



**THE ANGUILLA HOUSE OF ASSEMBLY  
PUBLIC ACCOUNTS COMMITTEE**

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**INQUIRY REPORT**  
**THE FINANCIAL REPORTING OF GOVERNMENT AGENCIES**  
December 2016

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## **The Public Accounts Committee**

The Public Accounts Committee is a standing committee of the Anguilla House of Assembly. It is established and empowered by Section 66A of the Legislative Assembly (Procedure) Rules, 1976.

### **Membership**

Hon Palmovan Webster, Member for Island Harbour	Chairperson
Hon Evalie A. Bradley, Member for Road North	Member
Hon Terry Harrigan, First Nominated Member	Member
Hon Paul O. Harrigan, Second Nominated Member	Member

### **Committee Staff**

Lenox J Proctor	Clerk
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## Introduction

1. During the month of September, 2016 the Public Accounts Committee of the Eleventh Anguilla House of Assembly conducted an inquiry into the financial reporting of government agencies.
2. The issue of the financial reporting of government agencies was raised by the Chief Auditor of Anguilla in his report on the 2012 accounts of the Government of Anguilla. The extent of the issue was summarized in paragraphs 82-89 of the report. As reaffirmed by the Chief Auditor In paragraph 85 of the report, the timely preparation and audit of financial statements is recognized internationally as a good indicator of organizational strength and the development of good financial management.
3. Government agency as defined by section 1 of the Financial Administration and Audit Act, R.S.A. c. F27 is:

“...any corporation—

- (a) all of the members of which, or all of the members of the board of management, board of directors or governing board of which, are appointed by—
    - (i) an Act of the Legislature,
    - (ii) the Governor,
    - (iii) the Governor in Council,
    - (iv) a minister, or
    - (v) any combination of subparagraphs (i) to (iv); or
  - (b) prescribed by regulation as a government agency for the purpose of this definition; “law” means—
    - (a) any Act of the United Kingdom that is applied to Anguilla by statutory instrument or otherwise;
    - (b) the Constitution of Anguilla or any other statutory instrument made under an Act or power of the United Kingdom that applies to Anguilla; or
    - (c) this or any other Act of the Legislature
4. The Agencies selected for scrutiny were either identified by the Chief Auditor as being of particular concern and or benefit from significant financial support from the Government of Anguilla. They were the Health Authority of Anguilla, the Anguilla Air and seaports Authority, the Anguilla National Trust and the Water Corporation of Anguilla.

5. The inquiry sought to: underscore what is best practice in financial reporting with respect to government agencies in Anguilla; consider the existing arrangements and practice for financial reporting with respect to the named agencies; identify existing impediments or shortcomings, if any, in the implementation of best practice within the named agencies; determine the causes for the impediments or shortcomings identified; establish and propose remedial action as necessary to achieve best practice in financial reporting; and to examine any other related matters.
6. The Committee used a combination of desk research and a series of oral evidence sessions to achieve its objectives. The oral evidence sessions provided the committee with the opportunity to question persons with varying degrees of responsibility; these persons included permanent secretaries in the Ministries responsible for oversight of the agency; chairmen of the various corporate boards, chief executives and where possible past chief executives, so as to offer a historical perspective on the issues raised.

### **The situation as it regards financial reporting in the named agencies**

#### The Health Authority of Anguilla

7. The Health Authority of Anguilla receives a significant subvention from the government of Anguilla, EC 16,486,750.00 in 2015 and EC 16,162,413 in 2016. The Authority has an annual turnover in excess of 20 million EC and is a vital component of the social service infrastructure in Anguilla.
8. For the periods 2005 to 2013 the auditors disclaimed their opinions on the accounts of the Health Authority. For an organisation such as the Health Authority of Anguilla, this is unacceptable. It is potentially an indicator of the financial strength of the organisation and it begs further questions as to the overall capacity of the organisation to deliver on its mandate as outlined in section 5 of the Health Authority of Anguilla Act.
9. The Chief Auditor noted in his 2012 report on the accounts of the Government of Anguilla that, “of particular concern is the suspense account included in the HAA accounts. The balance on the account was \$5.3 million in 2010, falling to \$3.7 million by 2013. This balance arises out of adjustments made to the accounts to reconcile cash held in the bank to the cash shown in the accounts. Management has yet to fully investigate this balance and explain what all the entries are and then correct them. It is possible that some of the entries relate to income that has not been correctly accounted for in the accounts.”

10. The Completion of the transfer of the Health Services Assets from the Government of Anguilla to the Authority proves to be an on-going issue for the authority particularly as it relates to being able to meet International Financial Reporting Standards on the statement of assets.

#### The Anguilla National Trust

11. The Anguilla National Trust is one of the older government agencies, having been established in 1989. It received an annual subvention of 360,000 in 2015 and 2016 from the Government of Anguilla.
12. The 2004 and 2005 accounts were disclaimed by the auditors due to inadequate record keeping and the inability of the auditors to satisfy themselves that inventories, properties and equipment were fairly stated at the balance sheet date.
13. 2006–2008 accounts have been disclaimed by the Chief Auditor due to the manner which the independent auditor was appointed.
14. Before appointing the auditor, the ANT consulted with the Government as to whether the auditor was qualified to conduct the audits. The Government of Anguilla approved the appointment and the audits of the 2006-2008 have been completed in good faith by the auditor and approved by ANT following the, incorrect, advice from the Government.
15. The Financial Administration Act 2010 allows the Chief Auditor to accept the audit of the accounts and financial statements of a government agency by an independent auditor, if the Chief Auditor approves the appointment, and if the audit of the government agency is performed in accordance with the directions of the Chief Auditor and international auditing standards. One such standard is that the auditor must be registered with a recognised supervisory body. Unfortunately this is not the case for the auditor appointed by the National Trust.
16. The Auditor appointed to complete the 2006-2008 audits has also been retained to complete the 2009-2011 audits. For the 2012 accounts and going forward the Chief Auditor has requested that the trust appoint an auditor in accordance with the legislation.

## The Water Corporation of Anguilla

17. The Water Corporation of Anguilla has never prepared or submitted accounts for audit since establishment in 2009 in accordance with sections 20-21 of the Water Corporation of Anguilla Act. Nor have they submitted reports to the Minister as required by section 22 of the said Act.

## The Anguilla Air and Seaports Authority

18. The Authority was established in October 2009 and has been vested the exclusive right by section 2 of the Anguilla Air and Seaports Authority Act to manage the ports of Anguilla.
19. The Authority has never submitted to the Ministry annual reports and audited accounts as required by sections 31-32 of the Anguilla Air and Seaports Authority Act.
20. Of concern is that the final draft audited reports and financial statements for 2012 – 2013 have been submitted to the Board for approval by the independent auditor appointed by the board, and that the auditor is proposing to disclaim his opinion on these accounts.
21. The Committee is also concerned that the Authority has appointed an auditor to undertake the audit of the Air and Seaports Authority from 2012 onwards, while the Authority was established on 26 October 2009.
22. The AASPA has maintained that for the period 2009-2011 all financial transactions were handled by the Government of Anguilla and therefore form part of the accounts of the Government of Anguilla 2009-2011. The committee retains the position that the authority was established by statute in 2009 and the law as of 2009 requires the preparation and audit of accounts.

## **Impediments and shortcomings to the implementation of best practice**

23. There seems to be a wide range of systematic issues that impede the implementation of best practice as outlined in the relevant legislation and in international financial reporting standards.

24. The inability of agencies and the various ministries to negotiate and complete the transfer of assets has proved to be a major impediment to the agencies being able to meet international financial reporting standards.
25. Organisational Culture and the degree of value placed on financial reporting and adherence to the law.
26. The human resource and financial capacity of the various organisations. The ability of existing technical staff to complete the compilation of the reports in preparation for audit and the difficulty of the agencies to retain an auditor that satisfies the requirements of the Chief Auditor. The Committee strongly believes that the issue of financial and human resource capacity lies with the agencies to resolve through appropriate planning, forecasting and recruiting.

### **Other Matters**

27. The inquiry while focused on the financial reporting of government agencies brought to the fore several other issues worth noting and addressing in the report.
28. The need for the Health Authority to enter into a services agreement with the Government of Anguilla as required by section 27 of the Health Authority Act and likewise for the Anguilla National Trust to enter into a funding agreement as required by section 14 of the Anguilla National Trust Act. The Committee believes that the absence of these agreements undermine the ability of the agencies to effectively execute their mandate.
29. A clear disconnect exists between the intention of the House of Assembly in establishing the various agencies and the reality that is manifested to date. Many of the agencies seem not to have transitioned to the desired state as articulated in the various Acts establishing them.
30. The volume of water loss being reported by the Water Corporation of Anguilla, \$150,000.00 a month in non-revenue water is staggering and must be addressed decisively by the Corporation

## Conclusions

### Best Practice in Financial Reporting

31. Legislation establishing the entities and governing their operations (The Health Authority of Anguilla Act, The Anguilla National Trust Act, The Water Corporation of Anguilla Act, The Anguilla Air and Seaports Authority Act, the Financial Administration and Audit Act detail clearly what the practice for financial reporting should be. None of the agencies examined were compliant with the law as outlined in the various acts establishing them or in the Financial Administration and Audit Act. There is no excuse for non-compliance with the law.
32. International Financial Reporting Standards (IFRS) particularly those for small and medium-Sized Entities (SME's), as produced by the international Financial Reporting Standards Board (IFRSB) offers an internationally accepted best practice standard for financial reporting.
33. The issue of Non Compliance has been an ongoing issue that has been highlighted by the current Chief Auditor as well as previous Chief Auditors in their reports on the accounts of the Consolidated Fund. There is a pervasive almost deliberate culture of non-compliance within the agencies examined that seems to stem from the value placed on compliance in general; this is exacerbated by failings in leadership at all levels, both within the agencies and ministry responsible.
34. These failings in leadership manifest themselves in the lack of oversight on the part of the responsible ministry. In some cases this borders on the abdication of responsibility for ensuring good governance in the various agencies; in the agencies, these failings are primarily manifested in the inability of the agencies to produce the required reports at an acceptable standard and within the required timeframes.



## Recommendations

35. The Government of Anguilla to complete the outstanding transfer of assets to the health Authority, the Water Corporation of Anguilla and the Air and Seaports Authority by March 2017.
36. All the agencies examined to conduct human resource audits so as to identify existing gaps that contribute to the inability of the agencies to compile reports to an acceptable standard and within the required timeframe by the end of March 2017; and the agencies to implement a plan to remedy the identified gaps by the end of June, 2017.
37. The Ministry of Finance to issue a clear set of instructions that detail guidelines for financial reporting for all government agencies by March 2017 and that clearly outline the responsibility for oversight on the part of line ministries.
38. All the agencies examined to compile for audit all outstanding sets of accounts and produce all outstanding reports by June 2017.
39. The Government of Anguilla to commission operational audits of all government agencies by an independent auditor, to ascertain whether the people of Anguilla are receiving value for money.
40. The agencies examine to develop or update their strategic plans by June 2017
41. The Health Authority and the Anguilla National Trust enter into services/funding agreements with the Government of Anguilla by March 2017.
42. The Health Authority of Anguilla by the end of March 2017, to fully investigate, and provide to the Chief Auditor an explanation for the entries in the suspense account and resolve all other issues regarding this account.
43. The Water Corporation of Anguilla by the end of June, 2017, to reduce by at least 50% the non-revenue water.
44. A cross ministry taskforce chaired by the Ministry of Finance is established by January 31<sup>st</sup> 2017, to oversee the implementation of the recommendations and to report to this House on a quarterly basis on the resolution of outstanding issues.

45. The Government of Anguilla and the agencies examined to submit to the Public Accounts Committee, by the end of January 2017, action plans detailing their implementation of the recommendations; the officer responsible and the associated delivery milestones.

## **Appendix 1: List of Witnesses by Agency**

### 46. Health Authority of Anguilla

1. Mr. George Browne, Chief Executive Officer
2. Mr. Fritz Smith, Chairman of the Board of Directors
3. Dr. Bonnie Richardson-Lake, Permanent Secretary Health and Social Development
4. Mr. Claudel Romney, BDO Anguilla

### 47. Anguilla National Trust

1. Ms. Farah Mukhida, Executive Director
2. Ms. Avon Carty, President of the Board
3. Ms. Laureen Bryan, Permanent Secretary, Home Affairs (Ag)
4. Mr. Ron Connor, Past President 2007-2011

### 48. Anguilla Air and Seaports Authority

1. Mr. Sherman Williams, Chief Executive Officer (Ag)
2. Mr. Marcel Fahie, Chairman of the Board
3. Mr. Larry, Franklin, Permanent Secretary (MICUH)
4. Kenn Banks, Chairman AASPA, 2009-2012
5. Mr. Claudel Romney, BDO Anguilla

### 49. Water Corporation of Anguilla

1. Mrs. Evelyne Hodge, Chief Executive Officer
2. Mr. Chris Richardson, Chairman of the Board
3. Mr. Larry Franklin, Permanent Secretary (MICUH)