

MEMORANDUM OF UNDERSTANDING

Mutual agreement concerning the budget right to the Public Entity of Sint Eustatius

An important step in the return to democratic relations, as outlined in the Sint Eustatius Provisions Restoration Act, is the return of responsibilities to the Island Council concerning the financial administration. In the 10th Progress Report on the Sint Eustatius Provisions Restoration Act dating from December 2022, the State Secretary for the Interior and Kingdom Relations has decided to return the budget right as soon as possible to the Public Entity of Sint Eustatius. This is important step in the full restoration of democracy on the island. This decision was made after the State Secretary for the Interior and Kingdom Relations requested Ernst & Young to research the state of the Public Entities financial management and after having discussed the results with the Executive and the Island Council of Sint Eustatius.

In their research (attached), Ernst & Young concluded that the Public Entity has taken major steps in the improvement of their financial management since 2018. However, at the same time, many improvements are still needed regarding the administrative processes and internal financial management (AO/IB). These improvements are essential for the legitimate financial management and proper functioning of the Public Entity, for the island and its people.

Agreements have been made with the Public Entity concerning which improvements need to be implemented. These are discussed in the draft Royal Decree for phase 2.2 of the Sint Eustatius Provisions Restoration Act. Implementing these improvements will demand a lot from the Public Entity. The State Secretary for the Interior and Kingdom Relations will support the Public Entity in this matter.

On March 14th, (attached letter) the Government Commissioner confirmed with the State Secretary for the Interior and Kingdom Relations that the improvements that needed to be completed before the elections, had been successfully completed. After the elections, the remaining improvements will be implemented by the Public Entity.

The next step in this process is an agreement between the State Secretary for the Interior and Kingdom Relations and the new Executive Council, as well as the newly elected Island Council of Sint Eustatius. This agreement will confirm the commitment of all three parties to further the improvements as stated in the report of EY. Commitment is essential, as the transfer of the budget right includes a shift of rights as well as obligations and responsibilities, to be transferred to both the Executive Council and the Island Council.

For the return of the budget right to the Public Entity of Sint Eustatius, a unanimous commitment is necessary from all stakeholders that are part of the local government. This means that:

The Executive Council:

1. Gives priority to the implementation of the remaining improvements by the end of 2023, as described in the draft Royal Decree for phase 2.2 of the Sint Eustatius Provisions Restoration Act (see appendix for the remaining improvements necessary) with the result that the financial processes are being carried out in accordance with the newly established work processes concerning the AO/IB;
2. Gives the project manager and the Steering Group the required space and time to carry out their work (see Appendix). This also applies to the support provided by an external consultant;
3. Appoints a concern controller as stated in the advice of the assessment of EY.

4. Endorses the importance of sound financial management and an approving audit opinion and that actions and decisions of the Executive Council are in line with obtaining an approving audit opinion.

The Island Council:

1. Ensures that priority is given by the Executive Council to the implementation of the remaining improvements and that sufficient financial resources are made available to the Executive Council for this (coverage of financial resources through the special allowance financial management);
2. Support that work is carried out in accordance with the newly established work processes;
3. Addresses the Executive Council if insufficient priority is given to the implementation of the improvement/insufficient action is taken in accordance with the newly established work processes;
4. Implements an Audit Committee structure to monitor the progress and timeline on the improvement of the financial administration, next to the Steering Committee and on a more operational level within the Public Entity;
5. Endorses the importance of sound financial management and an approving audit opinion and actions and decisions of the Island Council are in line with obtaining an approving audit opinion.

After commitment is given by all three parties, the Island Council will be having an Island Council meeting (in the week of 24th of April) where a council decision is made about this agreement.

The next step is that the State Secretary for the Interior and Kingdom Relations will inform the House of Representatives of the results. They have two weeks to respond to the result achieved. After that, the Royal Decree for phase 2.2 will be submitted to the King for signing. This will be expected in May 2023. After the signing of the Royal Decree by the King, the Executive Council and the Island Council are expected to continue to carry out their commitment concerning the improvement of the financial management.

The State Secretary for the Interior and Kingdom Relations will support the Public Entity in carrying out the AO/IC. To this end, the State Secretary for the Interior and Kingdom Relations has extended the special allowance concerning financial management to the end of 2024 and increased it by \$1,1 million dollars.

Appendix: Remaining improvements (in Dutch):

Beschrijven en implementeren van de resterende werkprocessen AO/IB:

1. *Inning van lokale heffingen en belastingen*: dit betreft het proces van het lokaal innen van, bijvoorbeeld, de havengelden en de afvalstoffenheffing. De processen hierachter hebben een verdiepingsslag nodig;
2. *Beheer van activa*: het doel is om inzicht te krijgen in de huidige waardering, toekomstige onderhoudsverplichtingen en de opbrengsten van de activa van het OLE;
3. *Planning en controle cyclus*: het doel is om inzicht te genereren over in welke mate (interne) doelstellingen worden bereikt en de middelen die daarvoor nodig zijn. Hiermee kan beheersing over de bedrijfsvoering van het OLE worden verkregen;
4. *Beheer van overheidsdeelnemingen*: het doel is om inzicht te krijgen in de mogelijke risico's die het OLE loopt met betrekking tot overheidsdeelnemingen en dat er een toets wordt uitgevoerd op de naleving van de Corporate Governance Code door die deelnemingen;
5. *Overige processen*: dit betreft enkele algemene processen die betrekking hebben op andere relevante jaarrekeningposten transacties binnen het OLE (zie ook plan van aanpak AO/IB).

Tien resterende verbetermaatregelen uit het plan van aanpak financieel beheer (van de set van meer dan honderd verbetermaatregelen):

1. *Digitalisering en centralisering van financiële processen*: verdere verbetering van het inkoopproces door de inkoopmodule in het digitaal accountancy systeem in gebruik te nemen;
2. *Digitaliseren en centralisering van financiële processen*: verbeteringen doorvoeren in het digitaal accountancy systeem met behulp van de ontwikkelde 'roadmap', zijnde een planning waarbinnen wordt gestreefd dat de verbeteringen moeten zijn doorgevoerd;
3. *Planning en controle cyclus*: het tot stand brengen van een contractregister;
4. *Planning en controle cyclus*: het structureel oplossen van een tweetal (historische) opmerkingen van de externe accountant ten aanzien van de jaarrekening;
5. *Planning en controle cyclus*: kwaliteitsimpuls geven aan de heffing en inning van motorrijtuigenbelasting, toeristenbelasting, afvalstoffenheffing, en erfpacht;
6. *Planning en controle cyclus*: per beleidsveld waarop gesubsidieerde instellingen actief zijn concrete doelstellingen formuleren;
7. *Planning en controle cyclus*: met behulp van een externe organisatie is er in 2022 gestart met de ontwikkeling van een Strategisch Personeelsplan. Dit plan moet worden onderhouden en vervolgens worden geïmplementeerd;
8. *Overig/algemeen*: het aanstellen (en formaliseren) van een inspecteur, aangesteld in overeenstemming met de FinBES;
9. *Overig/algemeen*: het sluiten van contracten met deurwaarders voor privaatrechtelijke dwanginvordering;
10. *Overig/algemeen*: het sluiten van contracten met deurwaarders voor publiekrechtelijke dwanginvordering.