



Translation of: Advice pertaining to Sint Eustatius' annual accounts for 2023

Original title: Advies bij de jaarrekening 2023 Sint Eustatius

In case of differences in interpretation between the English translation and the Dutch version of the text, or in legal proceedings or escalation procedures pursuant to applicable regulations, the original Dutch version shall always be leading.

Dear Ms. Francis,

On July 12th, 2024, in accordance with Article 31, paragraph 1, of the Act on Finances of the Public Entities Bonaire, Sint Eustatius and Saba (*Wet financiën openbare lichamen Bonaire, Sint Eustatius en Saba* – FinBES Act), the Board of financial supervision of Bonaire, Sint Eustatius and Saba received Sint Eustatius' annual accounts for 2023, along with the control statement. You hereby receive the advice of the Cft pertaining to the annual accounts for 2023.¹

Conclusion

In 2023, Sint Eustatius realized a negative result of USD 2.1 million. The budget was based on a deficit of USD 0.4 million for 2023. The deficit is predominantly caused by increased personnel expenses (USD 2.0 million) as a consequence of a legislative amendment. The negative result of USD 2.1 million is charged to the general reserve. Sint Eustatius must compensate the deficit for 2023 with surpluses in 2024 and 2025.² For both years, the Public Entity anticipates incidental positive results regarding the interest income. The Cft recommends these be deployed to compensate the deficit for 2023.

Regarding the annual accounts for 2023, the external auditor has stated they refrain from issuing an opinion. Despite the fact that the auditor observes that the quality of the financial management has improved, there are still shortcomings regarding the internal auditing, obligations that are not reflected in the budget, and the representation of the tangible fixed assets. The Cft urges Sint Eustatius to prioritize and keep prioritizing the improvement of financial management, and to draw up a new improvement plan for the purpose of obtaining an unqualified audit opinion in the foreseeable future.

Explanatory statement

Result

In 2023, Sint Eustatius realized USD 49.6 million in income and USD 51.7 million in expenses. This brings the deficit to USD 2.1 million, primarily as a consequence of a reservation of USD 2.0 million for non-budgeted staff expenses.

Repayment 36-hour work week

On November 15th, 2023, it was established in the Legal Status Decree on Civil Servants BES (*Rechtspositiebesluit ambtenaren BES*) that for the years 2022 and 2023, the hours of work of civil servants are retroactively set to 36 hours a week. Sint Eustatius still has to pay a compensation to civil servants who worked a 40-hour work week in 2022 and 2023. Thereto, the Public Entity included an obligation of USD 2.0 million in the annual accounts for 2023, under the short-term debts. This is an incidental unexpected setback.

Financial resilience and liquidity

In its annual accounts for 2023, Sint Eustatius redefines the manner in which it gives substance to the section on financial resilience and the corresponding risk analysis and liquidity position. In 2023, Sint Eustatius added USD 0.6 million to this special-purpose reserve, leaving the financial resilience at the amount needed according to the Public Entity of USD 7.0 million, In total, USD 0.08 million thereof is freely disposable. On February 28th, 2024, the Ministry of the Interior and Kingdom Relations (BZK), the Cft and the Public Entities made agreements regarding the risk analysis, the financial resilience and the required liquidity. The result thereof was that the entirety of the financial resilience needs to be liquid. With USD 0.08 million in freely disposable liquid resources, Sint Eustatius does not meet this requirement.

The liquidity position of the Public Entity worries the Cft. In its advice pertaining to the annual accounts for 2022, the Cft already urged Sint Eustatius to take measures for expenditure control and by doing so, creating space to absorb possible unexpected setbacks.³ Considering the reduced liquidity position, the Cft advises the Public Entity to exercise caution – both in 2024 and 2025 – regarding (policy) initiatives that increase expenditure in order to improve the liquidity position and to be able to absorb any possible unexpected setbacks.

Financial management

At current, Sint Eustatius does not have an improvement plan for financial management. The external auditor considered that the annual accounts for 2023 do not contain sufficient audit information and is lacking as regards administrative organization and internal control (AO/IB). The number of findings of the auditor with regard to the annual accounts has decreased from five findings in 2022 to two findings in 2023, which is a positive development. However, the shortcomings observed by the auditor as regards the administrative organization and the internal control of the Public Entity greatly worry the Cft.

Subsequent steps

In 2023, Sint Eustatius realized a deficit of USD 2.1 million. This deficit is charged to the general reserve. In accordance with the FinBES Act, Sint Eustatius must compensate realized deficits with surpluses in the current and subsequent budgetary year. The Cft requests Sint Eustatius to state in its upcoming budget amendment 2024 in which manner the deficit realized in 2023 will be compensated in 2024 and 2025.

Trusting to have provided you with sufficient information.

Sincerely,

The Chair of the Board of financial supervision of Bonaire, Sint Eustatius and Saba

[signature]

Ms. L.M.C. Ongerling, MA

A copy of this letter was sent to:

The Executive Council of the Public Entity Sint Eustatius

The Head of Finance of the Public Entity Sint Eustatius

Annex 2: Endnotes

¹ The FinBES Act, supplemented by the criteria set out in the Decree on Budget and Justification Public Entities BES (BBV BES), forms the framework for the assessment of the annual accounts 2023.

² FinBES Act, Article 31, paragraph 3 in conjunction with Article 22, paragraph 2.

³ Cft, reference Cft 202300062, Advice pertaining to the annual accounts 2022, dated July 27th, 2023.