting an audit report. With the lack of monitoring and not requiring an audit report the PESE runs the risk that incorrect or unlawful utilization of subsidies will not be discovered, or will be discovered too late.

The majority of subsidized institutions have experienced a transformation in the implementation of the subsidy policy. They have noticed a clear improvement in communication and involvement among institutions. There is however still a lack of clarity concerning reporting obligations, and there is a need for more explanation in the assessment of the subsidy applications.

Archiving

A general point for attention is the archiving of the relevant components of the granting of subsidies: the application, the internal advice, the decision made and the accountability of the



institution. The dossier of recent years shows many gaps. The applications or components of the applications of many institutions are missing. The Court of Audit has only been able to inspect six of the subsidy applications for 2019, and only five of the applications for 2020 could be provided to the Court of Audit. What is more, some components were not complete. No accountability information was available for many institutions.

Deadlines

As explained in section 2, the regulations and the process description based on them include deadlines for submitting an application, and for informing the applicant of the provisional granting and the definitive granting of the subsidy.

In recent years it has occurred on several occasions that institutions were too late with the submission of an application. In 2021 a start was made with systematically informing subsidized institutions that they must submit their applications before 1 April. This was sometimes done in previous years, but certainly not always. In the past, however, missing the deadline for submission had no consequences for the receipt of a subsidy.

The Public Entity then has to inform the applicant of the provisional granting of the subsidy within eight weeks of the application. This has to be done before 15 August at the latest. The definitive granting of the subsidy takes place after approval of the budget and before 31 December. In practice the sending of a provisional and definitive granting of the subsidy within the set deadlines is not achieved by the Public Entity. The provisional subsidy decision is not sent to subsidy applicants within eight weeks. In 2019 a provisional decision was sent to all institutions in November. The Court of Audit has not found any definitive decisions. In 2020 a definitive subsidy decision was only issued in December. What is more, in the correspondence concerning the subsidy decision the reservation was made that the budget of the Public Entity had been established. The inclusion of a reservation does not however belong in the definitive decision, but in the provisional decision (see Article 10 paragraph 2 of the regulations). According to the regulations the definitive decision must be sent after the establishment of the budget (and before 31 December). In fact, the Public Entity only sent a provisional decision, designated as a definitive decision, at the end of the year.

Furthermore, it is notable that the performance agreement is only signed in the current subsidy year. Several months have then already passed at the time when the agreements concerning that same year are definitive. According to the Public Entity's own process description the signing of the performance agreement must take place in the period between the provisional decision and the definitive decision. This is also logical, because the ultimate level of the subsidy is dependent on the agreements on this in the performance agreement. On the basis of the deadlines employed, signing should take place in the period from September to November.

In recent years both the various institutions and the Public Entity itself have not adhered to the set deadlines. The extremely late communication concerning the decision on an application can cause foundations problems in the event of a rejection. As a result, institutions do not have the opportunity to make any adjustments to their own budgets or programming.

Format for applications

No comments have been made by the institutions on the application form or the information to be supplied. It is clear what information is needed, and it is also easily possible to provide this.



In recent years, however, far from all institutions have made use of this form to apply for subsidy. In addition, many institutions have submitted incomplete applications by not providing all information.

Completeness of information supplied with subsidy applications

Application forms that are present are often rather superficially completed, particularly where this concerns activities and objectives. The Court of Audit has seen several hand-written application forms in which the reasons for which subsidy is applied for are only explained very briefly and in very general terms. In some cases the application form is barely completed and only a budget overview is present. An example of an institution that has in fact explained in concrete terms what activities are carried out during the year is STENAPA. In the annual plan it is explained for each park what work, projects and activities are carried out.

In interviews with officials it has been indicated that the Public Entity has been flexible with the application process in recent years. Despite applications having been too late or incomplete, subsidies were nevertheless granted because a long-term subsidy relationship exists and due to the social importance of the activities of the foundations. In doing so, the Public Entity has not adhered to its own requirements in the regulations. The Public Entity states that from 2021 it will supervise the completeness of the applications more strictly.¹²

Assessment and rationale

It is not clear to the Court of Audit whether the assessment by the PESE has taken place annually according to the format that is present. For the subsidy year 2019 this format was in any event used by various institutions. For the subsidy year 2020 the Court of Audit did not find any completed advice forms in the submitted documents.

In the completed advice forms concerning the applications the amount stated in the budget is taken as the basis for the subsidy. Why this amount is necessary is not clear. In many cases institutions have applied for more subsidy than they have ultimately received. The subsidy decision that institutions receive lacks a justification for the difference between the amount requested and the amount received. The result of this is that it is also unclear to institutions which part of their activities plan they must carry out for the amount.

As indicated in the previous section, the assessment of the subsidies and the justification for the decision are minimal. It is not clear why exactly a subsidy is granted and which policy aims of the Public Entity this must contribute to.

In interviews various institutions have argued that an opportunity to explain the application verbally should be built into the subsidy process. They expect that in this way it would be easier to explain the necessity of specific activities and their financing.

Accountability

On the basis of the old subsidy regulations every institution had to submit an annual report and annual accounts each year. This obligation was not complied with by all of the institutions in recent years. For the accountability over 2018, the Court of Audit found four annual accounts that had been compiled by an accountant, and four annual financial accounts that had been compiled by the institutions themselves.¹³ The other institutions had not provided any financial

¹² Interviews with officials of the Public Entity.

¹³ According to the regulations that were then applicable the Executive Council could decide to request an audit report. The submission of an audit report with the annual accounts was not obligatory.



reports. The Court of Audit has not received any documents from the Public Entity concerning the accountability for the year 2019. The same picture can be seen for the accountability concerning content.

Important reasons for the lack of annual accounts compiled by an accountant are the availability and the costs of an accountant. For many institutions the costs of an accountant are high in relation to their total budgets. In addition, several institutions point out that the number of available accountants is limited, because of which they have to contend with waiting times and therefore a backlog in the reporting.¹⁴

According to the regulations the annual accounts must be accompanied by an audit report from a subsidy amount of \$25,000. The Executive Council may deviate from this stipulation.¹⁵ In the performance agreements entered into it is agreed that the annual accounts do not have to be accompanied by an audit report. According to this agreement the Public Entity is however entitled 'at any time to audit the submitted annual accounts itself or to outsource the audit to an external accountancy firm'. The extent to which the Public Entity has actually made use of this possibility is not clear. The Court of Audit has in any event not found any supplementary investigations with an audit report. Not actively using this possibility of an audit by an external accountant presents the risk that it does not become clear, or becomes clear less quickly, if a subsidy has not been allocated to the right things and in accordance with the rules (fairness and lawfulness).

Institutions that did supply their accountability reports every year stated in interviews that they had never received any response to these reports. In interviews with employees of the Public Entity it was confirmed that no active monitoring has taken place in recent years. The supplied information is not used to assess whether institutions have used their subsidies in the right way and have achieved the intended results.

In the performance agreements entered into for 2021 it has been agreed that institutions must draw up a report every quarter. The obligatory provision of quarterly reports has been reasonably complied with until now.¹⁶

Clarity at institutions concerning obligations

For a majority of the institutions, the quarterly reports that are to be submitted according to the new performance agreements lead to a lack of clarity about what is expected of them. The obligations are formulated in general terms. There is a need for a format that makes it clear exactly what information is necessary.

The majority of the institutions interviewed have experienced a transformation in the implementation of subsidy policy in the past year. Some changes had been introduced previously, on an ad hoc basis. This year in particular a clear improvement has been experienced in communication and involvement among institutions. Investment has been made in consultation. Some of the institutions currently have monthly consultations with the PESE. This applies to approximately half of the subsidized institutions. The other institutions have no contact with the PESE outside of the subsidy process concerning their activities and their

¹⁴ Interviews with subsidized institutions.

¹⁵ Article 24, paragraph 2: 'The council can determine that other information and documents, or less than the information and documents referred to in this article, that are important for the determination are provided'.

¹⁶ Comments of Public Entity official.



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progress. The institutions that now have frequent contact with the PESE are more clearly aware of what is expected of them.



6 Contribution of subsidies to social impact

6-1 Introduction

This section is mainly focused on the following question:

4 Do the subsidies contribute to the desired social impacts?

For this question the standards below are applied.

Table 4: assessing standards against policy and insight into results

- a clear link with the policy aims is established in the applications;
- the assessment includes a review of the extent to which the application meets the policy aims;
- the activities carried out by the subsidy recipient are consistent with the policy aims;
- the results of the activities are measured.

6-2 Results of subsidies

For most subsidies it is clear that they are focused on socially relevant activities. However, a clear relationship between the subsidy and the policy aims of the PESE is lacking. For some institutions this relationship is so unclear that it is questionable whether the subsidy fits within the subsidies framework. An important explanation for this is that in many policy areas there are no policy aims. The only exception found by the Court of Audit is the sport policy.

In practice the subsidies are mainly used for the payment of salaries and rent. The financing that is received for this is sufficient to survive, but too little to carry out proposed activities in the desired manner. This leads, for example, to the situation that activities such as maintenance or the education of the target group are not carried out, or only carried out in a very limited way, and to low salaries with no pension accrual being paid in several foundations.

The degree to which the subsidies contribute to the achievement of social impacts is difficult to determine. The monitoring of results does not yet occur. For this to happen it is first necessary that agreements (quantified where possible) are made. The Court of Audit is of the opinion that this is in fact possible in most cases. All institutions must subsequently report on this in a structured manner.

Attention for policy aims in the applications and assessment

For most of the subsidized institutions it is evident that they are engaged in socially relevant activities. This concerns activities such as offering childcare, housing, the preservation of cultural heritage and the protection of valuable natural habitats. In both the applications by institutions and the granting of the subsidy by the PESE the reference to the social relevance of the activities is considered sufficient. Apart from a few exceptions, the Public Entity does not make any connection with specific policy or policy aims to which the subsidy can contribute.¹⁷

One of the underlying reasons for the lack of a relationship between the subsidy and policy aims is that in many fields of policy there are no policy aims. This applies, for example, to tourism, social housing and heritage. It is therefore difficult to establish a relationship between the activities of organizations and the policy aims of the Public Entity.

¹⁷ An exception is the Sports Facilities Foundation, which does make a link with the sport policy.



The absence of clear policy aims also makes it difficult for the granting of subsidy to determine which organizations are or are not eligible for a subsidy. For example the Expertise Center currently receives subsidy for rental expenses and the Lions Club receives subsidy for the administration and operation of a building. It is questionable whether financing for these organizations falls within the subsidy framework, because according to the regulations subsidy is linked to carrying out an approved task.

Several subsidized institutions have stated in interviews that they would like more clarity from the Public Entity concerning the policy aims and so make a more targeted contribution to them.

Some institutions, such as the St Eustatius Center for Archaeological Research (SECAR), the St Eustatius National Parks Foundation (STENAPA) and the St Eustatius Sports Facilities Foundation (SSFF), have entered into separate agreements with the Public Entity in which mutual tasks and responsibilities have been established.¹⁸ These agreements make it clear to the institutions concerned what their activities must contribute to. At the same time, it is not clear how these agreements precisely relate to the subsidy decision and the agreements in the performance agreements. For example, in the 'contract for professional services' between the Public Entity and the SSFF there is a contracting party and a contracted party and the receipt of a payment for the performance of work. This seems to indicate a private law contract rather than an administrative law contract. The Court of Audit has not carried out an investigation of the legal relationship between the contracts and the agreements in the context of the subsidy.

The performance agreements are a suitable means of making specific agreements, after the subsidy is granted, on the performance to be achieved in the coming year. As mentioned in section 3, it has been successful in a number of cases to make concrete agreements, but this has not taken place for all organizations.

Activities appropriate to policy aims

The extent to which the activities carried out by subsidized institutions fit within the policy aims of the PESE is difficult to assess. Firstly, in many fields of policy there is a lack of policy and of associated objectives. Secondly, only some of the institutions have accounted for the activities they have carried out in recent years.

A good example of a field in which there was indeed a policy and agreements were made on objectives is the sport policy. There is an up-to-date policy plan that has been formulated in cooperation with all parties involved in the field: 'Statia in Shape'.

¹⁸ Sint Eustatius Executive Council, 'SECAR Mandate', February 2015, 'Management Contract between the Island Government of St Eustatius and the St Eustatius National Parks Foundation', June 2019, and 'Contract for professional services between the Public Entity of Sint Eustatius and the Sint Eustatius Sports Facilities Foundation (SSFF)', date unknown.



Sport policy

The sport policy for the period 2020 to 2024 was established in October 2019.¹⁹ This plan includes concrete objectives, and the role of the Sports Facilities Foundation is specified in it. The central objectives in the policy plan are:

- Stadians taking part in sport and exercise sufficiently, with low-threshold opportunities for this for everyone;
- Sufficient suitable facilities with adequate utilization, where maintenance is structured and entrusted to a party that is equipped for this;
- Stadian sports clubs to be vital, open and socially active organizations;
- The SSFF to function as a sports service point for sport and exercise on the island.

It can be concluded from the available documentation and the interviews that institutions primarily use subsidies for the payment of salaries and fixed costs such as rent, electricity and insurance. Various institutions have indicated in interviews that the current budget is just enough to survive, but too little to function properly. Among other things, the impossibility of accruing pensions and the payment of low salaries that are not indexed are pointed out. Activities such as the provision of education to the target group also cannot take place, or this is only done in a very limited way. Only a limited number of institutions receive project subsidies from the Dutch national government in addition to the subsidy from the PESE. With these subsidies these institutions still succeed in carrying out some of the necessary activities. The disadvantage of these project subsidies is that they concern temporary funding and are not a structural solution for a lack of financing.

Measurement of results

Institutions are responsible for recording the results of their activities. On the basis of their reports the Public Entity can then measure the progress. The Public Entity does not currently pay any attention to the monitoring of results. The first step is the formulation of measurable results in performance agreements. These must then be included in the reporting of institutions, and the PESE can record the yearly progress on this basis.

¹⁹ Public Entity of Sint Eustatius, 'Stadia in Shape, Sint Eustatius Sport Policy 2020-2024', October 2019.



7 Improvements in the organization and implementation

7-1 Introduction

This section is mainly focused on the following question:

5 *What improvements in the organization or implementation are necessary?*

This is a question for the purpose of reaching a conclusion, to which no standards apply. The improvements in the organization and implementation are derived from findings from the foregoing sections. These findings are briefly summarized in this section.

7-2 Improvements in the organization

The Court of Audit notes a number of necessary points for improvement in the manner in which the Public Entity currently handles, assesses and grants applications for subsidies and subsequently monitors the implementation. This paragraph includes opportunities for improvement in connection with the structure and work agreements within the PESE.

1. There is currently no assessment framework for the evaluation of subsidies. An assessment framework must have the aim of assessing the quality of an application. This can be done, for example, by allocating points to components. With an assessment framework it is possible to assess subsidy applications in relation to each other. This is particularly important when new institutions submit an application for an activity that fits within the policy objectives of the Public Entity. To give new institutions a realistic chance, an application must be compared with applications from existing institutions who carry out a comparable activity. In this way it is avoided that new institutions cannot gain access to subsidies.
2. In the assessment process there is currently a lack of attention to the risk that conflicts of interest can arise. To prevent this risk from actually occurring it is important that several persons from different departments of the PESE are involved in the advice on the granting of a subsidy. Ideally, a 'six eyes principle' will be applied, whereby the granting of subsidy is only possible with the approval of three persons. To ensure independence it is important that at least one person comes from another department, for example Legal Affairs.
3. When assessing applications, insufficient account is still taken of the PESE's policy aims. The rationale for the granting of subsidy is now primarily that socially relevant activities are involved. The PESE can provide much more clarity concerning the policy aims that the subsidy contributes to. Following the assessment, much more concrete agreements can be made in the performance agreement concerning the objectives that the subsidized organization will focus on.
4. The subsidized organizations must account for their activities and finances in reports. It is currently insufficiently clear to institutions how and on what they must report. A uniform reporting format is required to ensure that institutions supply the required information. What is more, this also provides clarity to institutions on the information they must collect and report on.



5. The Public Entity does not currently have a structured procedure for ensuring compliance with reporting obligations and the substantive monitoring of whether institutions fulfil their performance agreements. Some of the agreements have a financial character, and some concern activities that institutions carry out. For both elements the PESE must make clear working agreements to follow up on agreements that have been made. These working agreements will preferably be established in written instructions.
6. One component of the monitoring of the fulfilment of agreements is the systematic auditing of the annual accounts by an accountant. An audit report by an accountant gives a great degree of certainty concerning whether the subsidy funds are utilized correctly. The proposed hiring in of an accountant by the PESE for an annual audit is a good way for the Court of Audit to implement this.

7-3 Improvements to implementation

The Court of Audit sees five points for improvement for the implementation.

1. The substantiation of the reason for granting or refusing subsidy and the established amount of subsidy has been minimal up to now. The Public Entity must clearly indicate in the provisional and definitive subsidy decision why an institution has or has not received a subsidy. The level of the amount must also be substantiated. Particularly in the case of a lower amount granted than has been applied for, it must be clear what an institution receives subsidy for, and for what activities it does not.
2. The deadlines set in the subsidy regulations and the procedure in the process agreement are not properly complied with by the Public Entity itself. The PESE must draw up a provisional subsidy agreement in good time, and subsequently enter into a performance agreement before the definitive decision is taken. In concrete terms this means that a provisional decision is taken within eight weeks of the submission of an application and a performance agreement is drawn up in the autumn (prior to the year for which subsidy has been applied for).
3. The archiving of the entire process must be improved. There must be a complete dossier present for each institution containing all application documents, the assessment, the performance agreement, the provisional and definitive subsidy decision and all accountability documents. This will preferably be entirely digital. The completeness of the dossier for each institution must be periodically monitored. This can be a component of a working agreement to be drawn up, as stated in the foregoing paragraph under point 5.
4. The Public Entity has made efforts to improve the communication with institutions in the past year. Some of the institutions see concrete improvements in this aspect, but this does not apply to all concerned. It is important that all involved boards/departments of the Public Entity provide information on the subsidy process in the same way, and have structured consultations with institutions to the same extent.
5. The changes that have been made to the subsidy process in recent years must be well known to all employees of the Public Entity concerned. For this reason it is important to invest in increasing the knowledge of all involved employees concerning the organization's own regulations and procedures.



appendix 1: scope and standards framework

In the audit the Court of Audit has only examined the granting of subsidies to the organizations included in the St. Eustatius budget. Other incidental subsidies granted for events or to support students abroad fall outside of the scope of the audit. In the audit the Court of Audit has examined the current position as far as possible. Subsidies that have been granted since 2019 have been examined.

Furthermore, in the assessment of question 4 (contribution to social impacts) the Court of Audit has limited itself to examining the agreements between the Public Entity and institutions on the activities to be carried out, and what is known about the results of these. An audit of target groups or users of the foundations' activities fell outside of the scope of the audit. No investigation has been carried out into the lawfulness of the utilization of subsidies by the institutions concerned.

Standards framework

The Court of Audit has used a standards framework to answer the audit questions. The standards have been derived from prevailing requirements relating to the lawfulness, efficiency and effectiveness of the granting of subsidies. Some of the audit questions (questions 1 and 5) have the purpose of taking stock or reaching a conclusion. No standards have been formulated for these.

1 How much subsidy is granted, and how is the granting arranged in organizational terms?

This is a question for the purpose of taking stock, to which no standards apply.

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

- there are regulations in which the method of application, granting and accounting are established;
- there is a subsidy application format that includes information of relevance to the assessment;
- there is a transparent framework for the assessment of the applications;
- the assessment is carried out by officials who have no interests in the organization they are assessing;
- the conditions that the subsidy recipient must meet are specified in a decision;
- specific deliverables are agreed with the subsidy recipient, and these are a logical result of the policy;
- agreements are made on the method of accounting for the content and the financing;
- there is an audit protocol for assessing the extent to which subsidy recipients comply with the specified conditions.

3 Does the granting of subsidies fulfil the conditions in practice, and is it conducted efficiently?

- applications are submitted, granted and established 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 details;
- subsidy applications are assessed transparently;
- the granting of the subsidy and the amount involved are properly justified;



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- subsidy recipients provide the required accounting information with regard to content and financing in good time;
- the accounting meets the conditions in the regulations and the decision;
- 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?*

- a clear link with the policy aims is established in the applications;
- the assessment includes a review of the extent to which the application fulfils the policy aims;
- the activities carried out by the subsidy recipient are consistent with the policy aims;
- the results of the activities carried out are measured.

5 *What improvements in the organization or implementation are necessary?*

This is a question for the purpose of taking stock, to which no standards apply.