

1 THE ANGUILLA HOUSE OF ASSEMBLY
2 TRANSCRIPT OF PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE'S
3 INQUIRY INTO THE FINANCIAL STANDING OF THE GOVERNMENT
4 OF ANGUILLA IN COMPLYING WITH ITS OBLIGATIONS
5 HELD ON 10TH AND 11TH APRIL 2018
6 AT THE ATLIN NORALDO HARRIGAN, OBE,
7 PARLIAMENTARY BUILDING
8 THE VALLEY, ANGUILLA

9 Presiding

10 Hon Ms. Palmavon Webster, Chairman of the Public Accounts
11 Committee

12 Members Present

13 Hon Mrs. Evalie Bradley, Member
14 Hon Mr. Paul Harrigan, Member

15 Witnesses

16 Dr. Aidan Harrigan, PS Finance
17 Mr. Kiel Connor, Comptroller of Inland Revenue
18 Mr. Leslie Hodge, Registrar of Lands & Surveys
19 Mr. Vonlee Harris, Deputy Accountant General
20 Mr. Timothy Hodge, Director of Social Security
21 Mr. Russel Reid, Chairman of the Social Security Board
22 Mr. Carlyle Franklin, Investment Manager, SSB
23 Dr. Maglan Lewis, Deputy Director, Social Security
24 Mrs. Doris Fleming, Financial Controller, SSB
25 Mrs. Kathleen Rogers, PS Public Administration
26 Mrs. Monifa Brooks-Gumbs, Public Service Pension Fund
27 Administrator

28 In attendance

29 Mr. Lenox Proctor, Clerk of the Public Accounts Committee
30 Ms. Fiona Wilkinson, Assistant to the Committee

31 Absent

32 Hon Mr. Terry Harrigan, Member

33 Court Reporting Unit
34 Government of Anguilla
35 The Valley, Anguilla, BWI

36 DONE BY: CARLA S. RITCHIE, CERTIFIED COURT REPORTER

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Meanings of Symbols and Words used in Transcripts

Dashes

A series of two dashes (--) is used to show:

- (1) Changes of thought: When the speaker has a sudden change of thought leaving a sentence unfinished to begin a new sentence or a phrase.
- (2) Mid-word: When a speaker leaves a word unfinished and starts another word.
- (3) Interruption: When a speaker is interrupted by another speaker. These dashes normally appear at the end of the sentence. When the dashes appear at the beginning of the sentence it means that the speaker continued speaking even though interrupted or resumed the sentence after the interruption.

The word (indiscernible):

Used when a word or phrase is unintelligible and cannot be transcribed due to interruption, simultaneous speech, cough, voice lowered.

The word (inaudible):

Used when a speaker cannot be heard.

The word (phonetic):

When the correct spelling of a word or name cannot be ascertained from available resource material the word is typed as it sounds phonetically and the word phonetic follows in brackets.

The word (sic):

Used when a speaker uses a term or word or figure/number that is known to be incorrect.

P-R-O-C-E-E-D-I-N-G-S

(Meeting convened at 1:30 p.m.)

1
2
3 THE CHAIRMAN: Good afternoon all. And to
4 everyone listening by radio and otherwise I want to say
5 welcome to this session of the Public Accounts Committee.

6 The Public Accounts Committee of the House of
7 Assembly is crucial to ensuring appropriate scrutiny of the
8 way in which Anguilla's public finances are managed and
9 conserved. I am privileged to be its Chair, and I am very
10 fortunate in having able colleagues as committed as I am, I
11 believe, to this task. On my left is Evalie Bradley, the
12 Honourable Evalie Bradley. She is the Member for Road North
13 in the House of Assembly. We also have the Second Nominated
14 Member, Paul Harrigan, with us; and the next, the only other
15 member of the Public Accounts Committee, the First Nominated
16 Member, Terry Harrigan, who is serving as Deputy Speaker at
17 the moment, he is not able to be with us today. On my right
18 is the Clerk of -- for this purpose he is our Clerk for this
19 committee, he is also the Clerk of the House of Assembly, so
20 it's a quite burdensome responsibility he has. And we also
21 have taking notes of these proceedings Fiona Wilkinson.
22 Ms. Wilkinson has been volunteering with the Public Accounts
23 Committee almost from the outset and I acknowledge and put on
24 record our appreciation for that support.

25 You will remember that the Public Accounts

1 Committee, we say PAC, was established at the Fourth Meeting
2 of the First Session of the Eleventh Anguilla House of
3 Assembly on Tuesday, 22nd September 2015, in accordance with
4 section 68 -- I'm sorry, 66A of the Legislative Assembly
5 (Procedure) Rules, 1976. As the Speaker acknowledged then,
6 PAC has never previously functioned properly, if at all, nor
7 had it been given any recognition in the past.

8 The purpose of the Public Accounts Committee, as
9 you well know, is to prevent waste or misappropriation of
10 public funds and it's to secure the transparent accounting and
11 reporting of government expenditure. The Public Accounts
12 Committee is supported in an Overseas Territory, such as
13 Anguilla, by the Chief Auditor whose office is established by
14 our very own Constitution. The Public Accounts Committee uses
15 the Chief Auditor's Report as a basis for its inquiries. The
16 Chief Auditor is an external auditor. He is appointed by the
17 Governor without control by any local body such as Executive
18 Council. His report, as required by the Constitution, is laid
19 before the House of Assembly.

20 The current Chief Auditor is Mr. John Herniman
21 of the Wales Audit Office. And Mr. Herniman and his Audit
22 Manager, Mr. Jeremy Saunders, they are with us today to
23 observe the proceedings. We are obviously very honoured to
24 have them present but especially want to thank them on behalf
25 of the people of Anguilla for their excellent work in bringing

1 our accounts into a manageable state at this time. And we're
2 here without having had many years of accounts. We're now
3 dealing today, this inquiry, with the 2014 accounts, but I'm
4 assured that the other accounts for 2015 will be with us and
5 laid before the House of Assembly shortly.

6 Now, the background to this particular inquiry:

7 In 2014 (sic), the Government of Anguilla
8 entered into an agreement on a "Framework for Fiscal
9 Responsibility (sic) and Development", which set out the key
10 principles by which the Government of Anguilla will deliver on
11 its commitment to delivering, and I quote: "*A prosperous and
12 stable future for the people of Anguilla, firmly based on the
13 implementation of sound and sustainable economic and financial
14 principles which support economic development.*" The
15 principles and details of this agreement were encapsulated
16 into law, and passed by the House of Assembly and is referred
17 to as "The Fiscal Responsibility Act, 2013."

18 The framework, as many of you know, is based on
19 five key principles:

20 1. A commitment to sustainable development.

21 2. The effective medium and long-term
22 development and fiscal planning.

23 3. Putting value for money considerations at
24 the heart of the decision making process.

25 4. Effective management of risk; and

1 Government of Anguilla's finances as it relates to the
2 obligations.

3 B. To assess the ability of the Government to
4 meet its obligations under the Bank Obligations -- I'm sorry,
5 the Bank Resolution Obligations Act over the medium and the
6 long term, based on its current position and its compliance
7 with the Fiscal Responsibility Act.

8 C. To assess progress made by the Government of
9 Anguilla to address the concerns raised by the Chief Auditor
10 in his 2014 report and which concerns are outlined in points
11 (i) to (vii) below, and I list them:

- 12 (i) funding the resolution of the banking
13 crisis;
- 14 (ii) collection of arrears in revenue which are
15 recognised as increasing;
- 16 (iii) meeting the cost of future Government
17 pensions;
- 18 (iv) paying unrecognised creditors;
- 19 (v) effectively collecting Government revenue;
- 20 (vi) bringing Government finances into line
21 with the Fiscal Responsibility Act, 2013;
- 22 (vii) the precarious -- addressing the
23 precarious cash position of the Government of Anguilla; and
24 finally,
- 25 (viii) the deteriorating financial position of

1 the Social Security Board.

2 A third purpose is to consider any other issues
3 related to the scope of the inquiry identified by the Chief
4 Auditor.

5 In light of Irma, the Public Accounts Committee
6 would also examine the likely impact of Irma on the Government
7 finances as they relate to the concerns raised by the Chief
8 Auditor.

9 I've already outlined the PAC's, you know, how
10 we're constituted, how we operate, but I want to elaborate.
11 This is a very sensitive time, and this particular inquiry was
12 originally intended to occur a few months ago. And all the
13 planning went into this, but we were concerned that at that
14 time that we wanted to ensure that Government had an
15 opportunity to address some of the issues that we thought
16 needed addressing and so the fact that we're having this
17 inquiry now, today, is not linked to the current discussions
18 in the media about what is occurring. This inquiry would have
19 happened anyway based on that. So I just want to assure the
20 witnesses, all of you here and I want to say how grateful I am
21 that you are here because under the rules, under the House of
22 Assembly Rules, you know, your responsibility to be here, you
23 know, is governed by that law. And as you well know, many of
24 you from previous appearances, it is an offence not to comply
25 with directives of the Public Accounts Committee. But I'm so

1 happy that we haven't had to resort to any of those measures
2 to have you present today and I just want to put on record how
3 grateful I am that you so willingly attended.

4 One of the things that I want personally to
5 promise, and I've done it every time I've had a Public
6 Accounts Committee session, is that you might see in other
7 countries, in other regions how the Public Accounts Committees
8 operates, and you may have seen, remembered the one event we
9 had when the Public Accounts Committee sought to enquire prior
10 to 2015 when I took office, and you might say well that's
11 witch hunting, political witch hunting. I can give you the
12 assurance that that is not at all an opportunity that this
13 committee pursues. We take the responsibility of the Accounts
14 Committee very, very seriously and we take the responsibility
15 to follow well established rules of professionalism. So
16 you're going to have the assurance, you're going to have the
17 assurance from me as Chair but from the committee as a whole
18 that we're all working together to comply with the
19 requirements we have and that this is an excellent opportunity
20 to be absolutely open, absolutely protected in relation to
21 what you share and, furthermore, it's a wonderful opportunity
22 to show the levels of professionalism that we hear about and
23 know of our public servants. So thanks again for being here.

24 I'm going to allow my colleague Paul Harrigan to
25 start with the actual questions and we're going to start with

1 you, Dr. Harrigan.

2 MR. P. HARRIGAN: Dr. Harrigan, welcome back.

3 THE CHAIRMAN: I'm going to ask you before
4 the questions are directed to you to state your name and your
5 office, just for the record. Thank you so much.

6 DR. A. HARRIGAN: Okay. Good afternoon.
7 Aidan Harrigan, Permanent Secretary, Finance.

8 MR. P. HARRIGAN: Okay. Kiel Connor.

9 MR. K. CONNOR: Good afternoon. Kiel
10 Connor, Comptroller, Inland Revenue.

11 MR. V. HARRIS: Good afternoon. Vonlee
12 Harris, Deputy Accountant General, Treasury.

13 THE CHAIRMAN: Thank you very much. Yes.
14 And I see, Dr. Harrigan, that you're assisted by another able
15 young person. I just want him to -- I know he's not in the
16 dock with you, but if we could -- because we might need to
17 call him and I want to be absolutely sure that he's on record
18 as well. Thank you.

19 MR. L. HODGE: Leslie Hodge, Director of
20 Lands and Surveys.

21 THE CHAIRMAN: Thank you. Thank you very
22 much.

23 MR. P. HARRIGAN: Thank you, Pam.
24
25

QUESTIONS TO DR. AIDAN HARRIGAN, PS FINANCE

BY MR. P. HARRIGAN:

1 Q. Dr. Harrigan, welcome back. What we are going
2
3 to address for us today is the current financial position of
4
5 the Government of Anguilla. And my first line of questioning
6 is: As of the end of March, what was the cash position of the
7 Government of Anguilla?

8 A. Okay, so just give me a chance to go through my
9 documents here. Okay. So a little bit of background.

10 The Government has what's called the Operating
11 Account for the Consolidated Fund, and this is held at the
12 National Commercial Bank of Anguilla. And Government, like
13 most businesses, have what is called an overdraft facility.
14 Because, you know, revenue is seasonal and subject to, you
15 know, fluctuations and so as approved by the House of
16 Assembly, the authority for the overdraft facility is a
17 maximum of EC\$20 million and that authority is renewable
18 annually. So every year before, certainly by October 1st, a
19 new facility has to be in place.

20 Government, the Government of Anguilla, as most
21 people would know, is a member of the Eastern Caribbean
22 Currency Union area and also a member of the Eastern Caribbean
23 Central Bank. And as a member of the Eastern Caribbean
24 Central Bank it has available to it an additional overdraft
25 facility which is, the amount is based on certain rules,

1 certain criteria. And as of last year, the maximum amount
2 that the Government could borrow under that facility was just
3 about \$15 million. So with that the --

4 Q. That's dollars or EC? Sorry.

5 A. EC. Everything, even if I miss and say -- if I
6 don't say it you can assume that it's EC dollars. I will try,
7 if it's US I'll try to remember to say US.

8 Q. Okay.

9 A. Right. So as at the end of March, the net
10 position in terms of the operating accounts at the National
11 Commercial Bank was, the Government was in overdraft to the
12 tune of let's say \$11.3 million. Yeah.

13 Q. Okay. And you haven't exercised the ECCB
14 overdraft?

15 A. The ECCB overdraft is currently pretty much to
16 the maximum amount.

17 Q. The maximum amount?

18 A. Yeah.

19 Q. Okay. Thank you.

20 Second question is: What indicators are used by
21 the Government of Anguilla to assess the state of Government's
22 finances, and has the Government of Anguilla set particular
23 standards to achieve those indicators?

24 A. Right. So for any given financial year the
25 parameters are set by the budget, the annual budget.

1 Government has a fiscal year that runs from January to
2 December and so we would have gone through 2017/2018 and
3 normally yes you try to hit the ground running and have, you
4 know, to start the new year with the budget. The Financial
5 Administration and Audit Act which, you know, governs pretty
6 much everything when it comes to finances, allows for what is
7 called a provisional warrant. And so right now in the absence
8 of a budget for 2018, Government is operating on a provisional
9 warrant which expires April 30th - how many days in April?
10 April 30th or whatever, and is -- basically the limit is the
11 expenditure that was approved for the previous budgetary year.
12 So, in other words, the limit is whatever the amount was for
13 in terms of approved from January 2017 to April 2017. So
14 during the course of a budgetary year we have to monitor; we
15 have established fiscal monitoring mechanisms. For example,
16 internally we have what's called a fiscal review team. At
17 least, we meet at least monthly, once monthly but depending on
18 the situation we can ratchet up things to meet on a weekly
19 basis, whatever. And it's -- The members are headed up by
20 folks in the Ministry of Finance, the Secretariat and the
21 units in the Secretariat departments such as Inland Revenue,
22 you know, Customs and so on, Treasury; and ahm, so based on
23 that we report. There is also what is called a Budget
24 Delivery Committee and this is a committee that was -- we used
25 to have something before then but was changed into the Budget

1 Delivery Committee I think in 2013 and/or 2014. And this
2 committee is headed by the Deputy Governor and it consists of
3 the Permanent Secretaries and there are supposed to be two
4 private sector members. The current composition comprises of,
5 in terms of the private sectors, a representative from the
6 Chamber of Commerce. The other position has been vacant, so
7 that's something you need to look at. So based on the
8 performance, you know, reports are submitted to Council as
9 necessary with recommendations if any corrective actions are
10 needed and so, yeah, to try and keep a grip of the financial
11 situation.

12 Q. Okay. In the Fiscal Responsibility Act for
13 2013, are there any key indicators that are used to judge a
14 finance position?

15 A. Yes. So they --

16 Q. Such as the net debt, the debt service and the
17 liquid asset which it should be in a range of 80 percent
18 maximum recurrent revenue?

19 A. Yes. So those ratios, right, used to be
20 something called the borrowing guidelines, and so they were
21 what is called, you know, policy directives in terms of
22 governing the relationship between the UK and Anguilla in
23 terms of those guidelines. As part of the, as part of the
24 Fiscal Responsibility Act, those were codified into law. Just
25 to say that actually Anguilla, that Anguilla's recommendation

1 we were the ones that volunteered, because remember we had a
2 big event globally which actually affected Anguilla as well of
3 course in terms of the global financial and economic crisis of
4 2008, but the impact in Anguilla is kind of delayed. We felt
5 the full brunt in 2009 and '10. And as a result of that, from
6 2009 for those who remember and those of you who still have
7 copies of the Anguillian, because the stories would be printed
8 there, remember the Government of the time was, you know,
9 agitating with the British Government to have some flexibility
10 to be able to deal with, you know, seismic events like that so
11 to speak. And the Government of Anguilla argued for a revisit
12 of that whole concept and ended up with the Fiscal
13 Responsibility Act which also the framework is known as the
14 Framework for Fiscal Sustainability and Development. So the
15 UK Government took that opportunity to engage with all the
16 Caribbean territories and so you find that the territories
17 have one form or the other of that framework, and we, ours I
18 can speak to that. So those ratios came out of that which are
19 meant to guide how much you borrow in terms of your gross
20 debt, your net debt. Of course, when you borrow we have to
21 repay, and so you're servicing the debt. And so the -- in
22 terms of the maximum debt capacity, it's set as 80 percent of
23 recurrent revenue for a given year.

24 **BY THE CHAIRMAN:**

25 Q. I'm sorry. I'm sure it's just me, but can you

1 repeat what those, what the ratio is?

2 A. Right. And let me just get my -- So I don't
3 want to -- Just give me a chance here. Right. So the
4 borrowing limits net debt is set at 80 percent of recurrent
5 revenue; debt service is set at 10 percent, a maximum of 10
6 percent of recurrent revenue; and liquid assets, that's a
7 minimum of 25 percent of recurrent expenditure or it should
8 come out to be about 90 days.

9 Q. Thank you.

10 **BY MR. P. HARRIGAN:**

11 Q. Thank you. This is a supplementary question for
12 those. Can you provide the committee with the most up-to-date
13 position in regards to those indicators?

14 A. Right. I don't necessarily have that with me
15 today but I can always provide. But generally, I can speak
16 generally, the debt. So debt is the total public debt, right.
17 And in Government's classification, we have what is called
18 central Government debt and then Government guaranteed debt.
19 And that's also -- The central Government debt is to do with
20 Government in the strictest form, and the other debt is debt
21 occurring as a result of borrowing by say the statutory
22 bodies, right. So the Tourism Board, you know, AASPA, which
23 is the Air and Sea Ports Authority; you have the Community
24 College; we have the Water Corp; that's about it. So even
25 though, for example, the Water Corporation and the Health

1 Authority, they are supposed to be, they are financially
2 independent and so they can borrow under certain provisions, a
3 portion of their borrowing is counted and so that's where you
4 get the Government guaranteed debt. Any borrowing by say the
5 Tourism Board or the Community College, that tends to come
6 more under the framework. Certain weightings were applied to
7 each of those agencies, if you want to call it that. So as of
8 December, the gross debt the total was EC\$517.1 million,
9 right.

10 Q. Five hundred and seventeen point one?

11 A. Million dollars EC. Vonlee is quick, he can
12 work it out, but. So the net debt is really you -- I won't
13 put him under that pressure but we can provide the thing. The
14 net debt is really, what you do is whatever the level of
15 reserves would be then you would subtract that and there's a
16 formula for that, you'll get it. But we can always provide
17 the number. Suffice to say that it's in excess of, you know,
18 the recurrent revenue because recurrent revenue for 2017 came
19 in at around 191 million, right. So if you do the math
20 yourself you'll see. But the, you know, again, if folks
21 remember there was a lot of discussion about the Fiscal
22 Responsibility Act and, in fact, Anguilla was the last to sign
23 because we felt that it was important to negotiate certain key
24 things. And we didn't just -- Also we asked for help so we
25 would have had the Eastern Caribbean Central Bank comment on

1 the paper on the proposed cause the UK Government submitted us
2 a form of the framework. We would have asked the Caribbean
3 Development Bank to review it. And as a member of the Eastern
4 Caribbean Central Bank, the Government also have recourse to
5 advice from the International Monetary Fund because all
6 Central Banks have a relationship with the IMF. So all of
7 those agencies were consulted and provided their comments, and
8 we were able to get few key things put in there. (1) The
9 version that came from the UK Government we felt was heavily
10 influenced by what you call risk. And this idea, not the idea
11 but as per the Constitution, the UK Government carries
12 contingent liability for Anguilla and all the territories and
13 so everything seem to be driven by that, you know, the fiscal
14 and so on. But any good student of economics will know from
15 your intro that as the economy grows so does, you know,
16 revenue. And given our situation as a small, open, micro
17 economy, you had to address the development side so hence the
18 name of the framework, Framework for Fiscal Sustainability and
19 Development. We had put in there provision for capital fund;
20 we had put in there an escape clause for the debt because -
21 and Pam, you don't mind if I call you Pam?

22 THE CHAIRMAN: No, I don't mind.

23 DR. A. HARRIGAN: As any good lawyer will
24 know, if you're getting yourself into these contractual things
25 or legal things you should have -- because inevitably there

1 will be some event that will cause you to have to Fbreach
2 agreements for a good reason. And so the max borrowing,
3 there's a escape clause there to deal with extraordinary
4 events and we were able to make the case to UK Government that
5 dealing with the banking crisis was such event. And so
6 therefore you would see that even though we're in breach -- In
7 fact the UK Government, when the framework was signed in 2013
8 we would have been in breach and some of them, again because
9 you're coming out of the global crisis and the impact, and so
10 they gave us to 2017. And then having, knowing that we have
11 to deal with the banking crisis, those, it was extended to
12 2025 to come into full compliance. But as part of the current
13 negotiations, I think we will have to make the case that
14 perhaps in and for maybe some of them we'll have to perhaps
15 get an extension to say 2030 because, you know, there is only
16 so much you can do. So that's a very long answer too, but I
17 hope, you know, too that it would have given you an idea in
18 terms of the gross debt situation; gross and net debt.

19 We are also ahm --

20 THE CHAIRMAN: Excuse me.

21 **BY MR. P. HARRIGAN:**

22 Q. Okay. The Chair -- Ahm, the question was based
23 on the current indicators.

24 A. Yes.

25 Q. And if you are over or under. So I know you

1 said that you don't have them on you right now.

2 A. Yes. And the net -- not net debt, the debt
3 service max is 10 and we're also in breach of that. The
4 reserves, breach in that as well, so currently all three
5 ratios are in breach of those.

6 **BY THE CHAIRMAN:**

7 Q. Currently all three?

8 A. All three are breached.

9 Q. Are in breach?

10 A. Are breached.

11 Q. Are breached, yes.

12 A. We're not --

13 Q. Oh, I say in breach so that's -- Okay, are
14 breached. Very well. Thank you.

15 **BY MR. P. HARRIGAN:**

16 Q. Okay. Next supplemental question is: Have you
17 conducted as yet a detailed assessment of the impact of Irma
18 on Government finances, and what were the findings of that
19 assessment?

20 A. Well certainly we would have. So Irma was what,
21 Irma was 6th of September and the first three weeks I think
22 most of us, certainly some of us would have been, we had to be
23 reporting to the National Disaster Management Committee
24 meetings daily because, you know, you just got to get things
25 up and running, logistics. Some offices were almost

1 inhabitable, so it took about maybe a month before normal, you
2 know, operations came back. And so quickly after that, what.

3 We did in the Ministry was to ahm, we would have
4 provided, compiled and reported to ExCo our -- a forecast of
5 where we thought things would come out for 2017 because,
6 obviously, the 2017 budget for revenue pretty much went out of
7 the window. So our best guess in early October for recurrent
8 revenue was that we should come in at around 188.37 million,
9 and the budget that was passed in the House of Assembly for
10 2017 was 214 let's say .89 million (214.89 million) just
11 rounding, just rounding for ease, but the actual, the actual
12 outturn for revenue was 191.99 million. So we did better than
13 we -- than our updated, you know, forecast.

14 In terms of recurrent expenditure, 211.96
15 million would have been budgeted. And what I'm going to do
16 later is, Clerk, we will email you the spreadsheet so that you
17 can have for the record.

18 THE CHAIRMAN: I appreciate that. Thank
19 you.

20 DR. A. HARRIGAN: 211.96 million. The
21 revised projection was 196.32 million. So what happens when
22 you get what you call shocks like this, so in this case it was
23 a natural event causing the shock. You know that your revenue
24 is going to go down because in our case we depend on tourism
25 and all the, pretty much all the hotels except for a few

1 small ones like Carimar and some villas were gone, so you know
2 that your accommodation tax and -- In Anguilla the economy,
3 maybe the impact of tourism is maybe as high as 80 percent
4 when you take all the impacts together, so you try to adjust
5 by reining in expenditure, right. So expenditure, we were
6 projecting a revised target was 196.32 million, and the actual
7 outturn for 2017 was 195.43 million. Now, taking those
8 expenditure and revenue together you get a balance what is
9 called the recurrent balance or recurrent balance (sic) and
10 it's either in surplus or on deficit. The budgeted balance,
11 current account balance was 2.93 million. Our revised
12 estimate was 7.96 million which, but the actual outturn was
13 3.44 million so it was better than the revised, the revision.
14 So in other words, so you set yourself targets but through the
15 monitoring I mentioned earlier you actively monitor and try to
16 influence, you know, the outcome as much as you can.

17 The Government budget has another component just
18 like business as well, we call the capital element. The
19 capital budget that was approved for 2017 was 44.33 million.
20 We adjusted it down to 20.49 million. It was adjusted down in
21 terms of the outturn, and the actual expenditure was 21.02
22 million. And of course, in that would have been, you know,
23 hurricane related expenditures. So, and then there's, on the
24 capital side there's also revenue flows; we generally say
25 capital revenue but it includes grants like, so ahm, capital

1 grants for say expenditure, capital projects and it also
2 includes budget support which can go either way. So in our
3 case we have ahm, we get support from EDF and based on the
4 agreement with that it can be used for any purpose Government
5 wise once you clear, you know, their requirements. So that's
6 done upfront before they disburse, and they tend to do it in
7 tranches. We are currently under EDF 11, and as you know it's
8 a side issue but it's very important to the Government of
9 Anguilla because there's Brexit, and Brexit ahm, what's going
10 to happen to Anguilla in terms of that relationship. It's one
11 of the -- It's the last remaining source of, you know, grant
12 funding. And another issue that came to fore as a result of
13 Irma is what is called the ability to access Overseas
14 Development Assistance (ODA). And we would have pressed very
15 hard with the UK Government, so much so that I think the UK
16 convened some emergency meeting of the ODA. The ODA is
17 managed, the criteria is set by what is called the
18 Organisation for Economic Cooperation and Development (OECD),
19 and it's linked to --

20 **BY THE CHAIRMAN:**

21 Q. Can you repeat that for us more loudly, please?
22 Just to make sure that we get, the record includes it.
23 Thanks.

24 A. Yeah. The --

25 Q. The harmonization you were saying.

1 A. Okay. Overseas Development Assistance. Your
2 ability to access that is set by criteria managed, I think,
3 comes out of the UN actually. There's a UN declaration that
4 developed countries should spend I think it's .07 percent of
5 their gross national product and devote annually for
6 development assistance. And so I think the OECD, they kind of
7 like subcontracted out to look at that and ahm the -- your
8 ability to access it is based on your GDP per capita. So in
9 that stand Anguilla actually is said to be no longer ODA
10 eligible, and this would be a good thing to get on the record.

11 In 2003, the Government of Anguilla, I remember,
12 and -- Around 2003 the Government of Anguilla and the TCI
13 Government were notified by the UK Government that we were no
14 longer eligible for ODA. Up to that point assistance had been
15 provided to Anguilla in a series of discrete programmes and
16 the last such programme was called the Strategic Country
17 Programme which I think expired in 2003, and assistance in
18 that was mainly technical assistance but grant. And so, of
19 course, Government would have accepted the UK Government at
20 its word. Fast forward to 2012 or 2013, one of our officers
21 actually was invited to the UK to be part of a familiarisation
22 visit of various UK departments like Treasury, DFID and so on.
23 And in the meeting with DFID they went through the DFID
24 accounts, and what was revealed is that of the UK Overseas
25 Territories, three of them were ODA eligible, but out of those

1 three only Anguilla was not currently receiving ODA. And up
2 to now nobody in the UK Government, we've pressed and pressed,
3 have been able to tell us why, for all -- for basically 10
4 years that Anguilla was ODA eligible, no funding was received.
5 And they review it periodically every five years or so, so the
6 new ODA thing took effect from 2014, and under that Anguilla
7 is no longer ODA eligible.

8 Q. Thank you. So in fact there is no amount
9 indicated in the figures suggesting that that was part of the
10 income we received?

11 A. Sorry?

12 Q. So we haven't received any?

13 A. We didn't, we didn't receive. The assistance
14 that the UK Government has now pledged for, in terms of the 60
15 million, they have found the money -- because they have an
16 obligation again because of the relationship as an Overseas
17 Territory, but it is not, for the most part it's not coming
18 from DFID. The Overseas Development, UK Overseas Development
19 funds are managed by DFID.

20 Q. Very well. Thank you. Yeah, I'm sorry.

21 Continue.

22 A. So where was I? Right. So in terms of capital
23 spending I said, right. Flows, so the EU budget support.
24 Some funds were allocated or expected. And anyway, the
25 capital balance was a surplus of 10.01 million and that would

1 have been as a result of the EDF monies which came in. And
2 EDF, what is called the tranche 1, the first tranche under EDF
3 11 we received just about 11.61 million, and we received some
4 funds from the UK as well. And then also coming under the
5 flows, we tend to put it there, the Government of Anguilla has
6 from since its inception I think in 2007, has been buying what
7 you call "Sovereign Insurance" from the Caribbean Catastrophe
8 Risk Insurance Fa -- (CCRIF). So we pay a premium every year.
9 I think last year was about 500,000 US. And ahm --

10 Q. Last year it was how much?

11 A. Just over 500,000 US. And it's very, actually
12 the whole CCRIF thing seem to be a global leader in terms of a
13 center and it's being actually being exported to other parts
14 of the world. It's based on -- It's called parametric. It's
15 parametric insurance so they don't necessarily have to come on
16 the ground and see damage. The pledge is within two weeks
17 after a event they have money into your hands, and it's
18 triggered by -- So in our case we have three types of
19 coverage: We pay for tropical cyclone, which is, you know,
20 hurricanes and so on; we have earthquake and we have excess
21 rainfall. And so Irma would have triggered the tropical
22 cyclone because the winds were, you know, way off the charts
23 and some small thing for excess. So we got around I think
24 it's 6 million US.

25 MR. L. HODGE: Yes, 6.5.

1 DR. A. HARRIGAN: Yeah. And so that would
2 have helped as well. So the balance, so what they call the
3 overall balance before amortization, \$6.58 million, which is
4 good cause you're surplus, but take into account debt
5 amortization which came in at 22.33 million, the overall
6 balance including the amortization was 15.77 million; that's
7 deficit. So of course, you have a deficit you have to
8 finance. How did the Government finance? It ran down the
9 reserves and so 14.42 million in reserves were used. I think
10 we started the year with just about 15, 15 million, Government
11 had 15 million. And every -- The Treasury Department
12 generates what is called a cash flow position on a daily basis
13 and so it shows, so the sheet I'm looking at tells you when
14 the -- and our reserves being held with, they were held with
15 the National Commercial Bank, basically CDs. And so I'm
16 looking here and it says the dates when the CDs were
17 terminated and used. And again, as the Chair said, this is
18 important information because from time to time we tend to
19 listen to the talk shows and we hear lots of stuff flying out
20 there, and one of the things I heard flying out is that the
21 Government for -- was using up, in 2017 was using up the
22 reserves even before the hurricane, and that was not true.
23 And I think people on talk shows and stuff like that because a
24 lot of people put credence to what they say, and as
25 Anguillians we haven't yet learned to go and find, you know,

1 information, the sources where information would be factual
2 before doing it, so, and it shows, yeah, when the CDs were
3 terminated.

4 They also would have used the overdraft facility
5 to the tune of 7.19 million. So basically, Government was
6 able to finance, you know, finance that deficit. So that's
7 2017.

8 THE CHAIRMAN: Yeah. Thank you very much.
9 And I am -- And I know that you, you know, it's all very
10 interesting information and I know that the public is really
11 gobbling up and want, you know, happy to hear from you but we
12 are well aware that you are with us for a limited time and I
13 think at the rate we're going we're probably going to be here
14 till 9:00 p.m. which I don't think will do well with all the
15 witnesses. So we're going to try and move it forward just a
16 little bit if that's okay. Thank you.

17 **BY MR. P. HARRIGAN:**

18 Q. Okay. Next question: With all the information
19 you just laid out to us, are the factors that you highlighted
20 likely to impact on the Government's ability to fund the
21 banking resolution and achieve compliance with the Fiscal
22 Responsibility Act?

23 A. Yeah, obviously, you know. Yes, absolutely.
24 But as I said, from that standpoint the UK Government has
25 given us, you know, to 2025 to meet them, so that is not so

1 much in issue.

2 Q. That ain't important right now.

3 A. And what happens on the ground is actually you,
4 when you contract debt to pay it on time and other obligations
5 so pensions and so on, salaries to, you know, to meet those.
6 So those are the, you know, the most important things. And
7 all of those would have factored into 2018. And in fact one
8 of the reasons why the budget would not have come in December
9 because it's still, there's still a lot of uncertainty in
10 wrestling numbers to the ground and the Government would have
11 submitted, approved in ExCo a budget for 2018 sometime, I
12 can't remember, maybe late January or early February, would
13 have send it off to the Foreign Commonwealth Office for them
14 to, you know, to sign off because we felt given the
15 circumstances, the feeling was normally do the budget, send it
16 off and let them do their thing. A date is set in December
17 but this time at least to get feedback from them, you know, so
18 that if they are okay with it by the time it comes to the
19 House, you know, there's no question that the Governor would
20 give assent to it once it's passed in the House of Assembly.

21 So based on the -- As I said, we monitor, and
22 based on performance for January and February we would have
23 reported to ExCo and ExCo would have asked for a review of the
24 budget, the 20, you know, 18 (2018) budget. Some of the
25 numbers were, I mean, for example, accommodation tax, you

1 know, way down which is not surprising. So a revised budget
2 was considered and approved in ExCo I think on the 29th of
3 March and was sent to the FCO, so we are waiting to hear what
4 the decision is.

5 For 2018, normally the Government has the
6 obligation to present what is called a balanced budget even if
7 it's, you know, expenditure and revenue balance, the balance
8 recurrent budget. Usually for capital budget you are allowed
9 to borrow, you know, for capital projects. But mindful of the
10 impact of Hurricane Irma, when we were looking at the numbers
11 a recurrent deficit is forecasted. You may recall, I think it
12 was printed in the Anguillian, both the Chief Minister and the
13 Governor would have signed a joint letter that was sent off to
14 the Overseas Territories Minister saying that the projections
15 for 2018 was that there would be a recurrent deficit and asked
16 if the UK Government could provide recurrent, well budget
17 support, grant. Anguilla used to get -- So there are two
18 types of grant: You can get recurrent support or you can get
19 capital. Up until I think it was 1982, Government of Anguilla
20 used to get recurrent grant support from the UK; has never
21 since then. Montserrat currently gets. And so based on the
22 precedent of Montserrat case of the volcano having a huge
23 impact and then they also would have, I think, got recurrent
24 budget support after one of the hurricanes at the end of the
25 1980s. So based on that a request was made. The UK

1 Government declined that request but indicated to the
2 Government of Anguilla that it would allow a recurrent deficit
3 to be run and basically when you run a deficit you have to
4 finance it by - in this case it was no grant, proceeds were
5 forthcoming by borrowing and so we have been in discussions
6 with the Caribbean Development Bank. Basically, the idea
7 would be to, the idea is originally was to convert the
8 balances on the overdraft facilities, pay them off, convert
9 them to long-term debt by borrowing from the CDB. And so then
10 you'll have basically let's say you'd have 35 million of space
11 afresh. And it makes sense from another reason too because
12 short-term debt is usually more expensive, so I think the rate
13 on the ECCB is something like 6.75 percent.

14 THE CHAIRMAN: How much?

15 DR. A. HARRIGAN: I think it's 6.75 percent
16 on the ECCB facility and on the NCBA facility it's 6 percent.

17 **BY MR. P. HARRIGAN:**

18 Q. Six percent?

19 A. Yeah. Whereas when you, if you get a long-term
20 loan from CDB the rate is I think about 3.38 percent. So
21 that's where it's at.

22 In terms of, you asked about obligations. In
23 the obligations, the debt obligations for 20 ah -- So all the
24 debt, let's make this clear, all the debt obligations for 2017
25 Government was able to meet them notwithstanding the fact that

1 the ANGLEC share sale had to be postponed. As you know, there
2 was the launch. We had done everything that was necessary.
3 The prospectus was put out, approved, put out. Remember the
4 launch was at the Post Office. Proceeds from the ANGLEC share
5 was, share sale was the major source of funding amortization,
6 you know, paying back the actual principal for 2017; that did
7 not happen.

8 Q. That's actually one of my questions.

9 A. Yeah. Oh.

10 Q. So go ahead since you're there already.

11 A. Right.

12 Q. Give me a second.

13 THE CHAIRMAN: We're trying to keep, you
14 know, the answers in a systematic way.

15 DR. A. HARRIGAN: Okay.

16 THE CHAIRMAN: So if you can refer to them
17 in relation to framing others, other questions. So maybe this
18 would be a convenient time. Just before you go into that, do
19 you have one other, do you have another question in that line
20 of inquiry?

21 MR. P. HARRIGAN: No. No.

22 THE CHAIRMAN: Okay. Very good. So what
23 I think just to clarify a couple of things and then we could
24 move on to the next area where you went to.

25 MR. P. HARRIGAN: Not the next area, 4.4.

1 THE CHAIRMAN: Yeah, we won't get there
2 yet, we'll come to it in a minute.

3 **BY THE CHAIRMAN:**

4 Q. The -- Just on, based on what you said, there're
5 a couple of questions that we would like answered as well.
6 You mentioned that, you mentioned regarding the accounts held
7 by Government, the ODs, I just wanted to hear whether or not
8 there were any other, any other financial institutions you
9 have dealings with and liabilities to, any at all?

10 A. Sorry, I didn't get the first part of your --

11 Q. The status of accounts held at other financial
12 institutions.

13 A. Right. So in terms of accounts we, also at NCBA
14 one of the things that was done in 2017 for the first time we,
15 Government established a sinking fund.

16 Q. A sinking fund?

17 A. Yeah. And sinking funds are, the aim is to, you
18 put aside money to repay your debt, your principal. And that
19 was created with the idea that once the ANGLEC share sale
20 funds would come in we'll put it in that account so it
21 wouldn't go into the consolidated separate fund. After the
22 hurricane derailed those plans we had worked very hard and we
23 were just at the point of getting the EDF funds. And so the
24 EDF funds came literally maybe sometime the week after the
25 hurricane and so we put those funds into the sinking fund and

1 we were able to -- So there's, then there's also the CCRIF
2 funds. We tend to hold those in a separate fund and as is
3 necessary we transfer to the operating account. Government --

4 Q. So in the same sinking fund?

5 A. No, no, it's a separate fund.

6 Q. Okay.

7 A. It's called the CCRIF fund.

8 Q. Okay.

9 A. Government also after Irma our neighbours were
10 quite generous so the Eastern Caribbean Central Bank I think
11 donated a million dollars. The Government of St. Kitts/Nevis
12 donated some, can't remember exactly, some \$400,000.

13 Q. Yes.

14 A. Dom -- not Dominica, Grenada contributed, and
15 that was it. Yeah. And so what you call a Hurricane Irma
16 Relief Fund was established. I don't have the starting
17 position, but those funds have been, for the most part been
18 disbursed. Executive Council would have approved the
19 establishment of a committee and approved pastoral, religious
20 pastors, reverends, bishops from each, one from each district
21 and they worked along with a couple folks from the Ministry to
22 setup the -- Basically, again ExCo sets the criteria and I
23 think the maximum was US\$900; I think it went US\$200 or
24 US\$300. There was another thing in the medium -- in the
25 median and then \$900. And then therefore based on the damages

1 that were reported people got, so I think close to a thousand
2 people were able to benefit. So most of the funds have been
3 disbursed. So that's the only ahm -- Locally, I think
4 Government has one account at Scotia extended for some time
5 but it's hardly ever used. Then there's also ahm, and we can
6 send you a spreadsheet, one of the cash receipts for your
7 record. We have crown agents. Long time ago when we used to
8 get ODA the UK used to place the money at an account with
9 crown agents and then they would transfer it. So we still
10 have an account with crown agents. And that's about it.

11 There is a -- The Central Bank, as you know
12 Central Banks are what they call lenders of last resort to
13 governments and banks so there are various facilities that the
14 Government can access. Apart from the overdraft facility
15 there are couple other things, so yeah, but that's as far as I
16 know.

17 Q. Thank you very much. You also in your response
18 I think to the question on revenue shortfalls in light of
19 failing to meet the 2017 target, just ahm, I wonder what you
20 can share with us in relation to targets, you know, to the
21 present moment between January and March, where are we?

22 A. Right. Okay. Part of the budget process we
23 would have, as I said, we would have for the revised budget we
24 did everything. We reviewed everything for the most part. So
25 there are new targets for accommodation tax and so on. And

1 then one of the things we do once we've done the budget is we
2 do cash flow forecasting. There's a team of folks, Vonlee is
3 actually the team leader but it has somebody from like
4 Customs, somebody from Inland Revenue, somebody from the
5 Ministry and.

6 Q. Yeah.

7 A. Yeah. So in a nutshell, in terms of the net
8 position March, I think it's \$1.7 million including capital
9 and recurrent, a slight surplus of \$1.7 million. We would
10 have sent that information off to the UK Government as well.

11 Q. Okay.

12 A. But we have -- we can track, for each revenue
13 head we can track it. Each expenditure head we can track.

14 Q. Thank you. One of the questions that we
15 probably should be asking because while we are very interested
16 in the (indiscernible) as well, just for the record, can you
17 tell us what the shortfalls might have been in say 2016, you
18 know, 2015/2016? Do you have that information?

19 A. I think the audit report just -- I don't have
20 that, but I think the Audit, the 2014 report they did, yeah,
21 they did present it on -- there's no page numbers, but anyway.

22 Q. Is this the Audit Report 2015?

23 A. 2014.

24 Q. Oh, 2014, very well.

25 A. Under "Financial standing".

1 Q. Yes.

2 A. Just after 66, they would have given like for
3 2012, uhm, so recurrent revenue budget was 189.65 million and
4 the actual outturn was 180.0, let's say 180.1. So there was a
5 shortfall of let's say 9.6 million. 2013 - the budgeted
6 amount was recurrent budget 188.13 million; actuarial receipts
7 174.53 million, so a shortfall of 13.6 million. 2014 - 183.43
8 million revenue budgeted; 185.5 collected, so actually that
9 was a surplus in that year; did better, 1.9 million. 2015 -
10 192.29 million; actual collection 191.15 million, a shortfall
11 of 1.4 million. 2016 - budgeted amount recurrent revenue
12 219.07 million; actual collections \$188.81 million. Shortfall
13 of 30.5 million. So the -- Budgeting is not an exact science,
14 that's one thing. Then there are shocks that could occur like
15 in last year, for example, assumptions. So like in 2016, one
16 of the, just off the top of my head, you would have to go
17 through and examine, but I remember that in 2016 the property
18 tax reform was a major property tax reform undertaking. And
19 the assumption, what was -- what ended up being the case in
20 terms of what the numbers were based on was a reduce.
21 Because, you know, anytime you're having major changes, you
22 know, there's public reaction and I think property tax, it
23 went back to ExCo maybe at least three, four times before the
24 bills - and in fact you can speak to this - the bills were
25 sent out.

1 MR. K. CONNOR: Yes, and it was August
2 26th.

3 DR. A. HARRIGAN: Normally, the bills come
4 out --

5 MR. K. CONNOR: January.

6 DR. A. HARRIGAN: Yeah. And then I think in
7 2016 we were impacted also on the revenue side accommodation
8 tax. Remember Zika when ahm, some things you'd say unfair.
9 Notwithstanding the fact we had one or two, three cases in
10 Florida, cases galore but once you get in those, you know, it
11 was posted on those sites where the US tourist, for example,
12 would track you have hard time reversing ahm, so things like
13 that.

14 **BY THE CHAIRMAN:**

15 Q. Yes. Thank you very much. So for the record,
16 we've got that exhibit in the 2014 accounts.

17 Now the final question that I have based on the
18 evidence you've given so far has to do: Would you tell us
19 what the reconstruction cost post Hurricane Irma have been?

20 A. Okay. So the quickest answer to that would be
21 to - I don't have the breakdown so we'll have to get back to
22 you, but it would be some portion of the ahm -- so I would
23 have mentioned earlier that capital expenditure in 2017 came
24 out to 21 million, you know, obviously the hurricane came in
25 September so there would be a portion of that that would have

1 occurred prior to that, prior in or prior to that, so we can
2 get you the numbers. And I think for us and helping to
3 prepare in the future, so we only had to go by what you are
4 saying there. I mean, there are different unit heads, and so,
5 for example, in terms of capital there is a Chief Project
6 Officer who manages that stuff who would have that readily at
7 hand.

8 Q. Yeah, I fully understand. It's just that the
9 evidence in relation to the resources that were applied then
10 it was the question came from that, but I appreciate you will
11 provide fuller answers to us on that supplemental. Very well.
12 Thank you. We'll go on.

13 Dr. Harrigan, I know that it's going on long and
14 I know that we're coming up to 3:00. If at any point you feel
15 you'd value a minute or few minutes, you know, you could
16 always say that to us.

17 A. I'm good. I'm good. Yeah.

18 Q. Yes. Yeah, I just wanted to offer that because
19 often it can be --

20 A. Thank you. Yeah.

21 Q. Yes. Thank you.

22 **BY MR. P. HARRIGAN**

23 Q. Okay, Dr. Harrigan. In continuation with the
24 question I was conducted (sic), my last, well actually I have
25 a supplementary after that. Okay. I think you was (sic)

1 touching base on the ANGLEC shares.

2 A. Right.

3 Q. So my question reflects those. In order to
4 maximise the Government of Anguilla's cash position, the Chief
5 Auditor recommends in his 2014 report that sale of ANGLEC
6 shares should be maximised. What is the current position with
7 regard to those sales?

8 A. Okay. So sale of shares actually governed by,
9 in terms of the law by the Securities Act which is, I think
10 it's one of those bits of legislations common to the OECS so,
11 and in terms of the regulation application, it's regulations
12 done by the Eastern Caribbean Securities Regulatory
13 Commission. So you, anything you do in terms of prospectus
14 stuff, you have to do a prospectus cause you - it was the
15 last year public offering, so you doing a public share
16 offering and so you have to comply with the provisions there.
17 And I think there is something in the Companies Act, some
18 sections in the Companies Act that you have to be compliant
19 with as well. So it was to be as I said a public offer. All
20 the work was done. One of the requirements Government had to
21 have hired adviser, financial adviser for the process, that
22 was BDO, another adviser/broker, and Bank of St. Lucia was
23 hired for that. And we recall it was launched the Post Office
24 grounds one week it turned out before Irma.

25 Now the Act says, the Securities Act says that

1 if at any time during the -- And so there's what you call a
2 subscription period, I think it was a month, supposed to be a
3 month, that if there's any significant event that will have a
4 material effect on the information that was provided, so in
5 this case financials on ANGLEC and so on, then you are to be
6 responsible and in fact you are required to thing (sic). So
7 we would have ahm, you know, ANGLEC was one of the most
8 severely damaged and so we would have earlier on after it
9 became clear we would have written to the Commission and they
10 agreed that Irma was such an event that required postponing or
11 suspending the share offer. I think the prospectus in case
12 like that is valid for a year. Government has reactivated
13 the -- A committee was established, signed off by ExCo for
14 that process and the committee was reactivated in January.
15 And so we are, we are working on proceeding with the share
16 sale, looking at options. I can't say in detail now because
17 it could influence -- These things you have to be careful for
18 folks who are bidding or involved in buying. You can't --
19 Everybody must have, whichever way you go, must have a equal
20 chance to thing (sic). So I can't say anything beyond, more
21 beyond that. We are working quite hard on trying to get that
22 process launched and completed hopefully by the end of July,
23 you know, and the idea is to yes, you know, maximise,
24 optimize, but there are some other things that we are looking
25 into as well. For example, there was a lot of commotion

1 recently when ANGLEC evoked the, visit the surcharge thing.
2 The surcharge mechanism is quite archaic, came out probably in
3 the 90s, and so like the base rate that is there, given the
4 level that oil prices are now the base rate is easily
5 triggered. So that's something that we are taking a look at
6 and some other things in the legislation. So those are being
7 factored into.

8 Q. Alright. Thank you. Supplementary question to
9 that main question. The ANGLEC shares was a key strategy to
10 finance the 2017 budget. In light of the failure of the sale
11 to go through as planned, what additional measures has the
12 Government of Anguilla taken to compensate for the proceeds
13 from the sale not being realised within this timescale?

14 A. Okay. So as I said earlier that Government paid
15 its 2017 obligations through a combination of the EDF funds.
16 The CCRIF funds are you ahm, Government again can use them for
17 whether it's recurrent or capital, whatever. So those were
18 the two main sources. I think the UK Government ahm -- So all
19 of these stuff would show up eventually in the actual audit
20 because, you know, you will have unaudited because the numbers
21 sometimes take some time to get them all sorted and settled.
22 But the Chief Minister had also requested in his letter in
23 October to the UK Minister Recurrent Budget Support for 2017.
24 Again we would have provided idea of the gap and they declined
25 but they kind of said -- Apparently, for recurrent, you know,

1 for information of recurrent because we are not currently
2 being provided to do that, it requires them to take it to the
3 House of Parliament in the UK and it's a very involved process
4 and so they said, you know, try your best to get through.
5 There is no issue with capital, providing capital per se, so I
6 think what they did which helped to alleviate the crunch was
7 some of the capital that we would have expended from our
8 internal resources earlier during the year, like on the
9 Airport Fire Hall and the Tower, they actually, we would have
10 presented the bills and they refunded us a portion of that.
11 And I think they also refunded a portion, some of the things
12 we may have spent using the CCRIF funds. So, and again that
13 would have been some surplus funding and things like that
14 could have helped to go to the cash flow.

15 Anyway, for 2018, so the budget has gone to the
16 UK, ANGLEC's shares are factored into that. Again, the
17 targeted amount is \$23.98 million. We do our best.
18 Government is, you know, one quarter is gone and we have met
19 the obligations in terms of, you know, paying debt and so on.
20 So, so far so good.

21 April: Our main, main creditors externally is
22 actually CDB and we have some small loan with the European
23 Investment Bank which is marginal. Most of our debt is
24 actually internal. So the Social Security Board there was ahm
25 the recurrent -- In 2010, the UK Government allowed the

1 Government of Anguilla to run a recurrent deficit that time
2 because of the shock, and the funding was from the Social
3 Security Board, they are gone now. It was 50 million and so
4 Government is on track with that. And then, of course, yes,
5 the bank resolution. It's a -- A note was issued to the
6 Social Security Board to cover impairment of the, basically to
7 guarantee the deposits of the two banks that were put in
8 receivership.

9 So the next major payment for us for debt is CDB
10 this month. CDB, and we have been in discussions with the CDB
11 and they have agreed to allow Anguilla to do some refinancing.
12 They would have made that offer actually, literally sometime
13 in September, weeks, because then -- No, CDB deals with all of
14 the Caribbean countries from Haiti to wherever. You have
15 hurricanes, if they don't hit Anguilla they hit some other
16 territory, so they know the kind of pressures that countries
17 come under. And basically we were able to make the payments
18 to CDB in 2017 without tapping that facility, but we've
19 indicated to them that we are likely to have to use that. So
20 the budget for 2018 factors that in and the correspondence
21 that has gone off to the UK Government request permission for
22 the Government to access that because, you know, borrowing and
23 whatever, refinancing has to get the sanction of the UK
24 Government. When you're in breach of the, when you're in
25 breach of those ratios you have to get, you know, you have to

1 get approval. When you are not in breach you just tell them,
2 you have to still inform them. And so we should be able to
3 deal with the obligations to CDB for the remainder of the year
4 through that.

5 Q. Thank you. That concludes my line of questions
6 for this particular part. I'll turn you back over to the
7 chair.

8 THE CHAIRMAN: Thank you very much. I
9 think that we've ahm -- I'm just being advised by the Clerk
10 because we've ahm, because we're not following exac -- We've
11 got quite a lot of information from you for which we are very
12 grateful but we wanted to confirm your responses in relation
13 to a couple of questions that, you know, may have been lost.

14 DR. A. HARRIGAN: Okay.

15 THE CHAIRMAN: Where it's not quite clear
16 what the exact response is so just bear with us.

17 I think what we're going to do, we're going to
18 move into a completely new area of questions. Why we are,
19 because you're not going to be with us in the continuation, we
20 know you are limited.

21 DR. A. HARRIGAN: Yeah.

22 THE CHAIRMAN: We're going to bring up
23 some additional questions that we feel that you can help with.
24 So I'm going to invite the Honourable Evalie Bradley to move
25 to another line of questions relating to the Social Security

1 Board and ahm, thank you very much.

2 DR. A. HARRIGAN: Okay. So are we at that or
3 they have to answer?

4 THE CHAIRMAN: No. I think we're going
5 to, we're asking you.

6 DR. A. HARRIGAN: Okay.

7 THE CHAIRMAN: Because you're not going to
8 be here and it's not -- it's areas that, based on your
9 mandate.

10 DR. A. HARRIGAN: Okay.

11 THE CHAIRMAN: And that it's important to
12 hear from you as well. Thanks.

13 **BY MRS. E. BRADLEY:**

14 Q. Okay, Dr. Harrigan, I think this is all based on
15 the fact that you are the Permanent Secretary responsible for
16 Social Security.

17 A. Yes.

18 Q. Well just briefly, we all know that the past
19 normally impacts the future and just to place this in somewhat
20 of a historical context, this inquiry is as a result of the
21 2014 Audit Report, emanating from that originally.

22 A. Yes.

23 Q. And we also have the 2015, 2016 and 2017 reports
24 still to consider. But all things being equal, given the
25 impact of Irma on our situation I have no doubt that, you

1 know, over the next year or so things will improve
2 drastically, you know, for the fiscal situation in Anguilla.
3 But that said, Dr. Harrigan, I want you to answer the
4 following: The Chief Auditor refers to the "deteriorating"
5 position of the Social Security Board. Do you really agree
6 with this assessment?

7 A. Okay. So I think that arises from the bank
8 resolution situation. The Social Security in terms of its
9 reserves, the majority of those funds were actually lodged
10 with the two indigenous banks. Social Security also, and they
11 can elaborate when they get to it, they also have money
12 invested in, you know, the US markets equity and debt, and
13 also participates in the regional debt market buying bonds
14 from the Government, you know, placements in Government of
15 St. Lucia bond, treasury bills, that kind of thing. So when
16 the resolution happens, with any business or whatever, you
17 know, you basically you have assets and liabilities. So in
18 terms of the new bank, the bridge bank, NCBA, deposits, you
19 know, transferred to the new bank but -- and deposits for a
20 bank, you know, are a liability because, you know, customers,
21 you have to pay customers, you know, interest basically. And
22 how they're able to do that is by making loans. And so loans
23 were also transferred, good loans were transferred to the new
24 bank.

25 Now there were insufficient good loans to cover

1 all deposits and so therefore one of the things that was done
2 in terms of the receiver, the receivership so the receiver and
3 it's the same person, the Central Bank would have appointed a
4 receiver for NBA and a receiver for CCB, and Social Security
5 Fund deposits the investment monies. It's basically CDs that
6 were in those banks; most of them were placed in the
7 receivership.

8 The Social Security Act, there's a provision in
9 it that says that any hole in the Social Security Fund has to
10 be repaired by the Consolidated Fund. So theoretically, as
11 the receiver works out nonperforming loans and so on the
12 receiver gets income and claimants on the receivership are
13 then paid when you get those proceeds. But because of this
14 special standing of Social Security, what Government then was
15 required to do is to basically, it did was to basically
16 guarantee those funds. So that's the note of 214 million. So
17 I guess the auditors now would be concerned that in the course
18 of the day-to-day, monthly, yearly obligation, Social Security
19 has to pay out benefits, right. People age ahm, old age
20 benefits, maternity benefits and so on. And so the liquid
21 cash available to it, to the Social Security Board would be
22 reduced, vastly reduced, so I think that would be their
23 concern.

24 The Chair would have mentioned at the beginning
25 the Bank Resolution Obligations Act, and one component of it

1 deals with Social Security. So the note basically provides
2 that the monies will be repaid, have to be repaid over 25
3 years at an interest rate of I think it was 3 percent. And
4 there was a grace period on the repayment of 5 years. So what
5 Government has been doing, is obligated to doing is to pay
6 interest, and that has been done and I think that's
7 up-to-date; so yeah.

8 I would have mentioned in the -- I think one of
9 the submissions I made is in the form of a email but it's, you
10 know, accepted that one of the plans that Government has to do
11 is working on - we're a bit delayed because things, we've been
12 focusing on this budget and different stuff - is the option
13 there of refinancing the note. In other words, the aim would
14 be to find somebody who is interested in purchasing that debt
15 and Government gets those proceeds. So if all things work out
16 hopefully by maybe as early as June, because we have already
17 spoken to interested parties who are interested in taking on
18 that debt. So that \$214 million would all be restored
19 hopefully by, you know, June, July. And they will have a
20 wonderful challenge of now figuring how to invest. I think
21 one of the lessons will be of course to have better portfolio
22 strategy, diversification strategy, budget something, you
23 know, we are actively working on.

24 Q. Dr. Harrigan, are you in a position to update
25 the committee on what the current financial position of the

1 Social Security Board is at this time?

2 A. No, they are best placed to answer that in terms
3 of the ahm, we don't get involved in the day-to-day, you know,
4 the day-to-day numbers per se, so the Social Security, the
5 Director.

6 Q. This question will be best directed to?

7 A. Yeah. One thing I would say is, okay, in terms
8 of what we know, so apart from -- so we are up to --
9 Government is up-to-date with its payments on the \$50 million
10 loan which is actually now down; the balance remaining is
11 about 16 million and it's up-to-date on the bank resolution
12 obligation where, unfortunately, the only area I think
13 Government is behind with Social Security is, you know, we
14 have to pay for its employees, Government has to pay its
15 contribution because it's 5 employees and 5 employer (sic),
16 and at the end of December the amount owed was just about \$4
17 million. We can blame it on, some of it on Irma, because to
18 be honest accommodation tax was headed to be the best we've
19 had ever. I mean, even with Hurricane Irma we still collected
20 like 19. And that was, imagine that, that was by August. And
21 of course October, well November and December are two of the
22 highest grossing months for accommodation tax, but they were
23 wiped out so, you know.

24 Q. And so that question perhaps would best be
25 directed to the Director of Social Security?

1 THE CHAIRMAN: And, if I may, I just want
2 to refer to the fact that we do have Mr. Timothy Hodge, the
3 Director of Social Security with us. I'm well aware that it's
4 in the very early hours of the morning in Australia and I want
5 to thank Mr. Hodge for being present with us. We appreciate
6 very much that you are there on an engagement and that your
7 commitment to, you know, this process you are prepared to be
8 with us during this whole long proceeding so; and I also want
9 to acknowledge that, to recognise that the Chairman,
10 Mr. Russell Reid, is with us as well, and I saw earlier that
11 the Deputy Director, Dr. Maglan Lewis, was also with us. So
12 we are well represented here but I think this would be a good
13 moment to direct that question in the line of inquiry to
14 Mr. Hodge then. So we have for you, Mr. Hodge, a question
15 from the Honourable Evalie Bradley.

16 **QUESTIONS TO MR. TIMOTHY HODGE, DIRECTOR OF SOCIAL SECURITY**

17 **BY MRS. E. BRADLEY:**

18 Q. Yes, Mr. Hodge.

19 A. Good morning.

20 Q. Is it morning?

21 A. Good whatever it is. Good afternoon to you
22 guys.

23 Q. Okay Tim. Hope you're having a good time in
24 Australia.

25 A. I'm working hard.

1 Q. Okay. Can you update the committee on what the
2 current financial position of the Social Security Board is at
3 this time?

4 A. Madam Chair, I would've thought that questions
5 like those colours, financial information, would be provided
6 by the officers on the ground there. They are in a much
7 better position to provide that. I have provided a report, a
8 historical report on the Social Security Fund which shows its
9 growth over the last decade as a constant growth and which
10 shows that the Social Security Fund is viable and continues to
11 out perform its model. And I was unable to hear clearly the
12 response to your question about whether or not the Permanent
13 Secretary agreed with the position of the (indiscernible) and
14 I was unable to hear his response very clearly. But my report
15 which I prepared and which I can go to the appropriate, the
16 presentation, I'm sure, very sure that the Social Security
17 fund has grown as predicted and in fact better than predicted,
18 and also present the findings of the actuary, distinguished
19 actuary, Hernando Perez-Montas, who has been performing
20 actuary reviews for the Social Security system for well over
21 30 years now; who knows the Social Security system very
22 intimately and he's not just our system but United Nations
23 system, Pension Fund as well as Social Security systems
24 throughout any scale and who knows the Social Security system
25 very well. And he has given us a report which should shortly

1 be laid before the House. It was just by the Social Security
2 Board a few weeks ago. It will be laid before the House but I
3 have also excerpts there from the report which bear out the
4 statement that --

5 THE CHAIRMAN: Thank you.

6 MR. T. HODGE: -- the Social Security Fund
7 is ahm, financial condition is not deteriorating, that it ahm,
8 as was mentioned. It is --

9 THE CHAIRMAN: Thank you, Mr. Hodge. Just
10 bear with me. Thank you very much. Sorry to interrupt you
11 but thank you very much for that summary and because it is
12 going to be quite a report and we have had the privilege of
13 going through it, thank you very much for making it available
14 to the committee. And we're going to have some quite ahm,
15 quite a line of questioning related to the report which we
16 want you to answer, not so much because, you know, we have any
17 great joy in interrupting your sleep in Australia but we feel
18 that in, linked to your role, your office, that it's very
19 important that the direct evidence comes from you. So that is
20 our main purpose because a lot of it is operational. And
21 while the Chairman has made himself available and has
22 indicated his willingness to be interviewed, we the committee
23 felt that you could add substantively on some of the micro
24 details that we will want to hear of. And I know we are not
25 going to go into that line of questioning now. It's insofar

1 as the question was put to Dr. Harrigan and he indicated that
2 he felt it could be answered by you, that side question which
3 you've now answered. I want to thank you for answering and
4 then we will resume with Dr. Harrigan for the time being and
5 have a more detailed line with you if time permits either
6 later this afternoon or tomorrow during the continuation.
7 Thank you so much.

8 MR. T. HODGE: Madam Chair, if I may?

9 THE CHAIRMAN: Yes.

10 MR. T. HODGE: Because of the time
11 differences this is actually the second night because I really
12 thought this was happening last night. To go through this
13 again tomorrow would be really inhumane, so I would appreciate
14 if it would be possible to pick up with the questioning this
15 afternoon, this day, whatever time in this day.

16 THE CHAIRMAN: And I appreciate very
17 much that it's difficult for you, but as you well knew the
18 notices have gone out for a long time. I know that you were
19 alerted many, many months ago and the work of the important
20 and the financial standing of Government and its requirement
21 to meet its obligations, you know, are uppermost in
22 everybody's mind. And it's why, you know, I'm so grateful
23 that everybody from Government in the Ministry who are able to
24 help, you know, have demonstrated such willingness. So I'm
25 very sorry that it's interrupting your programme in Australia

1 but as you can tell it's the kind of inquiry that needs to
2 happen now. And short of requiring you to be on the ground we
3 extended our technological facilities to make sure that it
4 happened, so thank you for that. And, you know, I don't know.
5 How we can assist you perhaps is defer your substantive
6 questioning till tomorrow so that you are able to get, you
7 know, the requisite sleep that you need and, you know, to be
8 available for us fresh tomorrow. Is that, would that be
9 helpful?

10 MR. T. HODGE: Just to that, you know,
11 that there's an appreciation that it is 5:30 in the morning
12 here.

13 THE CHAIRMAN: Yes, and we appreciate
14 that. And we appreciate that you've followed the proceedings
15 for a few hours, so thank you very much. And we will allow
16 you to leave the line if you are not able to do so, but we
17 will need you to convene tomorrow and we expect to convene
18 when it continues same time tomorrow. The court is in the
19 morning, sadly, using the same facility so we have to work
20 with that programme, so at 1:30 tomorrow. If you choose to,
21 of course you are quite at liberty to stay on, and I think
22 that would be a good thing but I understand your predicament
23 as well. Thank you very much.

24 So we're going to continue with you,
25 Dr. Harrigan. And just to bring it together the evidence

1 that's, you know, in several places, we thought we could just
2 for confirmation ask a question and we will try and be short
3 as possible because I know you've provided, out of fairness to
4 you, you've provided the information before, it's just how
5 we've got it organised.

6 **QUESTIONS TO DR. AIDAN HARRIGAN, PS FINANCE (cont'd)**

7 **BY THE CHAIRMAN:**

8 Q. So you can confirm, I believe, that you are
9 making payments to Social Security Board according to
10 schedule?

11 A. Yeah.

12 Q. And there's been no slippage to the payment
13 schedule?

14 A. No.

15 Q. Yeah.

16 A. Oh sorry. Yeah. No. Yeah, so on track with
17 the obligations under the Bank Resolution Obligations Act as
18 regards Social Security and also as regards the 2010 loan,
19 those are the only two loans or debt, kind of debt obligations
20 that the Government of Anguilla has to -- oh, well there's
21 ASSIDCO which is a bit more involved.

22 Q. ASSIDCO, I was going to come to that because the
23 status of that account was in fact why we're going through.
24 We didn't hear about ASSIDCO.

25 A. Okay.

1 Q. Yes. Thank you.

2 A. Yeah. ASSIDCO is a bit more involved and I
3 don't know how long you want me to go into that, but.

4 Q. The fact it's newly arising, you should go on
5 with that one. That is important to us because it's quite a
6 big number. Yes. So go on.

7 A. Sometime ago, maybe it was in 2009, I think
8 2008, the Government of Anguilla, yes, had plans to start a
9 hospitality facility that would be able to do hospitality
10 training in what is called a reality based concept not
11 uncommon in most parts of the world. I think in Tortola, for
12 example, they had Prospect Reef which at one point was a
13 functioning hotel and also served a training. I think Madam
14 Chair you went to school in Barbados. I can't remember the
15 one but there used to be a hospitality training school there
16 which also focused -- So anyway, Cinnamon Reef Hotel, the
17 Government would have ahm involved in that and Social Security
18 has a subsidiary called ASSIDCO, and the idea was that ASSIDCO
19 would purchase it, which it did, and then Government, the
20 Community College would then on a lease to purchase
21 arrangement would basically, you know, buy it, take it over.
22 That was something that was concluded in the later stages of
23 the Anguilla United Front Administration led by Chief Minister
24 Fleming. And of course, you know, you had a change in
25 Government in 2010 and the new administration was not minded

1 to go that route and so there is some disentanglement or
2 whatever that needs to take place, but basically, the
3 Government is still on hook for the payments that were
4 supposed to be made. In the meantime, Social Security would
5 have, Social Security would have capitalised ASSIDCO to the
6 extent and they can correct, when they come on board they can
7 make and correct, but I believe that Social Security has --
8 ASSIDCO would have taken a loan to purchase the property and I
9 think they have repaid that and that was with Scotia, repaid
10 it or if not repaid it they are well on their way of repaying
11 it. So that part of it is okay, it's just that, you know, a
12 decision has to be taken about the Government part. If
13 Government, for all intents and purposes, it's a breach, so it
14 either have to decide to terminate that and pay at some point
15 or whatever, but I know -- So there's a lot, there've been
16 quite a lot of interest in the property over the years
17 including one pending interest which ASSIDCO has to and
18 Government will have to look at. Hopefully it gets there.
19 The good thing about land and especially tourism land if you
20 can afford to hold it, which Social Security can, is that you
21 can get the value for it in terms of, you know, the valuation.
22 So, you know, hopefully either through a lease or sell --
23 sale, they will get the value for that. But then as I said, a
24 determination would have to be made in terms of what the
25 monies that are owed by Government, what becomes of that.

1 Q. Yes. And just for the record you, can you tell
2 us what that amount, the amount that is owed?

3 A. I don't know offhand. I don't know offhand. I
4 would have to supplement that.

5 Q. Very well. But our -- We see here from the list
6 of entities, this is from the, yeah, list of entities
7 Government owes monies to, we see ASSIDCO the amount that is
8 owed as 20 million. Does that sound right to you or upwards
9 of that at the moment? Does that sound in that region
10 correct?

11 MR. V. HARRIS: Yes, it's 20 million.

12 THE CHAIRMAN: 20 million. Thank you.

13 MR. V. HARRIS: Yes, EC.

14 THE CHAIRMAN: Yes. Thanks.

15 **BY THE CHAIRMAN:**

16 Q. And finally of a supplemental level,
17 Dr. Harrigan, so you can breathe deep, we're nearly there.
18 Have you assessed the risks of Government defaulting on
19 payments to the Social Security Board?

20 A. So yes, there's always the, you know, you think
21 forward but you are most concerned about our budgetary years,
22 I'd say one year. So for 2018 we are, you know, reasonably
23 assured that we can meet the obligations, Government can meet
24 the obligations to the Social Security Board for 2018. As I
25 said we are up to date and yeah, so.

1 Q. And in line with the medium-term strategy, do
2 you feel like well positioned to make those payments from
3 right now?

4 A. Right. So the -- Guess most -- It was in the
5 newspaper so the Lord Ahmad and the Chief Minister's exchange
6 of letters and so on. As I said, the medium-term, we have to
7 operate on a medium-term basis right, so.

8 Q. Yes.

9 A. In addition to 2018 we have to, as we put it,
10 wrestle to the ground 2019 and 20, 2020. The --

11 Q. 2021 as well?

12 A. Well we are supposed to provide forecast out to
13 2025 but the crunch period. The UK Government, the first like
14 formal medium-term plan aligned to the fiscal framework was
15 the 2016 to 2018, and I think I provided the Clerk with a soft
16 copy. And that would have included addressing, yes, the
17 increased debt payments and so on. And there were a number of
18 items or revenue measures that were identified. One of them
19 would have been GST, their introduction of GST. And the
20 agreement, the Government had committed to introducing --
21 We've been receiving advice from CARTAC. CARTAC is the
22 regional IMF center funded by UK, DFID, Canada, the EU, I
23 think CDB and so on. The Government of Anguilla also pays I
24 think annually around US\$80,000. They provide fantastic
25 technical advice. So they've been advising Government on the

1 introduction of GST. They advise that based on the state of
2 the organisational structures, staffing and competency of
3 Inland Revenue and Customs which would be the two main
4 agencies responsible for, you know, implementing that it be
5 done on a phase basis. So the idea that GST was to start in
6 2018 and implemented, I think finally by I think 2022. So we
7 are again we are well on our way to planning for that. The
8 first component would have been for they call the goods
9 component. So GST stands for Goods and Services Tax, and the
10 goods element would be handled by customs. So that's in the
11 future. So we're still -- Part of going forward to the UK,
12 Government has to demonstrate the obligations for '19 and '20
13 and forward, '18 and '19 in particular, as they realise it's
14 an unpredictable world and then beyond that to 2025, the
15 obligations of Government and the revenue sources in terms of
16 how it funds.

17 Q. So in terms of your obligations and the Bank
18 Resolution Obligations Act where you have this requirement to
19 2025, if I hear you correctly, you are looking into the
20 introduction of new taxes to be able to give that assurance.
21 Is that what?

22 A. That would be part of it. The GST is the --
23 Okay, so the goods part of it the intention is to ahm -- The
24 Customs Code has a number of, you know, categories to simplify
25 the tariff and look at the rate and also for the, on the

1 services area there are a number of, actually there are
2 already a number of what you call service taxes.
3 Accommodation tax is a service tax, so that would be
4 incorporated into that. The environmental levy is also a
5 service tax, so that would be regularised. The communications
6 tax is a service tax; the marketing levy is a services tax in
7 some respect, so regularise that, but also to broaden the
8 coverage into things like ahm --

9 Q. To include new areas.

10 A. New areas. Like so restaurants will be covered;
11 things like car rentals. And again, some of this, this is
12 what is done in the other OECS countries. A number of studies
13 have recommended for the island to get let's say four or five
14 main revenue, main heads, taxes and do away with a lot of what
15 they call nuisance taxes. Ahm, yeah.

16 Q. So to be just directly clear. You're envisaging
17 these new areas would be the assurance that we would be able
18 to make payment schedule?

19 A. So again these things were announced. There was
20 a public discussion of the 2016. These were on the 2016 to
21 '18 so it's not a new commitment.

22 Q. Okay.

23 A. You know, it's something.

24 Q. But it's a new introduction of taxes though?

25 A. Yeah.

1 Q. Very Good. Thank you so much. I believe that
2 Mr. Harrigan has a question as well.

3 **BY MR. P. HARRIGAN:**

4 Q. Dr. Harrigan, I think with that new tax in the
5 House I think they made a reference that the duties will be
6 reduced, when you implement the GST the duties would actually
7 be reduced. So the way I envision it is that you are
8 implementing new taxes --

9 A. Yes.

10 Q. -- on the goods and service side. However, the
11 duties will be reduced so therefore they'll kind of offset
12 each other?

13 A. Again, you do all kind of modelling and so you
14 know that you have a certain revenue target you have to
15 achieve. But taxation is not necessarily taxation in and of
16 itself for collecting there. There should be other things.
17 So I think Mr. Hodge in the paper a few weeks ago went
18 through, I thought it was quite useful, you know. There are
19 issues of equity to issues of efficiency. And one of the
20 areas is also in terms of how can you use taxes to help to
21 stimulate business. And the way we've setup, because we are
22 open economy often for investment you have to import stuff. I
23 mean you, duties concessions help to ameliorate that but a
24 full VAT GST eventually involves like credits and so on. But
25 it's a good point you made but the idea is that even though

1 yes the rate of duties may go down in some place and the
2 average, the net effect of the GST would be to -- it's not
3 revenue neutral per se but you want to generate more revenues,
4 yeah, so you get increased revenues from it. Some of that
5 will come from the new areas covered and some of that will
6 come from, you know, as the economy grows, you know, the tide
7 rises and so on and if you get compliance. These --
8 Unfortunately, I won't be here tomorrow but I guess you will
9 get to the issue of arrears and stuff but Inland Revenue
10 increase compliance and collections and stuff like that to
11 increase the yield of revenues.

12 Q. Thank you.

13 **BY THE CHAIRMAN:**

14 Q. Has the Government commenced payments to the
15 Caribbean Development Bank?

16 A. For the ahm --

17 Q. I know you spoke about it, but has the
18 Government commenced payments?

19 A. For which part now? We have ahm, Government has
20 a number of loans with CDB.

21 Q. Okay. Are we in default at all?

22 A. No.

23 Q. No. Very good. That's what I wanted to
24 address. And can you just specify for us from your memory the
25 loans with the CDB?

1 A. We have ahm, the policy based loan which was in
2 2010 was for US\$55 million and it basically refinanced
3 existing debt.

4 Q. Yes.

5 A. So it was debt for the most part that was held
6 with NBA and CCB because they had funded the Government to do
7 like roads and stuff like that in the past.

8 Q. Yes.

9 A. So we were able to go out and, you know, get
10 that cheaper and so on. There are some things like after
11 Lenny, I think there was some Hurricane Lenny reconstruction
12 at particular rates. I think initially too we would have --
13 Oh, Vonlee looks like he has them there.

14 MR. V. HARRIS: I have all of them here.

15 DR. A. HARRIGAN: Maybe you could.

16 MR. V. HARRIS: Okay.

17 THE CHAIRMAN: Thanks. Appreciate that so
18 much.

19 MR. V. HARRIS: Okay. So under the CDB
20 loans we had the first one was a second multi project loan and
21 that one was \$4.6 million.

22 THE CHAIRMAN: Yes.

23 MR. V. HARRIS: There was a Disaster
24 Management Rehabilitation for Hurricane Lenny; that one was
25 900 million.

1 DR. A. HARRIGAN: No, not 900 million.

2 MR. V. HARRIS: 9 million.

3 THE CHAIRMAN: 9 million.

4 MR. V. HARRIS: 9 million, yes. There was
5 a Hurricane Lenny immediate response loan, that was 1.3
6 million, and there was a policy based loan as Dr. Harrigan
7 spoke about. And what's this one now?

8 DR. A. HARRIGAN: Community College.

9 MR. V. HARRIS: Oh, the Community College
10 loan for 8.6 million.

11 THE CHAIRMAN: 8.6.

12 MR. V. HARRIS: Yeah. Those are long-term
13 loans.

14 DR. A. HARRIGAN: Okay, go on.

15 THE CHAIRMAN: And you are not --

16 MR. V. HARRIS: No, we're not done.

17 THE CHAIRMAN: Okay.

18 DR. A. HARRIGAN: CDB has been our main
19 parlour. We don't have much avenues in terms of development
20 banking.

21 MR. V. HARRIS: Right. So we extended
22 lines of credit from Anguilla Development Board. The first
23 one was 8.2 million; there was a second one for 7.6 million
24 and the fifth line of credit for ADB was 13.5 million.

25 THE CHAIRMAN: Thank you very much.

1 MR. V. HARRIS: Yeah, that's it.

2 THE CHAIRMAN: Yes, thank you.

3 **BY THE CHAIRMAN:**

4 Q. And we are compliant?

5 A. Yes.

6 Q. Fully compliant?

7 A. Yes. The most recent loan would have been the,

8 I don't think that's the one but the bank --

9 Q. Resolution, we were just going to --

10 A. -- capitalisation loan.

11 Q. Yes, as well. Yes, that was listed. And the
12 balance of that remains at what?

13 A. So that --

14 Q. Right now, the current balance?

15 A. I'm not sure. What has happened is that ahm,
16 there're still some issues pending with that in terms of NCBA.
17 So what -- between the Government of Anguilla, the Central
18 Bank and the CDB agreed to disburse the funds to the Central
19 Bank. Central Bank are (sic) holding those in escrow, and so
20 once some financial details are ironed out between -- because
21 the Central Bank has to sign off on certain things with NCBA
22 and then the monies would be released to NCBA. But in the
23 interim, what the Central Bank did was to allow the Government
24 of Anguilla to borrow from one of the facilities available
25 from the Central Bank and the Government capitalised NCBA up

1 to that level with those funds. So when the CDB monies are
2 disbursed that, and I think the Government would have
3 borrowed, the monies that the Government would have borrowed
4 from the Central Bank would be netted out and so that loan
5 will go away.

6 Q. Okay.

7 A. And hopefully actually by May we are hoping that
8 that will be finalised.

9 Q. By May?

10 A. Yeah. A lot of work has been going on behind
11 the scenes on it.

12 Q. To deal with that?

13 A. Yeah.

14 Q. With that objective?

15 A. Yeah.

16 Q. Thank you.

17 **BY MR. P. HARRIGAN:**

18 Q. Dr. Harrigan, I have a couple more questions for
19 you. Depositor Protection Scheme: Under the Bank Resolution
20 Obligations Act, the Government shall pay the Depositor
21 Protection Trust the principal sum of \$52 million over ten
22 years. Is the Government on track to meet this obligation in
23 terms of repayment and within the timescale laid out in the
24 Act?

25 A. Right. And that front is mixed answer. So the,

1 as per the obligation payments were supposed to commence I
2 think in July, July of 2016. The documentation process turned
3 out to be much more involved than we anticipated. We are
4 almost there. I think, well there are trustees. The
5 depositor trust has to have trustees. The trustees have been
6 appointed; the documentation for the most part they went out
7 to the various beneficiaries; they would have signed and come
8 back. They have to say things like, well first of all that
9 they agree to be part of it, then they have to provide like
10 banking information. So the Government has established an
11 account -- not the Government, sorry, the trustees have
12 established an account at NCBA. The Government has to pay
13 into that account which funds have now been placed into that
14 and from that the beneficiaries would be paid. So that is
15 almost there, so. But of course because Government is late in
16 commencing that it means that some interest would have
17 accrued, additional interest would have accrued but that would
18 have to be made up to the beneficiaries, so we are almost
19 there. I think the debt officer mentioned to me just ah, we
20 have a small debt duty, the debt manager said that I think
21 sometime this month the first payment should be made, so.

22 **BY THE CHAIRMAN:**

23 Q. So you are expecting it to occur now?

24 A. Yeah.

25 Q. Shortly?

1 A. Yeah.

2 Q. This month?

3 A. Yeah.

4 Q. Month of April?

5 A. Month of April.

6 Q. Yes. Thank you.

7 **BY MR. P. HARRIGAN:**

8 Q. Excellent. One more question.

9 Is there a contingency plan to meet any
10 potential or actual claims on the Deposit Protection Trust
11 that might arise from investors currently not covered by the
12 scheme but who are successful in making claims at some date in
13 the future?

14 A. Like who? I would have to ask, like who? You
15 would have to elaborate on that.

16 Q. There was a -- Okay, that's it. Thank you.
17 I'll turn you back over to Madam Chair.

18 A. Okay.

19 THE CHAIRMAN: Yes. The supplemental
20 question or have we had the answer to that question?

21 DR. A. HARRIGAN: No, I asked him to
22 elaborate cause the --

23 THE CHAIRMAN: So yes.

24 **BY THE CHAIRMAN:**

25 Q. So are there potential claims on the part, for

1 instance, we know of one claim, the claim on the part of
2 depositors, persons, offshore depositors we call them, that --
3 so those claims are not currently covered by the scheme as far
4 as I'm aware, as we're aware, and there may be other claims as
5 well. There may be claims on the part of, you know, other
6 persons; do you know of any? We're just asking you to opine
7 on that.

8 A. Right. So the --

9 Q. Yes, what is the contingency plan?

10 A. Well I think the issues with the offshore
11 depositors as you would -- as I think is referred to is under
12 judicial review so I don't know how much I can say about that,
13 I can say to that.

14 Q. No, we're not asking about that, we're just
15 asking whether there is a contingency plan in operation.
16 We're not asking about the substance of the matter, we're just
17 asking if there is a contingency plan to deal with claims and
18 potential claims because there may be others, you know, if
19 successful because it's reality.

20 A. Well it is --

21 Q. It's really talking about the provision.

22 A. Well it's subject to judicial review and if it
23 gets to that point and there's a ruling in favour and there're
24 quantities then, you know, Government will have to face up to
25 that, but as of now we are just focusing on what's -- cause a

1 lot of what you see going through a lot of loans, loans for
2 sure in front of us and we have to deal with that, you know,
3 so.

4 Q. So if I'm hearing you correctly, you're saying
5 that there is no contingency plan, that that is an unknown and
6 you haven't addressed unknowns in your current planning?

7 A. Yeah.

8 Q. Is that fair?

9 A. Yeah. I mean, we're -- One of -- So I mentioned
10 GST and so on, but Government is not only looking at those
11 kind of traditional revenue generating sources but, and both
12 of you from Island Harbour, Madam Chair and Mr. Harrigan, and
13 we have corresponded on that before, the whole offshore
14 fisheries potential, you know, really drumming on that really
15 saying to the UK how can you help us with that too because
16 it's such a huge potential, such a huge resource.

17 Q. So you mean after all this talk we haven't
18 formed a think tank yet to deal with that aspect?

19 A. I'm beyond think tank, Madam Chair. I want to
20 see, you know, because the UK Government helped the Falkland
21 Islands in the early, I think the mid 80s, and they generate
22 US\$25 million annually.

23 Q. No, and I'm well aware myself of the Falkland
24 Islands and how they deal with it as well.

25 A. Yes.

1 Q. But aside from that and, you know, areas that,
2 you know, are speculative at this stage at this point?

3 A. Yeah. Well my PS colleague Larry just ahm,
4 Mr. Larry Franklin just came in and his ahm, some areas we're
5 working on also is looking at things like creating a special
6 economic zone, maybe a variant. I know you have talked about
7 the customs, kind of a customs zone before, Mr. Harrigan, you
8 mentioned.

9 MR. P. HARRIGAN: Like a duty free zone.

10 DR. A. HARRIGAN: Yeah. So looking at things
11 like that, economic residency, yeah.

12 **BY THE CHAIRMAN:**

13 Q. But that would be an unknown; those would be
14 unknowns from the standpoint of our medium?

15 A. No, we are actually working hard to quantify
16 potential returns. So even for 2018 we are hoping that even
17 though we have budgeted modestly we'll have a better view in
18 terms of economic residency, for example, but for 2019 more
19 definite for economic residency and on the special economic
20 zone and figures based on those, so. Yes, the idea would be
21 to get ahm, we want to get out of this cycle of just basically
22 surviving by the skin of your teeth, you know, and that's the
23 point of having sinking funds and so on. Eventually, the
24 idea, the thing is to get to -- You would have asked about the
25 fiscal framework and so on. So capital fund, have a capital

1 fund; the reserves fund, you know, the fiscal reserves;
2 sinking fund and then also something like a futures fund. So
3 Trinidad, you know, they are blessed with, you know, oil and
4 natural gas. Maybe fisheries would be our answer and who
5 knows what else is out there because it's not only the EFC but
6 it's also economic zone.

7 Q. Yes. Well thank you very much for that. We
8 have many more questions to deal with fiscal responsibility
9 but we are going to allow not just for you, because I know you
10 are prepared to go forward, but for others, you know, a 10
11 minute break and then we'll go on. And it shouldn't be too
12 much longer. We're hoping that, you know, within just a small
13 margin maybe we'll extend past the 4:30 period but I think we
14 can take a break.

15 A. So more questions for me, or?

16 Q. For you. For you, Dr. Harrigan.

17 A. Okay.

18 Q. We're not totally releasing you yet.

19 A. Okay. Just making sure.

20 Q. Yes, yes. And your team. And I know they're
21 going to be with us tomorrow but taking note of the fact that
22 you have other engagements and you shared that with us, we
23 just want to make sure we get as many of the questions
24 answered at your level as we possibly can. Thank you very
25 much. So a short 10 minute break. We'll reconvene then at 5

1 after 4 (4:05). Thanks.

2 **(Recess)**

3 **(Meeting resumed.)**

4 THE CHAIRMAN: Thank you very much. We
5 are reconvening the inquiry on the part of the Public Accounts
6 Committee on the financial standing of the Government of
7 Anguilla in complying with its obligations resolution, and we
8 have with us Dr. Aidan Harrigan.

9 Dr. Harrigan, for those persons joining us you
10 can share again, just before we start the next line of
11 questions, your position and just once again.

12 DR. A. HARRIGAN: Okay.

13 THE CHAIRMAN: And we are going to follow
14 your introduction or your reintroduction with some questions
15 relating to the Framework for Fiscal Sustainability and
16 Development particularly.

17 DR. A. HARRIGAN: Okay. Aidan Harrigan,
18 Permanent Secretary of Finance.

19 THE CHAIRMAN: And Dr. Harrigan, we've
20 been asked to request that you lift your voice somewhat.
21 We've had some indications that ahm --

22 DR. A. HARRIGAN: Okay.

23 THE CHAIRMAN: -- it's not very clear, so
24 anything you can do to -- The public, there are many members
25 of the public listening and I want to take this moment as well

1 to acknowledge and to recognise the public interest in this
2 particular session and to thank you again for being such
3 willing witnesses.

4 **QUESTIONS TO DR. AIDAN HARRIGAN, PS FINANCE (cont'd)**

5 **BY THE CHAIRMAN:**

6 Q. The Framework for Fiscal Sustainability and
7 Development, Dr. Harrigan, is an agreement between the
8 Government of Anguilla and the United Kingdom Government. And
9 the adoption of the Framework for Fiscal Sustainability and
10 Development, as you indicated yourself at the outset of your
11 evidence, has several implications for the way Government of
12 Anguilla carries out its business and is very pertinent to
13 this inquiry, and in light of this the committee will want to
14 seek reassurances on the Government's compliance within the
15 framework.

16 So my first question, Dr. Harrigan, is to what
17 degree is the Government compliant with the provisions of the
18 Act, and upon what basis do you make that assessment? And
19 just to help you, because again we are very anxious to get
20 quite focused evidence so that we can refer to it not just in
21 the record but in relation to the recommendations we need, and
22 of course the public listening, while it's all very
23 interesting, they want an answer to the question as far as
24 possible. So we would expect in relation to that question, to
25 what degree is the Government compliant with the provisions of

1 the Act and upon what basis you make the assessment, we expect
2 you to provide responses across areas of, you know, ensuring
3 effective medium-term planning, obtaining value for money,
4 effectively managing risks and delivering improved
5 accountability. I don't know if you want to take it, you
6 know, in that line.

7 A. Right. So we would have, if you take the
8 medium-term and long-term development and fiscal planning, we
9 would have mentioned --

10 Q. Your voice.

11 A. Yeah. I would have mentioned earlier that the
12 Government of Anguilla already proceeds on the basis of
13 medium-term plans. The previous medium-term plan was, covered
14 2016 to 2018. We are currently in the process of working on
15 the 2018 to 2020 plan. The 2018 pretty much covers, well the
16 2018 budget comes out of that so once the UK signs off on
17 that, that element would be considered to be done in terms of
18 thing (sic). And then we have to complete the '19 and '20
19 part of the plan and the letter which would have come from the
20 UK Minister would have provided -- we have up until June, June
21 of this year to submit the outstanding elements.

22 Long-term planning: The UK Government after
23 much - we would have requested on several occasions - last
24 year would have agreed to fund what is called a long-term
25 sustainable development plan, and work had already, was

1 already proceeding. The idea was to embark similar to what
2 was done for the tourism master plan. Some of you may
3 remember that. There were a lot of -- There were town hall
4 meetings and focus group meetings and that was the kind of
5 approach. However, because of the impact of Irma, the UK
6 Government requested that we, Government of Anguilla
7 reconsider that and direct the funds that were allocated to
8 the long-term planning process to something else. And so
9 Executive Council did consider that and that decision was
10 taken, so the long-term plan has been deferred for the moment.
11 We were not -- The Government, the Government side was not
12 necessarily happy about that in that they had lobbied for such
13 a plan to be done for a long time and to be funded. So I
14 think some commitment was asked (sic) from the UK Government,
15 commitment to provide the fundings (sic) to restart it so
16 hopefully they live up to that.

17 Value for money: There is now a Procurement Act
18 in place which provides for various elements. There's a
19 Procurement Board, there's a Procurement Unit within the
20 Ministry of Finance, there are Procurement Committees in the
21 various ministries so we think we are well on the way with
22 that. Of course, there's always room for improvement. It
23 covers big and small items, for example, things like the award
24 of solid waste, the solid waste management contract at Corito;
25 the collection of garbage in the different districts;

1 infrastructure projects and so on. And we eventually want to
2 roll it out to cover things like procurement of Government
3 supplies, you know, and also provision of services in terms of
4 like say air con, you know, refrigeration, servicing air
5 conditions and things like that. So that is work in progress.

6 Effective management of risks: So one of the
7 things, that's one of the things we are looking at. In the
8 debt unit they compile, you know, well a risk register related
9 to debt and so on but also risks that may be subject to say
10 the state own enterprises so the statutory bodies. For
11 example, if Water Corporation, even though it doesn't receive
12 a subvention, if they get into some kind of a cash crunch
13 whatever, then their mother is the Government so, you know.
14 So we have to work with them and the different agencies to see
15 what are the various risks there, so that's an example.

16 In the Internal Audit Department they also carry
17 out annual risks assessments. Of course, they don't -- it's
18 not every department expenditure or revenue they cover. They
19 select every year but maybe every three years at least
20 everybody will be covered because it's not physically, humanly
21 it's not possible to cover every aspect in the one-year cycle,
22 so.

23 Q. Thank you. What, in your estimation, are the
24 explicit and implicit consequences of noncompliance with the
25 Fiscal Responsibility Act?

1 A. Ah, well one of the -- in terms of the most
2 obvious, you know, the most obvious area and if -- We spoke a
3 lot earlier about the debt situation. If you are not able to
4 meet, you know, debt commitments you default, that has
5 reputation issues for Government. The ability in terms of
6 future borrowing, you know, there are obligations to
7 pensioners, you know, statutory things, and there are
8 obligations in terms of salaries and so on and so you try to
9 avoid that. The Fiscal Responsibility Act that's one but
10 there's also the Financial Administration and Audit Act which
11 deals with the responsibilities of what we call accounting
12 officers, you know, which the Permanent Secretaries in the
13 main and then there's devolved responsibility to department
14 heads. So like tomorrow or later today, for example, you
15 know, people like, there're statutory positions like the
16 Director of or Comptroller of Inland Revenue, Comptroller of
17 Customs and so on. So that Act has sanctions that are
18 possible. There's also like the Customs Act they have
19 sanctions. So the various Acts throughout that governs how
20 Government operates and, you know, penalties and so on for
21 nonperformance could go down to the individual level in terms
22 of individuals, you know.

23 Q. But in terms of the Fiscal Responsibility Act
24 itself?

25 A. Yeah. Well they are not -- The penalties,

1 penalties are as such I guess if they are as such, I mean, the
2 broader framework is the Constitution. And then the UK
3 Government can decide, you know, whether they want, for
4 whatever reason, whether they want more to have higher
5 supervision in terms of the territory and so that becomes --
6 But I think certainly in the case of I mentioned the escape
7 clause and so on with regard to debt, I think there has to be
8 some, you know, discretion applied. There is possibility to
9 apply discretion when you -- So yes, we're in breach of the
10 borrowing guidelines but that's a known to the UK Government,
11 they would understand why that would have happened. They give
12 you time to comply and so on and things like that. So that's
13 an example of ahm --

14 Q. So a supplementary question. So are you
15 envisaging then that the requirement for higher supervision by
16 the UK that would be a consequence of our good Government not
17 complying with the Act, the threat of higher supervision?

18 A. That could be. That could be but that's always
19 a threat of or the possibility of that has always been there.
20 Even before the -- For example, one of the levers that the UK
21 Government has always used the fact that the Governor and the
22 Governor through the Secretary of State, the Foreign
23 Secretary, you know, the Governor approves, gives assent to
24 the budget in all laws, and the Governor, in effect, receives
25 permission from London, for example, to say I approve this

1 budget. And so those, whether or not the Fiscal
2 Responsibility Act is there or not they had those, you know,
3 those levers.

4 Q. So the ultimate sanction is that the UK will
5 take additional controls --

6 A. Yeah.

7 Q. -- if we -- unless we are able to comply with
8 the Fiscal Responsibility Act?

9 A. That now seems like a lawyer kind of question.
10 I think I've given the best answer.

11 Q. Okay. Thank you so much.

12 A. And so I don't want to get into that.

13 Q. Yes, no worries. Would it be fair to say then,
14 Dr. Harrigan, that if the Government was compliant with the
15 framework, the effects of Irma would have had less of an
16 adverse impact on Government finances? Would that be fair?

17 A. No, I don't think that's fair to say.

18 Q. Okay.

19 A. I think again everything in context. I
20 mentioned earlier that the big, the big impact on Government,
21 one of the big impacts was actually the 2008/9 global
22 financial crisis. So when you look at the numbers, for
23 example, our GDP peaked, gross domestic product peaked in
24 2008, and here we are even up to last year the GDP number had
25 not recovered to that level. And I mentioned earlier in the

1 beginning too also that revenue performance is derived on
2 underlying economic performance, and so there are certain
3 structural issues that would impede Anguilla's progress, you
4 know. Population, for example, 12,000 people, air access, you
5 know, structural things like that. And you can look at our
6 position compared to say like the TCI which are the most
7 comparable Caribbean Overseas Territories in that they are
8 mainly, are mainly tourism based economy. They are like us in
9 that financial services, international financial services,
10 offshore finance does not really form a big component of their
11 economy or revenues like say the BVI or Cayman or Bermuda.
12 Yeah.

13 Q. But it is true that in TCI they don't have the
14 current challenges that we're experiencing; is that not the
15 case?

16 A. I am not fully aware of what's happening there.

17 Q. Okay. You're not fully aware of that.

18 A. I do know, I do know that they are both -- we
19 are both tourism economies and we get like tourism numbers
20 and so, so when you saw when the US economy rebounded after
21 the global financial economic crisis, their tourism numbers
22 went up. They are consistently being in the top five best
23 tourism performers based on growth arrivals and they have a
24 international airport.

25 Q. And I do know that in fact they are not having

1 the, they are not having the current challenges that we're
2 experiencing with the British because they've been able to
3 secure their surplus and they have been able to do all the
4 things that's necessary. So I'm going to repeat my question
5 to you.

6 A. Mmm hmm.

7 Q. I'm going to ask you again, and would it be fair
8 to say that if Government was compliant with the framework, we
9 know that Government was not compliant with the framework
10 prior to Irma.

11 A. Yeah.

12 Q. But if Government had been compliant with the
13 framework, the effects of Irma would have had less of an
14 adverse impact on the finances?

15 A. But you are asking an impossible question
16 because the compliance said in terms of the -- So the big
17 things are those three, like debt and revenue. You're -- Give
18 you to 2025 so how can we have revenues or surpluses in the 90
19 days, you know. So I don't -- you can't answer that question.
20 You're asking a impossible question.

21 Q. So it's a difficult question for you to answer.
22 Very well.

23 The Government was expected to be in compliance
24 with the borrowing limits as outlined in the fiscal -- in the
25 Act by 2017. Can you explain why Government failed to be in

1 compliance by 2017?

2 A. I think I answered that already.

3 Q. I want you to try again.

4 A. I said --

5 Q. I want you to tell us again why. I'm talking
6 about in 2017.

7 A. So in 2016 --

8 Q. Yes.

9 A. -- the UK Government gave approval for the
10 Government of Anguilla to borrow resources to deal with the
11 banking crisis, so that means their debt would have gone from
12 whatever it was, a hundred million to --

13 MR. V. HARRIS: It's 180.

14 DR. A. HARRIGAN: To thing. And the UK
15 Government, as I said earlier, gave permission to -- that the
16 2017 deadline be put back into the future to 2025, so I think
17 that's obvious.

18 **BY THE CHAIRMAN:**

19 Q. Okay. So the banking resolution and the banking
20 crisis is really at the core of it; is that right?

21 A. Yes.

22 Q. At the core of that development?

23 A. Yeah.

24 Q. Alright. So as outlined in the medium-term
25 economic and fiscal plan, you have sought approval from the

1 British Government for an extension of the compliance deadline
2 to at least 2025; you shared that with us.

3 A. Yes.

4 Q. Yes. What are the reasons for extending it by
5 at least eight years?

6 A. Ahm, obviously you have to start where you're
7 at. There's no magic wand to go from a certain revenue base
8 unless you are like Guyana, for example, you come into a
9 windfall of oil and even that takes time. And so the ability
10 to, you know, repay debt and all of these things depends on
11 your ability to generate revenue. And some revenue measures
12 can take effect easily or is not much to ahm, doesn't take
13 much to collect. For example, when the decision was made to
14 implement the environmental levy, one of the reasons why that
15 is fairly efficient is because there's only one electricity
16 provider and so the ANGLEC is acting as like an agent of
17 Government. Then I would have mentioned the Government would
18 have comitted to GST but, and as I said working with CARTAC
19 and so on, those things, something like that depends on
20 capabilities of lead departments like, you know, Inland
21 Revenue and so on. Mention things like economic residency,
22 there're legal issues, things like that you have to clear with
23 the UK because we don't have citizenship. We have, you know,
24 we have belongership but it's still, if you get belongership
25 it's still -- so it depends, you know, based on what you have

1 in mind in terms of revenue measures. Some require a longer
2 gestation period than others.

3 Q. Yes. So taking into account what you've just
4 shared then, is it likely to be more than eight years?

5 A. Well I think there's a very good case to make
6 that as I mentioned in the beginning to extend it to at least
7 2030. What I can do is to -- And I think I mentioned earlier,
8 I can't remember though, what Government did after Irma is to
9 request the assistance of the United Nations Economic
10 Commission for Latin America and the Caribbean, and their
11 regional office is in Trinidad. And they came with a team,
12 that's what they do. They do what they call damage and loss
13 assessments.

14 Q. Mmm hmm.

15 A. And so they did what is called the DaLA Report
16 for Anguilla. The World Bank did it for like Dominica and
17 Antigua & Barbuda and so on. It's a very detailed report
18 about ahm, you know, in financial, economic and social
19 consequences, and they would have calculated that the impact
20 of Irma was in excess of 100 percent of GDP. It's a huge
21 shock, you know, and you don't recover overnight from things
22 like that, you know, a hundred percent. Just imagine if you
23 put in context of say the UK, for example, imagine if they
24 were to have suffered an impact of something to the economy of
25 a hundred percent, you know. So everything is relative.

1 Q. When do you project that you will reach the
2 milestones previously established in 2015, the net debt ratio,
3 the debt service ratio, the liquid assets ratio?

4 A. Well all of that is subject to discussion and
5 negotiation with the British Government and so I can't tell
6 you at this time because we are still working in numbers,
7 still discussing with them. And so perhaps at the next
8 inquiry, whenever you have that, we'll be in a better
9 position.

10 Q. Yeah. And I'm sure that we are planning in this
11 case with knowns and unknowns as well.

12 A. Yeah.

13 Q. But save, you know, if left to our own efforts
14 and what we've done without injection on the part of the UK,
15 how long do you think it would take us to reach, to deal with,
16 you know, to be at the state of sustainability?

17 A. The best answer I can give is that there was a
18 commitment made for 2025. If the UK Government does not even
19 despite our best, making the best case, if they don't move
20 from that deadline then that's something that the Government
21 would have to work through and then you crunch the numbers.
22 But of course, you know, numbers are measures you put in
23 place, they impact real people's lives on the ground. So the
24 most we can do is to, as I said, make the case and make a case
25 that whatever measures are done are done in a balanced way.

1 In other words, a combination of yes expenditure reducing, you
2 know, revenue enhancement and structural things, like I would
3 have mentioned the airport and improved access and things like
4 that.

5 Q. So, you know, I am sorry to harp on this but I
6 really want to get a direct answer from you. So we are not
7 planning for a situation where we're not depending on UK
8 support? We've never, we have not done that at all?

9 A. In what way?

10 Q. In relation -- Without the -- Are we envisaging
11 a time when we will not have injections of grant aid or
12 capital aid or whatever from the UK? Have we planned for that
13 eventuality ever?

14 A. Well that, Anguilla was actually in that state
15 as it was before Irma. I would have mentioned earlier that we
16 have never, we have not received capital grant assistance
17 since 2003 in terms of formally and even under the strategic
18 country programme, the bulk of that was actually technical
19 assistance. There was (sic) I think, two country policy
20 programmes before that a duration of maybe three years. And
21 if you look at that, some of this - I came in Government 2001
22 - some of that -- and there was a clear sort of a trend where
23 the UK Government was saying, you know, basically we're
24 weaning you off. So at one point we used to get capital grant
25 for build roads and stuff, they stop that; they claim that we

1 are no longer eligible. And then the technical assistance and
2 they stopped that. And apart from that, in that intervening
3 period they only did things like maybe give £200,000 to, you
4 know, fix something on the prison, or I think in 2013 with the
5 -- when the Fiscal Responsibility Act and the framework was
6 agreed they actually provided £3 million in grant, so Anguilla
7 has been operating, but in terms of the overall objectives of
8 the Government, that is done at a different level. That is
9 done, typically what happens is we have elections, right, and
10 people are elected on a particular platform and the manifesto
11 of the winning party is accepted by Executive Council as the
12 programme document and so therefore that five-year whatever is
13 then translated into basically a work programme for
14 Government.

15 Q. But on the basis, we have an administration that
16 is constitutionally in place until 2020, let's say.

17 A. Yeah.

18 Q. I'm asking you if the current planning -- at
19 what point in the current planning you think we'll be at a
20 stage where we do not require the UK assistance, grant or
21 otherwise to balance the budget?

22 A. Again ahm, there's no UK assistance with
23 balancing the re -- I went into detail about the recurrent
24 budget. Anguilla since 1982 has never relied on UK for
25 recurrent assistance so that's a given, that's done. And on

1 two occasions in recent history I mentioned 2010 when they
2 approved that the Government could run a, because of the
3 special circumstances, a recurrent deficit and it was financed
4 by borrowing which Anguilla pays for. And this case as well,
5 this year that would be the case.

6 Q. Alright. Can we particularise it then and say
7 instead of just UK support maybe UK facilitated support like
8 our participation with the EDF funding programme which has
9 been very helpful to us?

10 A. Yeah.

11 Q. Yes. Is there any, does our planning allow for
12 our being able to sustain ourselves in other words --

13 A. But why should we do that when --

14 Q. -- without that injection of grant support or
15 otherwise from other places?

16 A. Why should we do that when even the independent
17 countries they have the ability to access, you know, the
18 independent countries access money through the EU which is
19 called ah, through CARIFORUM, so.

20 Q. I'm only asking, are we able to sustain
21 ourselves? A very simple question, not what the case is.

22 A. Madam Chair, you're venturing into things I,
23 well I can't, it's like impossible answers.

24 Q. Okay.

25 A. I could only say -- I'm not, don't know what

1 you're getting at, you know, so.

2 Q. Okay. Alright, I understand.

3 A. I've done my best.

4 Q. And you may have answered, but in relation to
5 the more up-to-date medium-term economic strategy that you
6 described and the 2016/2018 that we talked about earlier, and
7 I know you've got up until June to develop it, but have there
8 been any revision or any thoughts in relation to revision that
9 you can share with us?

10 A. The emphasis has been on 2018 because as I said,
11 I think I said at the very beginning, the Government is
12 operating on a provisional warrant that expires the end of
13 April. And so the immediate priority is to get the budget
14 sorted out and with good reason too, it affects the whole
15 operation of Government and also we can then treat those
16 numbers as firm and they are the base for looking at '19 and
17 '20 so that's where we're at now.

18 Q. Thank you. I'm going to come back to this.

19 What, in your view, are the key risks preventing
20 the Government of Anguilla from returning to a sound financial
21 position?

22 A. And what's your definition of a sound financial
23 position?

24 Q. The situation where we have the surplus that our
25 -- the ratios that we've already described, all the net debt

1 ratio, the debt service ratio and the liquid assets ratio,
2 that the standards set out in the fiscal recovery law is ahm,
3 that we're sound, in a good place, compliant.

4 A. I mentioned before revenue generation.
5 Expenditure is pretty much to the bone. If you look at, I
6 think when we did look at the numbers over the period 2018 to
7 2017 (sic), the expenditure, recurrent expenditure increased
8 by 16.7 percent. So that's like what 1.67 percent per annum,
9 so that's not even inflation, that's not even taken to, you
10 know, so expenditure is really, you know, to the bone and so
11 revenue -- But apart from as I said, you know, because you can
12 implement revenue measure but if the economy is not growing
13 and then as I said if there are certain structural impediments
14 to Anguilla's economy, better airport access and so on. So
15 all of those have to be taken into the package and you have to
16 work on those kinds of things.

17 Q. Yes. I think the new date we're throwing out
18 there that we'll be compliant by a certain date you've
19 previously shared that we're looking towards 2030.

20 A. Yeah.

21 Q. We're trying to negotiate that position from the
22 2025 where we are now?

23 A. Yeah.

24 Q. What assurances can you give us the members of
25 the committee that you will be compliant by 2025, and if not

1 by 2030 given that there are more pressures on Government
2 finances from recent events including the effects of Irma?

3 A. The short answer is nobody can foretell the
4 future. We are not prophets and so there's no way -- You can
5 plan and use your best efforts. For example, who could have
6 predicted something like Irma, you know? So you plan. And
7 Government does things. For example, it may seem small but it
8 has turned out -- The mere fact that you -- Government had
9 committed to being part of the CCRIF, for example, and so when
10 you look at it you may say wow, \$500,000, that's a lot of
11 money. We don't get hit every year by a hurricane, but the
12 fact that you invest in that, you know, so when a hurricane
13 hits some kind of catastrophe you get that. Then there're
14 again structural things like you would never be able to one
15 hundred percent to get insurance to cover those things. So
16 what you try to do is to reduce your exposure. So there're
17 things like better building codes, there're Physical Planning
18 Bill, you know, to reduce your risk to events and improve, you
19 know, your resilience. So those -- In fact that's a big thing
20 now in ahm, that's a big thing now in the whole region in
21 terms of the world in terms of building more resilient
22 countries and economies and so on.

23 Q. Thank you. And then I have one final question.
24 I don't know if other members of the Committee might have a
25 supplemental question for you but we're endeavouring to get

1 everyone out now.

2 Are you complying with the reporting
3 requirements stipulated in Annex C of the Fiscal
4 Responsibility Act; and can you outline to the committee how
5 you are complying with those requirements?

6 A. I am getting to it.

7 Q. It's on page 27 of the Fiscal Responsibility
8 Act.

9 A. Right. So the first one, actuarial reviews.
10 Actuarial reviews, for example, in pensions and so on with
11 regards to pensions, that is something in their Act as well so
12 I think in the provision if they are not here, I'm not sure.
13 Every two years, every three years they have to get actuarial
14 assistance to do that, so that is done. Also with regard to
15 Social Security, that's a given into that so that's not an
16 issue.

17 Q. And what about health care? That's specified as
18 well?

19 A. Health care ahm, health care is --

20 Q. Health Authority?

21 A. Health Authority. So Health Authority,
22 Government does not have any ahm, there's no National Health
23 Insurance System, for example, although that's on the card,
24 so.

25 Q. Your voice dropped again and we didn't hear

1 that.

2 A. There's no National Health Insurance system for
3 Anguilla so that doesn't really compute. There is for
4 Government employees, the Government of Anguilla has a Medical
5 and Health Insurance, and that is again insurance that, you
6 know, we are up-to-date with in terms of paying for. So that
7 one does not really apply in this case. In terms of the
8 pension benefits and the Social Security benefits, those are
9 statutory obligations in law and so hence the actuarial
10 assessments. Some of this, I'm sure if you look at the TCI
11 one, for example, some of this stuff thing (sic), so some
12 things apply to Anguilla, some things do not necessarily
13 apply. I think they have a National Health Insurance system
14 by law.

15 Q. But we had a pilot programme.

16 A. Yeah.

17 Q. We had a pilot programme. Was something
18 provided in relation to that?

19 A. That was discontinued I think when the --

20 Q. So that programme was discontinued without any
21 reporting?

22 A. It was something done by the Social Security
23 Fund, so you can ask them. What they did is they used --
24 there's a Social Development Fund that they, I think, but they
25 are the best to explain. But they, I think what they did was

1 basically to use a portion of those funds for that purpose,
2 yeah.

3 Q. Okay.

4 A. But that was discontinued.

5 Q. For that purpose. Thank you.

6 A. Yeah, the audit reports. So the annual audit,
7 the 2014 would give a update of where we're at and I think we
8 are on track, yeah. The auditors are here. I think by ahm --
9 To have the 2017 to be up-to-date by this year, by ahm, yeah,
10 as I say September, you know. I think we have to explain that
11 this is Government. Government accounts should be up-to-date.
12 The gap occurred because at the time we used to have, the
13 external audit function used to be undertaken by the UK audit
14 office but they had indicated that they were getting out of
15 that line of work and the Government had to secure new
16 external auditors. The Government tried at first to hire, did
17 a tender and everything for firms like KPMG and, you know, to
18 do it but there was no interest and so we sought, even though
19 they were not online, there were contractual obligations done.
20 We sought the advice of the UK audit office and they
21 recommended that we approach smaller countries which have well
22 developed audit systems like --

23 Q. Well I can tell you we have an existing chief, a
24 hardworking Chief Auditor which we are very grateful for, so
25 --

1 A. Okay. Yeah.

2 Q. -- that's good. But coming back to the audit
3 reports for the Government of Anguilla. And I note that Annex
4 C specifically states statutory authorities in Government
5 companies so that would extend to the Water Corporation, the
6 Air and Sea Ports Authority, the Health Authority. And you're
7 saying -- So I'm asking, to what extent have the reports been
8 made available?

9 A. Well ahm, the -- There it's varied and again the
10 audit, the 2014 Audit Statement Report gives where they are at
11 with that. I think the best performing would be the FSC, and
12 then the others have work to do, you know, the Port Authority
13 and so on. The college, the Community College, they are not
14 as much work to be done but areas like the Port Authority, the
15 Water Corporation, yeah.

16 Q. And the Health Authority long established --

17 A. And the Health Authority.

18 Q. -- have not reported, and that is unacceptable
19 so we're not in compliance in fact --

20 A. Yeah. Ahm, so --

21 Q. -- in relation to those agencies and those
22 Government entities. So we're not compliant?

23 A. Yeah. So the -- I think and you'd -- I think
24 the first inquiry that you had dealt with the statutory bodies
25 so that would, you know, it's had a good impact. I think

1 arising from that the Health Authority has made some progress.
2 They are now to the point where they are, well they
3 subcontracted. As the auditors will say it's not a matter of
4 ahm -- For auditors to audit accounts you must first of all
5 have the capability to, as a body to generate the accounts.

6 Q. But in the context of the Fiscal Responsibility
7 Act where we're -- and this is where we're focused and this is
8 where we've identified there's a major risk in relation to
9 higher supervision and otherwise, we are not compliant, based
10 on what I'm hearing, meeting the annual responsibilities of
11 preparing, of having audit reports for the statutory
12 authorities we've listed and those Government companies that
13 we've listed?

14 A. I don't think I'd ever -- Those were your words
15 in terms of a -- As I said, nowhere in the, nowhere in the
16 Act says anything about a Chief Financial Officer or
17 suspending there. Cause that, that ahm -- to invoke that
18 actually involves amending the Constitution, you know.
19 Financial -- Domestic finance is a devolved responsibility of
20 the -- to the local Government, so that's a extraordinary
21 step. So, you know, that would be a judgment, your judgment
22 or whatever, somebody out there. As I said earlier, there are
23 avenues available to the UK Government in terms of what's in
24 the Finance and Audit Administration Act and so on.

25 Q. You know, just to save time because I know we

1 all want to leave. But we have seen what's happened in the
2 TCI when higher supervision has been merited.

3 A. Mmm hmm. Yeah.

4 Q. We've had the United Kingdom Government go in
5 and take over all the key functions. So when we talk about
6 higher supervision that is the context that we're always
7 looking at.

8 A. Yeah.

9 Q. And as part of the risk.

10 A. Mmm hmm. But I think you have to be fair to
11 point out too that when that step was done the UK Government
12 declared that the reason why they went into the Turks and
13 Caicos Government is because they felt that there was a high
14 level of corruption. There was nothing to do with the fact
15 that you suffered from impacts of a natural disaster or a
16 major global economic shock like 2008, so it's a total
17 different set of circumstances.

18 Q. And I know that academically we could discuss
19 that but the reality is that the Fiscal Responsibility Act
20 indicates that we're in breach when we're not doing certain
21 things, and we are in breach when we are not doing the --
22 we're not providing those accounts. And I was asking you
23 though, what assurances you can give to us that we are going
24 to be in compliance?

25 A. Yeah. Well in terms of the audit thing, as I

1 said, Government is almost there. With the statutory bodies,
2 we have to continue to work with them to ensure that they
3 become compliant. It's a responsibility that there are
4 several levels. Each of those bodies by law, the
5 responsibility for them they have boards in the first instance
6 that, you know, have to ensure that these kinds of things are
7 complied with. So that's, you know, the boards have to make
8 sure that, you know, crack the whip and make sure that they
9 get better with these things and so on, so.

10 Q. Just in the interest of time.

11 A. Mmm hmm.

12 Q. You know, the different items are set out at
13 Annex C on page 27. Can I ask you, Dr. Harrigan, to go
14 through each item? We've been trying to do that. We're down
15 at under "annually", the annual audit reports, but debt and
16 the public private partnership follows. If I could just ask
17 you, just for the record, to go through each item to share
18 your view on it as in some reform as far as possible. And
19 ahm, just so that we don't have to keep you way beyond the
20 estimated time because I'm well aware that you're very loyal
21 officers and, you know, they are here with you as well and I
22 know, very cognisant they're going to have to return tomorrow.

23 Mr. Connor, we're going to start with you
24 tomorrow morning. So if we could just have the, you know, go
25 through that it will help us tremendously to close on an

1 organised note and do away with the need, hopefully, for
2 supplemental questions. Thanks.

3 A. So the debt unit, they provide reports annually
4 and quarterly. I would have read at the beginning the numbers
5 I quoted was from the December report. PPP's we don't do
6 anything to any great extent there. There is just on a simple
7 basis of like maybe for the port. The Road Bay Port is
8 something done which is called design build and finance, so
9 nothing.

10 Q. The Road Bay Port?

11 A. Yeah, the jetty.

12 Q. Has a report been prepared?

13 MR. V. HARRIS: I wonder. I'm not sure.

14 THE CHAIRMAN: Okay. Thanks.

15 DR. A. HARRIGAN: But that would have been
16 before approval was given to go that route in terms of
17 financing. The case had to be made to the UK Government and
18 they signed off on it, so.

19 The statutory bodies, none really borrowed to --
20 but they are included in the annual borrowing reports.

21 GDP updates, we do that. That's formed -- We
22 need that to be able to do fiscal forecasting, so that's not
23 an issue.

24 The MTFP: So we are in that process now for
25 this round, we explained about that.

1 The draft budget: Typically we aim to have in
2 ExCo initial shot to that by October and so that timeframe is
3 sufficient to, you know, come to the House in December and get
4 this signed off. So I think that is, you know.

5 Liquid assets and so on: All of those, once the
6 agreement is reached on the, you know, the timeline to come
7 back in compliance then you report against that. So, for
8 example, if there are interim -- let's say we are successful
9 in going to 2030, but then there may be a milestone that say
10 for 2020 you have to be at X and so then you report against
11 that, yeah, stuff like that. And we provide, on a monthly
12 basis we provide them with, we provide the UK Government with
13 recurrent expenditure and --

14 **BY THE CHAIRMAN:**

15 Q. On a monthly basis?

16 A. On a monthly basis, recurrent expenditure.

17 Q. And that has been since when?

18 A. Long time. Even before the fiscal framework.

19 Q. Okay. Very well.

20 A. As I said we have cash flow model and so we --
21 that is done -- once the budget is finalised so the numbers
22 are set, we generate that and then as each monthly return
23 comes in we update and so on, so that is done. And the debt
24 on request, yeah. Those things on request we provide. We
25 have the debt management system. Our database is one that

1 was developed by the Commonwealth, it's called the
2 Commonwealth Debt Reporting and Monitoring System and
3 something like that. In fact, getting ready to upgrade to a
4 new system probably by next year. So, you know, numbers are
5 easily available.

6 The capital side: Again for the next three
7 years the bulk of that capital would be the capital resources
8 provided by the UK Government and they, in terms of the
9 correspondence I have seen they have indicated that where the
10 Government procurement provisions are sufficient to cover they
11 are quite happy for us to proceed on that basis. In instances
12 where it's not ahm -- since the monies come from the UK they
13 would ahm -- it would either have to be the UK system or some
14 hybrid arrangement. In the case of if we have funds from the
15 CDB, of course naturally their procurement rules have to
16 apply.

17 Q. Have you been asked or requested by the UK to
18 provide anything, or you -- is there -- have you been
19 requested in the -- to provide any of the items whether
20 details of the stock and composition of debt recently, updates
21 on capital project progress, details of proposed capital
22 investments, alternative forms of private finances? Have
23 there been any discussion or requirement by the UK for you to
24 provide that?

25 A. Whenever -- As I said, the debt information is

1 readily on hand, so even though I don't have it with me the
2 debt office would have information up to March so if they
3 request it we give it to them.

4 Q. Have they requested any details of proposed
5 capital investments or having public partnerships? There's a
6 lot of talk about, you know, the possibility of such an
7 alternative form for the Conch Bay Development; there's been a
8 lot of public discussion about that. Do you know whether the
9 British has requested information regarding that?

10 A. No, because that is still in the formative
11 stage. But when it gets to that, the Government is --

12 Q. Says proposed.

13 A. Yeah. So the provisions are if when the
14 Government reaches the step formally to -- Government would
15 have to submit what is called a business case.

16 Q. To the UK?

17 A. To the UK for approval, yeah.

18 Q. Alright. Yes. So have you been asked for
19 independent opinions on the accounting treatment?

20 A. Of what?

21 Q. On anything. This is under item (iii) of the
22 requested areas. You've not been requested for any?

23 A. No.

24 Q. Had any of those request?

25 A. No.

1 Q. Very well. Have you been ahm -- Have the UK
2 requested anything of you at all outside of what you've
3 already shared with us?

4 A. No, not that I can think of at the moment.

5 Q. Very well. Well Dr. Harrigan, I want to thank
6 you very much. The members have indicated they have no
7 additional supplemental questions for you and we're just a
8 little bit past 5:00 but I want to take the opportunity to
9 thank you again for the information you've provided. Thank
10 you for your patience in, you know, such an extended question
11 time.

12 A. Sure.

13 Q. And I want to thank your officers for attending
14 with you and look forward to seeing them tomorrow. So we're
15 going to adjourn now and I'm sure your officers will be able
16 to indicate any recommendations or thoughts you might have in
17 relation to, because I always like to hear from public
18 servants how -- I know Ministers and Governments
19 Administration sometimes they think they know it all but I
20 know that a lot of the wonderful, creative work comes from
21 your level. And I want when you're sending those other
22 documents you've promised to the committee to give some
23 thought to perhaps some recommendations that you might not
24 otherwise have a chance to make and to take stock. We still
25 remember well your remarks in relation to musk and I still

1 have great ambitions that in the new realm, you know, those
2 kinds of thoughts will bear fruit.

3 A. I'm impressed that you remembered.

4 Q. Of course. The committee takes seriously, you
5 know, all the recommendations that you offer, all the thoughts
6 you offer.

7 A. And we're getting there with things like that
8 cause one of the things about resilience is undergrounding of
9 thing, because that was a recommendation actually.

10 Q. Which we've called for as well.

11 A. Yeah, and but also to have maybe somebody like
12 Andre he's just, he's not -- but he's an interesting, you know
13 he, to have in certain areas a system that in the event of a
14 hurricane or something it could be decentralised. So the way
15 the world is going in terms of grades we call them
16 centralised/decentralised. So solar power, for example, if we
17 can have the schools, even though the hurricane comes and
18 whatever and you have good security, it's possible then in the
19 future they can run on their own decentralised grid. So
20 improvements, improvements.

21 Q. All wonderful ideas. All wonderful ideas that
22 can make a transformative difference. So feel free when
23 you're on your flight and you're giving further thought to,
24 you know, what we can do to alleviate the financial challenges
25 to any new ideas and we'll make sure we offer recommendations

1 in that context.

2 A. Sure. Yeah.

3 Q. So thank you very much again for your attendance
4 and for the help you've provided and we'll adjourn now till
5 tomorrow.

6 MRS. E. BRADLEY: I want to thank you,
7 Dr. Harrigan, for responding to the questions this evening --
8 this afternoon.

9 DR. A. HARRIGAN: Yeah.

10 MRS. E. BRADLEY: And I know that as I said
11 before Irma has severely impacted us but I'm hoping that as we
12 go forward and the construction and other economic activity
13 progresses that we can expect and hope for a more positive
14 fiscal situation in Anguilla. So we are hopeful.

15 DR. A. HARRIGAN: Yes, indeed. Thanks.

16 THE CHAIRMAN: So we'll adjourn until
17 1:30 tomorrow afternoon. And our first witness tomorrow
18 afternoon for those listening and also to inform will be
19 Mr. Kiel Connor. So thank you very much again. Good evening
20 to everyone.

21 **(Meeting adjourned at 5:05 p.m.)**

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23

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1 (11th April 2018.)

2 (Meeting reconvened at 1:45 p.m.)

3 THE CHAIRMAN: We're reconvening the
4 Public Accounts Committee meeting that we started yesterday,
5 and before we get into the session, I want to recognise that
6 the Judicial Department they've been exceptionally supportive
7 in allowing us to use the premises. That has presented some
8 challenge and we apologise for the delay, but with the
9 building being utilised in that way the set time, you know,
10 has caused some delay today.

11 I also want to thank the witnesses for their
12 patience and I want to thank particularly the witness that is
13 standing by via Skype to, you know, for patience in this
14 regard.

15 Now the -- In 2013 -- We are going to restate
16 the session for our public listening or with us via live
17 stream; I want to revisit the background to this particular
18 inquiry.

19 In 2013, the Government of Anguilla entered into
20 an agreement on a "Framework for Fiscal Sustainability and
21 Development", and that framework set out the key principles by
22 which the Government of Anguilla will deliver on its
23 commitment to "*a prosperous and stable future for the people*
24 *of Anguilla, firmly based on the implementation of sound and*
25 *sustainable economic and financial principles which support*

1 *economic development."*

2 The Government of Anguilla, as we know,
3 continues to face a number of significant financial challenges
4 arising from the world economic crisis, so it's particularly
5 important based on the evidence that we've heard yesterday to
6 remind ourselves of the five key principles embodied in the
7 framework. Those five key principles, and I state them now,
8 the first one is:

9 1. A commitment to sustainable development.

10 2. The effective medium and long-term
11 development and fiscal planning.

12 3. Putting value for money considerations at
13 the heart of the decision making process.

14 4. Effective management of risk; and

15 5. Delivering improved accountability in all
16 public sector operations.

17 It's with regards to the fifth objective, the
18 fifth principle that I base my thanks again to the witnesses
19 that are here with us. One of the main objectives of the
20 committee is to assure that we receive the fullest
21 information, that the public receives the fullest information;
22 that there's full transparency and accountability and so we're
23 expecting the fullest of answers from you.

24 Yesterday, I spent some time going through the
25 role of the committee, the Public Accounts Committee, and the

1 commitment of a committee to its function to scrutinise how
2 government spends its money but also tax payers' money I might
3 add, but also to require the fullest information from you in
4 that regard to help us better determine that.

5 As I said yesterday, the commitment of the
6 committee is to partnership and working within a framework
7 that delivers good governance and public accountability.

8 Again, I want to recognise the presence today,
9 as yesterday, of our Chief Auditor and the role of that
10 office, and I want to put on record our gratitude for the fact
11 that we're making incredible progress in our accounting and
12 auditing function. And as you know, the Chief Auditor, it's a
13 role established by section 79 of the Anguilla Constitution,
14 and the independence is guaranteed in that constitutional
15 provision. But also, it is important to recognise that the
16 Chief Auditor, like the Public Accounts Committee set up by
17 constitution, is the way that we assure good governance in
18 these particular imperatives. So it's an independent
19 function, it's a very important function.

20 Yesterday the issue came up via one of the
21 witnesses as to the standing of this committee in relation to
22 requiring witnesses to be present. And what in fact the value
23 of the summons as we -- the notice equates to how that works.
24 And mainly because the feedback we've received from the public
25 - and we're accountable to them of course - the feedback we've

1 received and the questions they have asked is for us to
2 restate or to share with them what the House of Assembly
3 Powers and Privileges Act says in relation to attending this
4 committee. And I just want to for that purpose address that
5 section but also to remind the witnesses present what, you
6 know, that we are really on very serious business of this
7 country. And section 9 of the House of Assembly Powers and
8 Privileges Act says, and I will go under clause 1, section 1
9 -- subsection -- 9(1) to the section (j). And I want to make
10 sure that I'm being heard, the technology, that everything is
11 -- that all our witnesses are present, yes, as well. But (j)
12 says that:

13 *"Any person who disobeys any order to attend, or*
14 *to produce documents before, any committee duly authorised in*
15 *that behalf; (k) refuses to be examined before, or to answer*
16 *any question put by, any committee; (l) gives false evidence,*
17 *prevaricates or commits other misconduct as a witness before*
18 *any committee; (m) destroys any document that has been ordered*
19 *to be produced before a committee; (n) endeavours, directly or*
20 *indirectly, to deter or hinder any person from appearing or*
21 *giving evidence before any committee; (o) tampers with any*
22 *witness in regard to evidence to be given by him before any*
23 *committee; (p) threatens, punishes, damnifies, injures,*
24 *assaults or insults any person who has given evidence before a*
25 *committee on account of his evidence; (p) publishes any*

1 evidence taken by, or document presented to, any committee
2 before the evidence or document has been reported to the
3 Assembly; is guilty of an offence and is liable on summary
4 conviction to a fine of \$4,800 or to imprisonment for a term
5 of 3 months or both."

6 Now, my -- when I said before that we work in
7 partnership, we want to work with our witnesses to assure that
8 we receive the evidence. Sometimes, and again I'm indicating
9 this for those members of the public who may have concerns.
10 Remember, we're publicly -- all of this is publicly -- all of
11 this is published to the public. There is no restriction on
12 the resources that we have in that regard.

13 For the members of the public, they are
14 concerned that the style of questioning, my approach, as I
15 believe that every public servant is committed, in the lack I
16 presume good intention always, but I expect that in this forum
17 you are also meeting one of the high standards in terms of
18 accountability and that it transcends just your job; it goes
19 to that patriotic resource that we draw on in relation to
20 developing our country. I think that is the kind of impetus
21 that the Public Accounts Committee -- And I feel that our
22 approach in terms of being gentle does not excuse at all your
23 responsibility to provide the fullest and the -- and to be
24 fully accountable; the fullest information and to be fully
25 accountable; so I give the assurance.

1 As I said before, it is not going to be -- we
2 are grateful that you're here, that you came willingly, that
3 we don't have to -- we didn't have to resort to those powers.
4 In the case of the witness who is being facilitated being
5 abroad, we extended that privilege; we were advised and
6 extended that privilege. In this case it is not an ordinary
7 situation and it is not at all to dilute the powers of the
8 Public Accounts Committee in requiring that witness to be
9 present, or any witness in the future. I just wanted to put
10 that on record.

11 So without further ado I would like to -- As you
12 know I am Pam Webster and I'm the Chairman of the Public
13 Accounts Committee. To my left, immediate -- To my far left
14 is Mrs. the Honourable Evalie Bradley. She will tell you, she
15 will have an opportunity to speak to you for a minute; and the
16 Honourable Paul Harrigan who is the Second Nominated Member as
17 well. The other member of the Public Accounts Committee who
18 is currently the Deputy Speaker is not with us. He had an
19 emergency and so the questions will be as yesterday, they will
20 come from the three of us present.

21 So I want to thank you again for being here and
22 I am so thrilled to see young, progressive people in these
23 roles and we have such, you know, committed to transforming
24 Anguilla and the way that, you know, all the independent
25 advisers indicate that we need to progress so thank you again

1 for being here.

2 MRS. E. BRADLEY: I'm Evalie Bradley, the
3 representative for Road North constituency.

4 MR. P. HARRIGAN: Paul Harrigan, Second
5 Nominated Member.

6 THE CHAIRMAN: So we will commence our
7 questions starting with Mr. Connor. Thank you so much.

8 **QUESTIONS TO MR. KIEL CONNOR, COMPTROLLER OF INLAND REVENUE**
9 **BY MR. P. HARRIGAN.**

10 Q. Good afternoon, Mr. Connor.

11 A. Good afternoon, sir.

12 Q. Thank you for coming today. We don't have a
13 whole day to go through these questions so I'll dive right in
14 now cause our time is limited. The questioning that I'm
15 putting forth today will be basically on collection of
16 arrears. And as noted, you are the Comptroller of Inland
17 Revenue?

18 A. Yes, sir.

19 Q. In the Chief Auditor's Report for 2014 he states
20 he cannot be certain of the totals for arrears but of those
21 that are recognised he states that they are increasing rather
22 than reducing. Effective collection of revenue due to the
23 Government, in particularly (sic) revenues from taxes and
24 duties, will be critical in ensuring the Government can meet
25 its obligations. He states that *"Action is required to ensure*

1 that the Government identifies and collects all taxes and
2 levies due to it". That's a insert from the Chief Auditor
3 Report. So my first question to you is: What action, as
4 recommended by the Chief Auditor, has been taken to ensure
5 that Government identifies and collects all taxes and levies
6 due to it?

7 A. Firstly, with regards to the outstanding
8 arrears, we first have to determine -- sorry. The arrears,
9 they're unaudited in terms of from Inland Revenue's
10 perspective, so what we are in the process of doing, we are in
11 the process of determining what is collectable from what is
12 not collectable, and from that perspective then we'll be able
13 to know exactly really and truly how much, you know, what we
14 can collect. Because we have to consider that there is a
15 statute of limitation which is I think between six to seven
16 years, so we must first determine what is collectable from
17 what is not. There're a lot of business entities that have
18 been closed which we are now trying to determine at what point
19 in time they were closed; it's called a deregistration
20 process, cause what we don't want to do is to be in a
21 situation where we send out notices to tax payers and the
22 information is incorrect, so once we are in the position to
23 determine what is collectable from what is not, those
24 respective individuals would receive an audit confirmation
25 letter stating what they owe, they confirm, or if they are not

1 in agreeance then they come in and we negotiate and again
2 conduct a further audit to confirm what their situation is.

3 Q. So to my understanding this practice is
4 something that we are now trying to put in place.

5 A. Yes. Yes sir.

6 Q. As of which year?

7 A. Sorry?

8 Q. As of which year?

9 A. Well the audit will be done from 2013 based on
10 from the initial Chief Auditor's Report that we received, so
11 from 2013 onwards. And again, we have to consider again the
12 statute of limitations. So legally, debt in excess of six to
13 seven years, persons, you know, would not be obligated to pay.
14 So it's critical for us to ensure that when we do reach out --
15 because we are in the process, of course, of liaising with
16 persons, but from an accountability standpoint we have to
17 ensure that, you know, the amounts that we say that they owe
18 is in actual fact that's what it is.

19 Q. How long do you anticipate that this process
20 will take to develop?

21 A. Well we are currently working on a cleanup
22 campaign and we anticipate it will be completed within three
23 months.

24 Q. Yes. Thank you.

25 The Accountant General noted in testimony to the

1 committee in 2017 that the total in arrears due to Government
2 of Anguilla across all sectors was EC\$44 million at the end of
3 December 2016. What is the current figure as of 31st December
4 2017?

5 MR. V. HARRIS: That's at December 31st,
6 2017 the Government arrears is 54.7 million.

7 MR. P. HARRIGAN: Thank you. How much was
8 due to the Government of Anguilla per sector by revenue head?

9 MR. V. HARRIS: Okay. For Inland Revenue,
10 their own is 43.8.

11 MR. P. HARRIGAN: I don't want to stop you
12 but that information you have, is it possible you will forward
13 it to us?

14 MR. V. HARRIS: Yes.

15 MR. K. CONNOR: Yes, we could forward it.

16 MR. P. HARRIGAN: Thank you. But for the
17 record go ahead and state it. I don't want to stop you from
18 actually citing it but I just want to let you know --

19 MR. V. HARRIS: It's already in the 2017
20 accounts so you can get a draft copy of it.

21 MR. P. HARRIGAN: Okay. But go ahead, recite
22 it for the record.

23 MR. V. HARRIS: Okay. So Inland Revenue
24 the arrears are 43.8; Customs 2.2 million; Post Office
25 127,000; Immigration 78,000; Treasury Department 8.3 million;

1 Health Protection 35,000; and the Ministry of Home Affairs
2 23,000.

3 MR. P. HARRIGAN: Home Affairs, 23 you said?

4 MR. V. HARRIS: Yes.

5 MR. P. HARRIGAN: Thank you.

6 **BY MR. P. HARRIGAN:**

7 Q. What progress has been made in resolving the
8 matter of the EC\$18.4 million due in various taxes and fees
9 from Cap Juluca?

10 A. They were written off.

11 Q. Thank you. The Permanent Secretary of Finance
12 in testimony to this committee in 2017 --

13 A. Sorry.

14 MR. L. HODGE: Just a bit on the Cap
15 Juluca. Leslie Hodge, Director of Lands and Surveys.

16 Regarding the Cap Juluca taxes, there were a
17 number of taxes that were due to the Government of Anguilla.
18 Those were written off in the completion of the sale with the
19 Cap Juluca Resort now Belmond Cap Juluca. And in that
20 transaction Government also received land in exchange of
21 settling that debt along with the stamp duty that was
22 collected.

23 **QUESTIONS TO MR. LESLIE HODGE, DIRECTOR OF LANDS AND SURVEYS**

24 **BY THE CHAIRMAN:**

25 Q. Yes. Can you provide us with some fuller

1 details in relation to that Cap Juluca transaction and the
2 exchange?

3 A. Yes. We have --

4 Q. As full as you possibly can, please.

5 A. Okay, sure.

6 MR. P. HARRIGAN: Yes. She want you to give
7 that information now.

8 MR. L. HODGE: Sorry, can you explain that
9 again?

10 **BY THE CHAIRMAN:**

11 Q. Yes. Just share all the information you have.
12 Which piece of land was exchanged, you know, how it was
13 valued, you know, anything that you can speak to.

14 A. Okay. Sure.

15 Q. So that we have a full appreciation of the value
16 for money.

17 A. The parcels: There were actually two parcels of
18 land that were transferred to the Crown, that is the
19 Government of Anguilla, the total being 8.52 acres of land.
20 These are situated in the Cove.

21 The valuation: I don't have all the details
22 here. The valuation was done in terms of the setoff in terms
23 of the outstanding taxes that were due as well as taking into
24 account the lands that were being returned to the Crown. I
25 actually have a copy of the map and the registers here.

1 Q. Very good. So can you give us the registration
2 particulars of the two parcels of land, please?

3 A. Sure. The first parcel is on Block 179 --
4 17909B, Parcel 26; this is 6.08 acres of land and it's
5 registered to the Crown. Second parcel being 17909B, Parcel
6 28 being 2.44 acres of land; that is also registered to the
7 Crown.

8 Q. Mr. Hodge, can you point us -- Thank you very
9 much for that. Can you point us to the relevant piece of
10 legislation you relied on in relation to this transaction?

11 A. In terms of the setoff?

12 Q. Yes.

13 A. Right. That section was drafted in consultation
14 with the AG Chambers. That was the sec --

15 Q. Sorry, it was?

16 A. In consultation with the AG Chambers.

17 Q. Yes.

18 A. The Attorney General's Chambers. This was
19 section 16 of the FF -- Financial Administration Act.

20 Q. Thank you. And do you have that? You could
21 read it just so the public can better understand the context.
22 If you would read it as well. Do you have that with you or
23 shall I provide you with a copy? Very good, yeah. Refer to
24 it, please.

25 A. Section 16 of the Financial Administration Audit

1 Act states, 16(1): "When the Governor in Council is satisfied
2 that it is in the public interest to do so or that hardship or
3 injustice has resulted or is likely to result, the Governor in
4 Council may, make (sic) regulation applicable to the (sic)
5 class or classes of persons or by certificate in a specific
6 case or (sic) subject to subsection (4), remit all or part of
7 any tax, fee or other amount (other amount -- than the amount
8 of a penalty or forfeiture due to conviction within the
9 meaning of section 76(d) of the Constitution of Anguilla) that
10 is imposed, or authorised to be imposed, under this Act --
11 under this or any other Act."

12 Q. So you received advice from the AG that you
13 could place reliance on that provision in the context?

14 A. Well this was also approved in council. I also
15 believe the first read -- the first -- at the first closure of
16 the deal was actually presented to the House of Assembly as
17 well.

18 Q. Thank you. Do you have a reference please,
19 Mr. Hodge, to the ExCo minute you're referring to?

20 A. Not at hand but I could provide it.

21 Q. Not at the moment but you will provide it?

22 A. Yes.

23 Q. But specifically your recollection is that it
24 was authorised.

25 A. Yes. It was also brought to the House of

1 Assembly.

2 Q. Thank you. You say it was brought to the House;
3 can you confirm when that happened?

4 A. That was I believe December 2016.

5 MR. K. CONNOR: Yeah, December 2016.

6 THE CHAIRMAN: Very well.

7 MR. P. HARRIGAN: Okay. Thank you for that
8 information, Mr. Hodge.

9 MR. L. HODGE: You're welcome.

10 **BY THE CHAIRMAN:**

11 Q. Just one question to follow up on something else
12 that you've asked. Can you provide an update on the status of
13 the register of properties you mentioned?

14 A. As I indicated they are all registered to the
15 Crown.

16 Q. Referred to earlier, you have them? Not the
17 registers of this, the register of properties referred to
18 earlier. I think what we are trying to determine, I'm being
19 assisted by the Clerk here, is we're trying to determine if
20 the register of properties has been updated with all this
21 information, all this. In other words, are we in a position
22 where the accounting is clear? We're trying to look at the
23 Auditor's Report to pull up the exact bit that we're concerned
24 about for you, so just be patient with us.

25 MR. K. CONNOR: No problem. That's fine.

QUESTIONS OF MR. KIEL CONNOR (cont'd)**BY THE CHAIRMAN:**

1 Q. I believe the concern falls out of -- yes, and
2 I'm glad you're collaborating because the concern has to do
3 with the actions recommended by the Chief Auditor to reconcile
4 the properties with the amounts outstanding. I believe that
5 was the concern.
6

7 A. Yeah. Yes.

8 Q. You understand what (indiscernible)?

9 A. Yes. Yeah.

10 Q. Thank you for that.

11 A. Yes, the accounts are reconciled.

12 Q. Fully reconciled?

13 A. Yes, fully reconciled.

14 Q. And all the information as now today?

15 A. Yes.

16 Q. Very well. And that occurred when?

17 A. Sorry?

18 Q. That reconciliation process occurred when?

19 A. 2017.

20 Q. 2017?

21 A. Yes.

22 Q. Thank you. Yes. Mr. Harrigan will continue.

23 MR. L. HODGE: Sorry. Excuse me. We
24 reconciled, completed everything in this year at the beginning
25

1 of this year because when the transaction went to the House it
2 would have been December of the year so we would have closed
3 it at the end of, sorry, during --

4 MR. K. CONNOR: Yeah, 2018. Early 2018,
5 yes.

6 THE CHAIRMAN: So we're modifying 2017 to
7 say now that it is 2018, that it would have been reconciled by
8 2018?

9 MR. L. HODGE: No. We would have
10 reconciled all the data for 2017 but we would have reconciled
11 it more or less just getting our systems to talk at the same
12 length at this year, at the beginning of this year.

13 THE CHAIRMAN: At the beginning of this
14 year. Thank you, I understand. So the process is now
15 complete?

16 MR. K. CONNOR: Complete, yes.

17 THE CHAIRMAN: As of 2018?

18 MR. K. CONNOR: Yes.

19 THE CHAIRMAN: Thank you.

20 MR. P. HARRIGAN: Thank you for the
21 information.

22 **BY MR. P. HARRIGAN OF MR. K. CONNOR:**

23 Q. Moving on. The Permanent Secretary of Finance
24 in testimony to this committee in 2017 noted that there are
25 significant gaps in the human resources for two critical

1 departments within his ministry: The Inland Revenue
2 Department and the Customs Department. He noted that Inland
3 Revenue was authorised to retain a complement of 37 staff but
4 had retained only 19, and the Customs Department was
5 authorised to retain 73 but had retained only 50. Has any
6 verifiable steps been taken to address this situation?

7 I think you addressed this the last time we were
8 here but go ahead for the record and let us know if any
9 updates have been done.

10 A. Yes. With the last update, we recently seconded
11 a officer from customs to assist us in the compliance and
12 audit function, yes. Last year when the question was first
13 posed we had recently recruited an auditor and now we recently
14 recruit, about a week ago, a officer from customs to assist us
15 in the compliance and audit area. Yeah.

16 Q. Okay. But this is like an actual staff?

17 A. Yes, seconded.

18 Q. So have the number increased?

19 A. Yes. Seconded meaning that they ahm, it's --
20 the individual is still under the payroll of Customs but they
21 will be working directly in Inland Revenue to assist us.

22 Q. So you actually transferred one?

23 A. Yes. Yes, sir. Yes.

24 Q. Okay. Yes. So basically what we are concerned
25 about is what steps have been taken to recruit more members to

1 both departments?

2 A. Well the ahm, we will be -- we're also working
3 along with Public Administration as well. They are going to
4 be assisting us with secondments because what we are trying to
5 do we are trying to work efficiently considering our
6 challenges with regards to hiring outside persons, so we are
7 actually now seeking resources from within the service to
8 provide that support. So we started with one person from
9 customs. We are looking to recruit around two to three more
10 persons from within the service who possess the relative
11 skills.

12 Q. Yeah, that still lead to a deficit of, if you
13 get three more people lead to a deficit of what? Ahm.

14 A. Well we've changed, we've changed our approach
15 because what we are now doing with regards to compliance and
16 audit we are now more focused on data driven -- on data
17 analytics as well as networking where we now liaise with the
18 private sector and other departments sharing information. For
19 example, Social Secur -- for ISL we will be working along with
20 Social Security and the Labour Department to assist us.
21 There's a relationship between the Interim Stabilisation Levy
22 and Social Security on contributions in terms of how it's
23 administered and the format, so it's a marriage made in
24 heaven. And with regards to labour, we want to ensure persons
25 who have work permits, you know, are actually now, whether

1 they are self-employed or working for an entity that they are
2 actually paying the Interim Stabilisation Levy and social
3 security. And I can even draw another example. Yeah, I'll
4 even draw another example: For the accommodation, we're now
5 working with Immigration as well. Cause again, persons coming
6 into the island, you know, we are now able to -- we are
7 receiving information with regards to who stay where. As part
8 of the medium-term plan for 2017, we projected to collect 20
9 percent of the 44 million which is 8.8 million and we actually
10 collected 6.2. And quite notably for accomodation tax was 4.2
11 we collected in arrears and for the levy we collected 1.2
12 million, so I just wanted to give an example as to how these
13 efforts, you know, have been effective. So even though yes,
14 we are not in a position to acquire the physical human
15 resource, we have decided to shift our scope, our framework
16 with regards to ahm --

17 Q. Integrating the service?

18 A. Yes. Yeah.

19 Q. Thank you.

20 A. No problem.

21 **BY THE CHAIRMAN:**

22 Q. Just for the record though, can you tell us,
23 what is the -- we recognise your strategy and we recognise
24 that it's working and that you - it's working like a good
25 marriage in your view - but what is the current complement

1 though and the current state of your team in relation to
2 achieving the outcomes, the overall outcomes that are
3 targeted?

4 A. Alright, yes. The current complement is between
5 23 to 24 in persons. Now with regards to us being in a
6 position to meet these targets, we recently completed our
7 strategic plan, a five-year strategic plan. Again thanks to
8 the assistance of CARTAC. In addition to the strategic plan,
9 an operational plan and implementation plan. The ahm -- So by
10 having those plans in place it gives us a focus and a
11 direction, so for the next two years our focus will be arrears
12 management, arrears management and a robust and effective
13 taxpayer education programme.

14 Q. And when were those plans completed?

15 A. They were completed February of this year. We
16 can forward them if you would like to see a copy of them.

17 Q. Thank you very much.

18 A. Yes.

19 Q. I think I just want to say because again you are
20 young and we want to celebrate the small successes. I want to
21 congratulate you and congratulate your department on these
22 important steps.

23 A. I must say --

24 Q. I want to say congratulations.

25 A. Thank you. And I must say, I mean it's a team

1 effort, you know, it's a team. From top to bottom it's a team
2 effort so definitely, thanks.

3 Q. Yes. Leadership is all about the team effort.
4 Very good. Congrats again.

5 A. Thanks.

6 **BY MR. P. HARRIGAN:**

7 Q. Thank you for your answers. Moving on to the
8 next question: With reference to the Medium Term Economic
9 Financial Plan on page 24, it is a welcome step that the
10 Executive Council has approved the implementation of the
11 Collections Unit. What progress has been made to fully
12 establish this?

13 A. Okay. As mentioned in my previous response,
14 right now we have two collection officers, we have two
15 compliance officers and we have a auditor and now --

16 Q. Who is the one that you actually integrated from
17 the other services or these are additional people?

18 A. Well no, what we had before but the individual
19 from customs she is now in the collections unit. So again we
20 are looking, we're going to be working close with Public
21 Administration to see if we can acquire at least two to three
22 more from within the service. Hopefully we can get that done
23 in a timely manner.

24 Q. Thank you. Next question: The committee notes
25 from testimony given in 2017 that the Government of Anguilla

1 established a target to reduce arrears by 20 percent in 2017.
2 Was that target achieved? We will like to hear some numbers
3 there.

4 A. Yes. The target was 8.8 million and we
5 collected 6.8. If you like I can forward you this information
6 or do you want me to go for each one?

7 Q. Yes. Go ahead and recite it for the public.

8 A. Okay.

9 THE CHAIRMAN: But can you do the
10 computation anyway; I think it would be helpful to answer the
11 question directly.

12 MR. K. CONNOR: Sorry?

13 THE CHAIRMAN: The computation. You have
14 the figures; if you could answer the question yes or no.

15 MR. K. CONNOR: Yes. Okay. So do you want
16 me to proceed with the --

17 Accommodation tax 4.2 million; tourism levy
18 593,000; interim --

19 **BY MR. P. HARRIGAN:**

20 Q. What was the -- sorry, I ain't going to stop
21 you. What was (sic) the numbers before? These are the past
22 numbers or these the current numbers?

23 A. No, this is the arrears that we collected for
24 2017.

25 Q. That you collected?

1 A. Yes, that we collected.

2 Q. Okay, but give us -- before you give us what you
3 collected give us the numbers ahm, or you recited those?

4 MR. V. HARRIS: For the arrears?

5 MR. P. HARRIGAN: Correct.

6 MR. V. HARRIS: Because I have them by
7 departments.

8 THE CHAIRMAN: In other words, where we
9 started from.

10 MR. P. HARRIGAN: Where we started from and
11 where we're at right now.

12 THE CHAIRMAN: And you collected in 2017.

13 MR. V. HARRIS: Okay.

14 MR. P. HARRIGAN: So we can actually see the

15 --

16 MR. K. CONNOR: Okay. Yeah, the arrears,
17 the total arrears as at ahm 20 -- Okay, 2016: 2016 arrears is
18 44 million; 2017 arrears is 54.7. Well --

19 MR. V. HARRIS: Do you want it in detail
20 like by the revenue tax?

21 THE CHAIRMAN: We will want and you've
22 already promised us in detail so the committee will expect --
23 we just wanted in the context that we move forward for you to
24 recite it so that the committee has it in this record as well.

25 MR. K. CONNOR: Okay. What I wanted to

1 find out if you wanted me to for line by line for the revenues
2 that we collected, the arrears revenues we collected, do you
3 want that now?

4 THE CHAIRMAN: It would be helpful but in
5 the interest of time I'm --

6 MR. K. CONNOR: Alright. Okay.

7 THE CHAIRMAN: -- consulting cause we're
8 going to take a break at the end of your questioning just for
9 a bit and we'll want you to stay on.

10 MR. K. CONNOR: Okay.

11 THE CHAIRMAN: Just for a bit.

12 MR. K. CONNOR: Alright.

13 THE CHAIRMAN: But if you could maybe
14 focus on the larger heads.

15 MR. K. CONNOR: Yes.

16 THE CHAIRMAN: And I think that would be
17 helpful.

18 MR. K. CONNOR: Okay.

19 **BY MR. P. HARRIGAN:**

20 Q. And just give us a -- Well you say you did
21 accounting in 2017 so just give us the variance for 2017/2016
22 what you collected?

23 A. Okay. Ahm, well we don't have for 2016, we only
24 have for 2017.

25 Q. You only have for 2017?

1 A. Yeah. Yes, right now, yes. That information
2 right now.

3 Q. Okay.

4 A. Yes. Okay. So for property tax for 2016 the
5 arrears was 6.9 million and for 2017, 11.7 million. We
6 collected in 2017 arrears 537,000 in arrears. For
7 accommodation tax 2016 total arrears 3.6 million; 2017, 4.4
8 million and we collected 4.2 million in arrears. For tourism
9 levy arrears for 2016, 377,000 and 2017, 1.2 million; we
10 collected 593,000. Interim Stabilisation Levy arrears for
11 2016, 1.1 million; 2017, 1.9 and we collected 1.2 million.
12 Those are the major heads. We can forward these.

13 Q. Thank you.

14 **BY THE CHAIRMAN:**

15 Q. You've previously -- Just to clarify the record.
16 You said that you've succeeded the target of 20 percent
17 collection of arrears in 2017?

18 A. No, we were short by 2 million.

19 Q. Very well. That's what I wanted to come out on
20 the record. Very good. Thanks.

21 A. Yes.

22 **BY MR. P. HARRIGAN:**

23 Q. The collection of property tax was raised as a
24 concern by the Chief Auditor in 2014 accounts. Due to the
25 systems for the collection of taxes he was concerned that it

1 was not possible to obtain assurance that all taxes had been
2 raised in accordance with the legislation. A number of
3 recommendations were made to the Inland Revenue Department to
4 address this issue.

5 THE CHAIRMAN: You can see paragraph 51 of
6 the accounts.

7 MR. P. HARRIGAN: Yes.

8 THE CHAIRMAN: Of the Auditor's Accounts.

9 **BY MR. P. HARRIGAN:**

10 Q. What steps have been taken to implement the
11 Chief Auditor's recommendations?

12 A. Okay. In 2015 we completed the property tax
13 reform and with regards to the unique identification we -- for
14 each taxpayer we using the block and parcel number from Lands
15 and Survey so it will help to maintain a level of consistency.
16 Because just to use someone name alone there could be more
17 than one Kiel Connor, et cetera, but the block and parcel
18 number is unique. So that that's what we are using to be able
19 now to properly identify an individual and to assess what he
20 or she may owe.

21 Q. Well I could understand that because the bank
22 confused me with a cousin of mine who had the same name as me.
23 So I gave my birth date.

24 A. Okay.

25 Q. So that makes sense.

1 A. Yes, sir. Thanks.

2 **BY THE CHAIRMAN:**

3 Q. I'm taking -- reading the excerpt from the
4 accounts. It says: *"To address the issues outlined above,*
5 *the Inland Revenue Department should..."* so I'm going to want
6 you to answer them seriatim.

7 A. Sorry?

8 Q. I'm going to read the extract from 51. Do you
9 have a copy of it in front of you?

10 A. Yes. Yes..

11 Q. Yes. And if you could respond in relation to
12 each item listed in section 51, and you can read the section
13 as well into the record.

14 A. Okay. So you want me start with 51, right?

15 Q. Yes.

16 A. Okay. *"To address the issues outlined above the*
17 *Inland Revenue Department should (1) Ensure an annual*
18 *reconciliation between Land (sic) and Surveys Department's*
19 *register of properties and the schedule used to calculate the*
20 *annual tax debit. A copy of the working papers used in this*
21 *exercise should be retained for audit purposes. This should*
22 *be undertaken prior to issuing the annual tax demands."*

23 As I mentioned, we're using the block and parcel
24 number as a unique identifier.

25 Q. And is it current?

1 A. Yes.

2 Q. How far are you in the process?

3 A. Well there are - of course the property tax
4 reform was a massive undertaking and of course, you know, we
5 are still ironing out one or two little issues in that regard
6 but with regards to the block and parcel that is okay, but
7 there are other back end issues, you know, that we are trying
8 to regularise.

9 Q. And in terms of the process, how -- and the
10 spectrum of stuff that has to be done, where would you say you
11 are in the process; nearly complete?

12 A. I would say around 80 percent complete.

13 Q. 80 percent complete?

14 A. Yes.

15 Q. Thank you. Next item.

16 A. *"The calculation of annual tax debit should be*
17 *manually checked to ensure completeness. A copy of the*
18 *working papers used in this exercise should be retained for*
19 *auditing purposes."*

20 With regards to calculating the tax assessment
21 there's a formula that is used, and again it's on the SIGTAS
22 system and so our auditors would be able to go at any point in
23 time and be able to get that information.

24 Q. And you are saying that that's absolutely
25 current?

1 A. Yes.

2 Q. Thank you.

3 A. Yes.

4 Q. Third item.

5 A. Okay. *"Actively pursue arrears of property*
6 *tax."* Of course as I mentioned earlier arrears management,
7 primarily property tax, you know, has been a focus for us for
8 the past couple years. For 2017 we introduced a discount as
9 an incentive for persons to comply. We budgeted to collect
10 7.1 million in total and we collected 7.2 million. And it's
11 important to know that considering Hurricane Irma, you know,
12 we were still able to surpass our target.

13 Q. Well done. Well done. I'm sure that this gives
14 us all great relief.

15 A. Yes.

16 Q. Thank you.

17 A. Oh, sorry. 7 million and we collected 7.2,
18 sorry.

19 Q. 7.2?

20 A. 7 million budgeted, we collected 7.2.

21 Q. Excellent. Even better.

22 A. Ha, ha, ha.

23 **BY MR. P. HARRIGAN:**

24 Q. Okay. Can you provide the committee with
25 assurance that the -- sorry, the relevant data sets can be

1 reconciled to obtain -- sorry. Hold on. Give me a second
2 here. I think you answered this already but I'm, I'll ask it
3 for the public. Can you provide the committee with assurance
4 that the relevant data sets can be reconciled to obtain a more
5 accurate record of properties for the purpose of the
6 collection of taxes?

7 A. Yes. I'll even mention in addition to Lands and
8 Survey using that as a unique identification number, we're
9 also faced with a challenge of persons, individual entities,
10 business entities that are not on our tax system so we're also
11 now planning to liaise, well we already start the process.
12 The Planning Department with regards to when persons now, for
13 example, the, the what you call it, the ahm -- when you -- to
14 get your electricity, you know, to get your permission, also
15 once that is signed off by Planning Department that would now
16 be a trigger to forward to Inland Revenue to keep abreast to
17 ensure that we have that taxpayer property on our books for,
18 you know, to be able to send them the assessment to collect
19 their outstanding property tax. So both Lands and Survey and
20 the Planning Department, you know, will be assisting IRD. And
21 again to stress the importance of networking for compliance,
22 you know, rather than saying okay, alright, Inland Revenue
23 need additional 10 to 20 persons, these are avenues that we
24 are, you know, fostering in an effort to ensure that we are in
25 a position to collect government revenues efficiently.

1 Q. Excellent.

2 A. Yes.

3 **BY THE CHAIRMAN:**

4 Q. Well done. Well done. What I'm going to invite
5 you to do now that you have the audit in front of you, the
6 recommendations, I'm going to -- can we focus on 55, the
7 Interim Stabilisation Levy, continue that heading.

8 A. Yes.

9 Q. And can you, similarly as you just did, address
10 the points raised by the auditor?

11 A. Okay. *"To address the issues outlined relating
12 to Interim Stabilisation Levy, the Inland Revenue Department
13 should (1) Ensure an annual reconciliation between the
14 Ministry of Finance's register of businesses and the schedule
15 used by the Inland Revenue Department, in order to test the
16 completeness of the tax roll. A copy of the working papers
17 used in this exercise should be retained for audit purposes."*

18 Now, what we are doing, it's, yes, this
19 recommendation we have shifted a bit and hence why we are
20 using ahm, we intend to use the support from Social Security
21 for support because, I'll give an example. You will find
22 sometimes that persons would quicker disclose their
23 information to Social Security because the risk would be
24 outsourced to them in the event if someone was to get sick,
25 whereas with Inland Revenue persons would tend to underreport

1 because there is no direct return to them. So the idea is to
2 ensure that, for example, if Mr. Harrigan remit \$5,000 for the
3 month of March to pay Social Security, that same \$5,000 should
4 be remitted to Inland Revenue for us to assess.

5 Q. Thank you. It says that a copy of the working
6 papers used in this exercise should be retained for audit
7 purposes. Has the audit office been capped, informed of these
8 changes, because I take it that you are not in fact providing
9 the annual reconciliation as required.

10 A. Sorry?

11 Q. Yeah, the register of businesses. Is the
12 difference -- The register, it says ensure an annual
13 reconciliation between the Ministry of Finance's register of
14 businesses and the schedule used, and I know you varied it.
15 So it -- I know that you varied it.

16 A. Yes.

17 Q. And I understand why you varied it. So what you
18 are saying in fact is that that reconciliation is not there?

19 A. Yes. Well recon -- You mean with respect to the
20 Audit Department, from the audit?

21 Q. Well following the Chief Auditor's directive
22 that *"there is to be an annual reconciliation between the*
23 *Ministry of Finance's register of businesses and the schedule*
24 *used by the Inland Revenue Department"*; you're not relying on
25 that?

1 A. Well, okay. Well what I would say is that with
2 regards from the Audit -- the Audit Department would request
3 information. We, currently we are not providing them with,
4 again with ISL information unless it's requested. So once
5 they request it we submit the information to them.

6 Q. And what I'm understanding is that you are not
7 complying with that directive of the Chief Auditor.

8 A. Well that's what I mentioned earlier. It's not
9 that we are not complying with the recommendation from the
10 auditor, we are also using additional, again the networking,
11 in an effort to ensure that persons remit to what they are
12 supposed to.

13 Q. Has the auditor been capped in, updated as to
14 the strategies you are deploying to get that outcome?

15 A. Well once the auditor request information they
16 would of course interview us and ask questions, and if they
17 would request supporting documentation we would provide it.

18 **BY MR. P. HARRIGAN:**

19 Q. Yes. So basically, I think what Pam is asking
20 or the Madam Chair is, are you keeping records, are you
21 keeping them on file?

22 A. Yes, we are keeping, yes we are keeping records.
23 Well, what I'm saying is --

24 Q. That when the audit office actually ask you for
25 the report or the worksheet that you can actually share it

1 with them instead of verbally sharing information?

2 A. Yes. What we are not doing, we are not just on
3 a monthly basis giving it to them. All of the information --

4 Q. Well the audit is done on a yearly basis.

5 A. Yes.

6 Q. So what they actually want you to do is to keep
7 the worksheet at hand so that when they come to interview you
8 or speak to you or do the audit that you will be able to
9 readily --

10 A. Yeah provide the information, of course.

11 Q. -- present the worksheet.

12 A. Yes, provide the information, of course.

13 Definitely, of course.

14 **BY THE CHAIRMAN:**

15 Q. So are you preparing the worksheets and you have
16 them on hand?

17 A. Well not at this current moment, not at this
18 current moment but the information is there cause we would get
19 an email from the Audit Department stating certain files,
20 particular files that they would need and once they send that
21 request we will have all the documents prepared for them by
22 the timeframe by which they request them.

23 Q. Yes. Yes. What I understand is that you don't
24 have the worksheets as contemplated but you believe you're in
25 a position to provide the information that's needed.

1 A. Yes.

2 Q. I want to move on, if I may, to the second item
3 though under 55, if you would read it and share your thoughts
4 on it, please?

5 A. *"The returns submitted by*
6 *employers/self-employed workers showing the calculation of the*
7 *tax due should be checked back to source documents on a sample*
8 *--*

9 Q. Cyclical.

10 A. *-- cyclical basis to ensure completeness and*
11 *accuracy. A copy of the working papers used in this exercise*
12 *should be retained for audit purposes."*

13 One of the challenges that we face with regards
14 to especially self-employed persons, it's very hard to
15 determine, you know, what their source of revenue is because
16 even right now -- and too that speaks to the limitation that
17 we have within the Act which we're now trying to regularise,
18 cause right now it's just based on the good faith, good will
19 system where a individual state okay, this is what I'm making.
20 So we are actually trying to strengthen the legislation where
21 we will be in a better position in future to be able to
22 determine what an individual or entity income is for us to be
23 in a position to ensure that we collect what we are supposed
24 to.

25 Q. Can you share with us what the current thoughts

1 are in terms of the changes that you need to be making
2 urgently to meet the -- to remedy that challenge other than,
3 you know, the broad terms of legislation; what specific?

4 A. Like in terms of ensuring that the -- making it
5 mandatory for individuals to keep proper records, cause again,
6 without the proper records, you know, it's hard for us, you
7 know, to be able to determine what the individual situation
8 is.

9 Q. So the legislation that you're contemplating
10 envisages requiring those persons, self-employed persons to
11 keep -- to retain accountant services and such like. Is that
12 what you're saying?

13 A. It's not put together as yet, but what I'm
14 saying is that generally the objective is to ensure that the
15 Government of Anguilla is in a position to confirm what an
16 individual or a business entity revenue is in an effort for us
17 to ensure that we can collect what we are supposed to.

18 Q. And in the absence of that legislation, what
19 steps will you take to achieve what the Chief Auditor is
20 requiring?

21 A. Well again, we have the authority to go and
22 inspect and view individuals' records on their accounting
23 system. Still you, the more information you can get the more
24 it puts you in a position, you know, to be able to collect
25 Government money because again, people could create accounts

1 or falsify information in an effort, you know, to avoid paying
2 what they are supposed to.

3 Q. Have you taken any other steps other than those
4 envisaged by the Chief Auditor based on the challenges you've
5 shared where you can definitively demonstrate that you are
6 intending to pursue that objective right now?

7 A. Sorry, can you repeat that question, please?

8 Q. Regarding -- In the context of the challenges
9 you've shared --

10 A. Mmm hmm.

11 Q. -- and on the basis that you are not currently
12 in a position to achieve that undertaking, I wanted to, wanted
13 you to say what you have done relative to that broader
14 obligation to meet, you know, to show that that's been taken
15 seriously.

16 A. Well again, the use of Social Security, using
17 that relationship. As I mentioned before, if someone is going
18 to state on a particular month that their revenue is \$10,000
19 at Social Security and remit \$5,000 at Inland Revenue then we
20 know we have a problem.

21 Q. But have you pursued any particular
22 self-employed person in the absence of the reliance on Social
23 Security --

24 A. Yes.

25 Q. -- in line with the recommendations of the Chief

1 Auditor --

2 A. Yes, I'm --

3 Q. -- and your plans?

4 A. Yes. Well there are certain tax payers, you
5 know, who are problematic and what we always encourage is
6 voluntary compliance. The ahm -- With regards now to
7 enforcing, enforcement is always in terms of legal action;
8 that's always our last resort. You know, we try our best to
9 encourage persons to come in, have the conversation and ahm,
10 you know, for us to be in a position, you know, to meet each
11 other halfway. And one of the other documents that we also
12 use too is an ability to pay for which will now, you know,
13 state, you know, what your expenses are, what your income is
14 in an effort now to see, you know, what you're in a position
15 to pay at the end of the month or end of whichever period.

16 Q. Yeah. Thank you very much for that information.
17 And I like that like all taxing authorities everywhere,
18 voluntary compliance you are looking at that as a --

19 A. Yes, that's priority.

20 Q. Yes. Now, do you receive a copy of the report
21 of the Chief Auditor on publication?

22 A. Yes.

23 Q. And does your department incorporate the
24 recommendations into your work plan? I want to, for instance
25 in the context of the fantastic strategic and implementation

1 plans that you have.

2 A. Yes.

3 Q. Are the Chief Auditor's recommendations, that
4 they form part of those plans?

5 A. Yes. And in fact they play a major role
6 because we focus on our limitations based on what the Chief
7 Auditor would outline as well as the areas in which we are
8 vulnerable and they are incorporated into the strategic plan
9 and further into the implementation plan and operational plan
10 in terms of the key performance indicators, so they play a
11 vital role within our strategic plan.

12 Q. And can I ask you what is the -- In your
13 department, how do you share the -- I mean how do you make it
14 known to your team, you know, the seriousness of the Chief
15 Auditor's Report? How do you do that?

16 A. Well key staff have been playing a role even
17 within the strategic plan, and again the Chief Auditor's
18 Report played a major role and, because what we are trying to
19 do is to ensure that -- We're actually using the Chief
20 Auditor's Report too as a basis in terms of even developing
21 the audit plan for the current year.

22 Q. So you take it seriously?

23 A. Yes, we take it very serious. We take it very
24 serious.

25 Q. Thank you.

1 A. Yes.

2 Q. We're going to ask one more question now and
3 Mr. Harrigan is going to ask you that question.

4 A. Okay.

5 Q. But what I'm going to -- I think it's a very
6 good point. It's 3 o'clock. After this question, right after
7 the question and your answer we're going to take a very short
8 break, 5/7 minute break with a view to -- because the next
9 section is very different and we want to absolutely make sure
10 that we're clear on that.

11 A. Okay.

12 **BY MR. P. HARRIGAN:**

13 Q. Okay, Mr. Connor, this is my final question to
14 you but I think you answered it already but maybe you could go
15 a little more in depth.

16 A. Okay.

17 Q. For transparency purposes we will go ahead and
18 ask it. Can you tell the committee if Hurricane Irma has
19 impacted on collections and what considerations the department
20 is making to ensure that the Government of Anguilla remains on
21 track in its collections post Irma?

22 A. Can you repeat that question, please?

23 Q. Can you tell the committee if Hurricane Irma has
24 impacted on collections and what considerations the department
25 is making to ensure that the Government of Anguilla remains on

1 track on its collections post Irma?

2 A. Yes. Ahm, Hurricane Irma significantly impacted
3 our ability, you know, to collect revenues especially from the
4 accommodation sector which (indiscernible) a carnage as well
5 as property insurance where based on the -- some data that we
6 got from stats and the other bodies for around in excess of 46
7 percent of homes that received damage from Hurricane Irma and
8 we probably presume it may be more but, you know, that in
9 itself speaks a lot so that definitely will impact, you know,
10 our ability to meet our targets. However, we are putting
11 together proposals to submit to Executive Council for
12 consideration and approval.

13 **BY THE CHAIRMAN:**

14 Q. Can you address the second part of the question
15 though? How do you see it impacting it in terms of a number,
16 in terms of a, or a percentage?

17 A. Ahm.

18 Q. It's really important. It goes to the bottom
19 line. It's very, very important.

20 A. Yes. I mean, there are a lot of factors that
21 have to come into play and I wouldn't want to go on the record
22 and saying, you know, thing (sic) because again, every sector,
23 every sector have been impacted. So for me to go now and
24 state a particular percentage I think ahm, would not be
25 accurate.

1 Q. But in terms of your targets and how your
2 targets are likely to be effected, you surely you must have
3 your targets already in place.

4 A. Yes.

5 Q. And to what extent, what percentage you envisage
6 that those targets are going to be negatively impacted by
7 these developments?

8 A. Again, I'm not in a position to say that right
9 now, but what I will say is that what we intend to do on a
10 quarterly basis, we will be monitoring the performance and
11 based on the performance projections would be revised to such.
12 That, definitely that's the direction which we are looking to
13 go for this year, but to say give a percentage, I'm not in a
14 position to do that right now.

15 Q. I was very impressed by the fact that you
16 targeted 20 percent in a very different scenario and that you
17 did better. But do you -- I know we're not going to hold you
18 to an exact percentage, that is not the point. What we want
19 to make sure is that we're in a position for Government and
20 Anguilla to meet its financial obligations altogether, so the
21 currency or the relevant six months after Irma it's really
22 important to have that plan. And can you tell us why we don't
23 have an exact numbers (sic), why the targets haven't been
24 solidified up to now?

25 A. No, I'm not saying that. There is a -- What I'm

1 saying is that what we are doing, we are going to be proactive
2 because again at a quarterly basis we will be analysing the
3 performance and based on how we perform, for example, how we
4 perform in this first quarter will depend based on what we
5 project for the next quarter, will be adjusted based, again
6 based on whether it was favourable or unfavourable. Again,
7 I'm not in a position right now to state what that percentage
8 is.

9 Q. How quickly can you let us have those
10 projections?

11 A. Sorry? Well we can forward the projections.

12 Q. Well we're nearing -- Yes, you can share the
13 projections now.

14 A. Yes.

15 Q. That will be excellent.

16 A. Of course. Yeah, definitely. Yes. We have the
17 projections.

18 Q. If you have that information available to us
19 can you tell us what the projections are and can you remind us
20 of that in this context?

21 A. We can forward it -- Sorry.

22 **BY MR. P. HARRIGAN:**

23 Q. Before you answer the question. You mentioned
24 that you're keeping track quarterly but we had two quarters
25 already passed. From September to now is two quarters have

1 passed. You don't have those numbers with you?

2 A. No.

3 MR. V. HARRIS: Yes, we do have actuarials
4 from January to March on the performance.

5 MR. P. HARRIGAN: From October to December of
6 last year?

7 MR. V. HARRIS: Last year? Yes, we do have
8 them but not here, but we could tell you how they performed.

9 THE CHAIRMAN: But the ones you have here,
10 maybe if you could share those with the committee, please.
11 Share that information with the committee; if you'd read it
12 into the record.

13 MR. V. HARRIS: Okay. We do have 2017, for
14 the entire year so we can share the performance for that
15 entire year.

16 THE CHAIRMAN: Yes. Excellent. Thanks.

17 MR. K. CONNOR: So for the ISL we collected
18 14.1, sorry. We collected 14.1 million for ISL and we
19 budgeted to collect 12.8 million. For property tax we
20 budgeted for 7, we collected 7.17. Taxes on domestic goods
21 which includes accommodation tax, bank deposit levy, stamp
22 duty, environmental levy, tourism levy, and communication levy
23 budgeted to collect 52 million and we collected 51 million.

24 **BY THE CHAIRMAN:**

25 Q. But we're looking at the overall figures then

1 rather than the quarter post Irma?

2 A. Nah.

3 Q. Okay, you don't have that figure?

4 A. No, we don't.

5 Q. Yes. And you can't, from the current figures
6 you have you can't, you can't dissect it?

7 A. Nah.

8 Q. No.

9 A. I mean, it would make sense for us to just
10 forward you the ahm --

11 MR. V. HARRIS: We can give you the
12 information you need.

13 THE CHAIRMAN: Very well.

14 **BY THE CHAIRMAN:**

15 Q. But you'll share with us the quarterly that you
16 have for this year already?

17 A. Yes.

18 Q. That number, that might be more helpful.

19 Please bear with us, we're -- Yes, take the time
20 you need. I wonder if it would be helpful to you since we're
21 going to take that break, if it would be helpful for you to
22 have the time during the break to be able to deal with it and,
23 would that be helpful?

24 A. Yes.

25 Q. Yes. So I think what we can do if that's okay

1 with the other members of the committee, and I'm hearing them
2 say that they are okay with it, let's take the break now. And
3 we will reserve, before we go into the next line we will just
4 wrap that up with you.

5 A. No problem.

6 Q. Thank you very much indeed.

7 A. Okay.

8 THE CHAIRMAN: So just so that the media
9 appreciates that we are going to take a break and we are going
10 to come back at 3:15. 3:15. Thank you.

11 **(Recess.)**

12 **(Meeting resumed.)**

13 THE CHAIRMAN: Yes. Good afternoon again.
14 We are reconvening please, and we are continuing with the
15 questions for Mr. Connor.

16 **BY THE CHAIRMAN:**

17 Q. I believe, Mr. Connor, during the break you
18 endeavoured to find some materials that would have helped to
19 answer the question. I think you want to share with the
20 committee the outcome of those efforts.

21 A. Okay. Yes, ahm what we're going to do we're
22 going to forward the information to you later.

23 Q. So you do not have it at hand? Your efforts
24 haven't resulted in it being at hand?

25 A. Yes.

1 Q. Right now.

2 A. Yes. So we'll forward it to you tomorrow, the
3 latest tomorrow.

4 Q. Very well. So we'll have it from you tomorrow?

5 A. Yes.

6 Q. Yes. And I recognise that you do have detailed
7 monthly forecasting that I've seen.

8 A. Yes.

9 Q. That you're aware of, so we look forward to
10 getting those samples as well.

11 A. Yes.

12 Q. Thank you very much.

13 A. Okay. You're welcome.

14 THE CHAIRMAN: I have -- Mr. Hodge, just
15 before we move on to the next section just in relation to Cap
16 Juluca and some evidence that you gave previously that you
17 believed it had gone to the House.

18 MR. L. HODGE: Yes, that's correct.

19 THE CHAIRMAN: Yes. I believe that we've
20 now confirmed that it hasn't, it wasn't in fact forwarded to
21 the House and I'm going to reserve. I recognise you may not
22 be in a position today to answer the questions because of your
23 own knowledge, but I'm going to, you know, in consideration of
24 the time that we have, limited time we have before we deal
25 with a much more complex bit reserve and -- reserve to ask you

1 some additional questions about that which you would share
2 with the, respond to the committee in the coming days.

3 MR. L. HODGE: Sure.

4 THE CHAIRMAN: Yes. So that we can wrap
5 up this side. In writing, you will share with us in writing.
6 Yes.

7 MR. L. HODGE: Okay.

8 THE CHAIRMAN: So thank you very much
9 again and I'm highly appreciative of the level of work that
10 you're doing and we're grateful for that, all the people of
11 Anguilla but the committee especially, we are grateful for the
12 work that you're doing. Thank you very much for the evidence
13 you've provided.

14 MR. K. CONNOR: Okay. Thank you.

15 THE CHAIRMAN: I'm not going to excuse you
16 from the session. I mean, I can excuse you from the immediate
17 session just if you follow, because I know that you will have
18 things to do as well.

19 MR. K. CONNOR: Yes.

20 THE CHAIRMAN: But I know that we're going
21 to have to call Mr. Harris, yes, Vonlee Harris. We're going
22 to -- Deputy Accountant General, we're going to need some
23 evidence from you at the end of the session as well.

24 MR. V. HARRIS: Yes.

25 THE CHAIRMAN: So if you would monitor it

1 and be available we appreciate that.

2 MR. V. HARRIS: Okay.

3 THE CHAIRMAN: The next section of the
4 session will focus on the Social Security Board and I'm going
5 to invite - Mr. Hodge I'm going to ahm -- Just confirm that
6 Mr. Hodge is with us, please. He's still with us?

7 MR. T. HODGE: Yes.

8 THE CHAIRMAN: And Mr. Reid and the other
9 social -- Thank you very much, Mr. Hodge.

10 Mr. Reid, I'm going to start with you and ask
11 you to please introduce your team and the members of the team
12 that's available with you. I realise Mr. Hodge may not be in
13 a position where he can see the arcade that's why I'm asking
14 you to do it so that he can hear you. There is a green light
15 you just press it for the light to come on and that's how we
16 know that you're live.

17 MR. R. REID: Thank you, Madam Chair.
18 With me on my immediate left -- right, sorry, is
19 Doris Fleming who is the CFO, Chief Financial Officer; on my
20 left is Dr. Maglan Lewis, she is the Deputy Director, and
21 support is also Mr. Carlyle Franklin, he is Investment
22 Manager.

23 THE CHAIRMAN: And he's available as well.

24 MR. R. REID: Yeah, as well.

25 THE CHAIRMAN: Well thank you all for

1 being here and I know Mr. Hodge has been very, very patient.
2 I want to acknowledge his attendance throughout as far as I
3 can tell and I'm grateful that our technology and our
4 resources extend to facilitating this interview via Skype.

5 Mr. Hodge, I see your statement and I've,
6 together with the committee, we've gone through the statement
7 fully and we believe that the quest -- we don't need really to
8 go into the presentation aspect for our purposes and because
9 we're quite limited in time we thought we would focus, you
10 know, instead of dealing with the details in the presentation
11 you've given, for which we're grateful, we would like you to
12 be very specific in your answers to the questions directed at
13 you, not referring to the statement because we've got that and
14 we will utilise it in the proceeding, but to save time will
15 you just answer the very specific questions please that will
16 be directed to you. Thank you.

17 We're going to invite the Honourable Evalie
18 Bradley, Member for Road North, to address the initial
19 questions to you.

20 **QUESTIONS TO MR. TIMOTHY HODGE, DIRECTOR OF SOCIAL SECURITY**

21 **BY MRS. E. BRADLEY:**

22 Q. Good morning or afternoon Mr. Hodge, all the way
23 in Australia once again. My first question --

24 A. Good morning. It's 5 :30 here.

25 Q. 5:30. I'm correct then.

1 A. A.m., a.m., yes.

2 Q. My first question to you, Mr. Hodge, is: Do you
3 agree or disagree with the Chief Auditor's assessment of the
4 deteriorating position of the Social Security Board? And if
5 you agree or disagree you say why.

6 A. Madam Chair, I do not agree, and I presented,
7 did present in the statement not just any thoughts on it but
8 those of our actuary as well. And in fact I -- the evidence
9 is that the Anguilla Social Security system has performed
10 beyond expectation and it has outperformed its model. That
11 is, it has not yet reached equilibrium and it won't reach
12 equilibrium until after 50 years of its existence which is
13 another 14 or so years. That is, equilibrium is the point at
14 which its outflows equals its inflows so that, that it
15 outperform the model which it uses and would have outperformed
16 just about every Social Security system in the Caribbean,
17 perhaps with the exception of the British Virgin Islands which
18 has a rather unique situation where lots of very high earning
19 individuals contribute to the system but do not necessarily
20 benefit expatriate workers, and so their financial condition
21 is extremely unique. Ours is probably the second best
22 performer in terms of performance over the first 40 years or
23 so of the system. And even though existing in an economy
24 which has severe financial constraints in the last 10 years,
25 we were still in a position to take on the unemployment,

1 temporary unemployment benefit and very shortly pay increases
2 to our pensioners to those pensioners pensions in payment over
3 1,000 persons in Anguilla. So I think that we will -- I do
4 not agree with the statement that it is a deteriorating
5 financial situation. It is a different financial situation in
6 that significant elements of our reserves are (indiscernible)
7 up in one or two instruments, one being the instrument with
8 the Government, the promissory note with the Government of
9 Anguilla. So it does look different to how it looked ahm, you
10 know, probably in 2014 or before -- well before 2014. If you
11 want to look at, and I know that a picture says -- I know that
12 I'm not supposed to rely on my presentation but a picture does
13 say a thousand words, and if you were to look at the chart
14 where -- which shows the growth in the assets, the system, and
15 if you were to look at that chart we would see that there is
16 constant, continuous growth. And so I'm not sure if you are
17 seeing; can you see that? But ahm, you would see that there
18 is constant growth without showing any deterioration.

19 Q. Okay, Mr. Hodge.

20 A. Can you see that screen?

21 Q. Yes. I've seen it, yes.

22 THE CHAIRMAN: We have seen it and we have
23 it on record. We have it and, you know, that's helpful, but
24 we want to go on with the questioning and --

25 MR. T. HODGE: Sure.

1 THE CHAIRMAN: Yes, very specific
2 questions. We may have in the end a couple of questions
3 relative to how, you know, the actuary report and stuff but we
4 really want answers to the very focused questions.

5 **BY MRS. E. BRADLEY:**

6 Q. Next question, Mr. Hodge. Has the Government of
7 Anguilla made their payments on schedule as regards its
8 obligations to the Board under the Bank Resolution Obligations
9 Act?

10 A. Ahm, I think I got your question but it kind of
11 fades away to the end so if you just stay a little closer to
12 the mike, thanks.

13 Q. Do you want me to repeat the question?

14 A. There are several obligations to the Social
15 Security Board by the Government of Anguilla. One is the
16 repayment of a loan that was taken out by Government, well by
17 the social -- by Government. The Social Security Board lent
18 Government \$50 million very shortly after the 2010, 2010
19 elections, a loan was made of \$50 million to the Government
20 and the Government has paid that down on schedule. There is
21 the promissory note. I think the amount of the promissory
22 note is \$214 million and the Government is paying that down or
23 paying it, yes, paying it down and they are on schedule.
24 Traditionally, the Government has always been on time with its
25 payment of Social Security contributions, but - and they would

1 have recently paid, paid as recently as ahm, I'm not sure what
2 date it is now, but paid as recently as yesterday or today,
3 contributions; April 14th I think is the date. Anyhow, April,
4 this month. But they are slightly in arrears with their
5 contributions and I think we can probably understand why post
6 Irma, but they are not that far in arrears. And yesterday I
7 heard the Permanent Secretary Finance admit to Government's
8 indebtedness to the wholly owned subsidiary of Social Security
9 Board ASSIDCO. I was pleased to hear that admission because
10 we continue to send our statements to the Government every
11 month this is what you owe, this is what you owe, and we have
12 not received payment on that, but at least the debt is
13 acknowledged and we look forward to Government settling its
14 debt in some way; it doesn't need cash.

15 We just learned as well from the Inland Revenue
16 Commissioner that there was a land for debt to be remand if
17 Government passes it on. Thank you.

18 Q. Okay. This is a two prong question.

19 MR. R. REID: May I interject, please?
20 May I interject, please? In Dr. Harrigan's presentation
21 yesterday with regards to ASSIDCO, he spoke about 20 million I
22 think it was -- it's, in fact it's 31,000,700.

23 THE CHAIRMAN: Thank you very much.

24 MR. R. REID: Yes, correct that please.

25 THE CHAIRMAN: It now stands, you're

1 telling the committee that it now stands at 31 million?

2 MR. R. REID: 700. 31.7 million.

3 THE CHAIRMAN: 31.7 million and not --

4 MR. R. REID: Not 20 million.

5 THE CHAIRMAN: -- 20 million as we're led
6 to believe.

7 MR. R. REID: As he stated, yes.

8 THE CHAIRMAN: Thank you. And that is,
9 just for the record, it is Mr. -- it's the Chairman of the
10 Social Security Board sharing, updating us that in fact the
11 balance is 31.7 million.

12 MR. R. REID: That's with ASSIDCO.

13 THE CHAIRMAN: Yes.

14 MR. R. REID: The issue with ASSIDCO.

15 THE CHAIRMAN: Yes. Thank you.

16 MR. R. REID: Yeah.

17 **BY MRS. E. BRADLEY:**

18 Q. Okay, Mr. Harrigan, the next -- Sorry,
19 Mr. Hodge, the next question is: Have you assessed the risks
20 of the Government of Anguilla defaulting on payment to the
21 Social Security Board as well as the risks to the Social
22 Security Board in the event that the Government of Anguilla is
23 not able to meet payments on time?

24 A. Madam Chair, the risk of Government default has
25 been assessed by the actuary and he has stated that because

1 this is sovereign debt there should be zero risk in that the
2 Government can always raise taxes to settle its debt or
3 perhaps can make other arrangements. And for example, the
4 debt to ASSIDCO could be converted into a long-term loan; it
5 could be traded in some other way; the debt could be sold, and
6 so we don't consider that there is any major risk of default.
7 What we see and what I hope that Government realise is that
8 the nonpayment of a debt does not eliminate a debt. And
9 ASSIDCO had a lease -- has a lease with Government that
10 Government did not pay; didn't mean that the debt went away.
11 So there is a lesson in this for Government present and future
12 that nonpayment does not mean that the debt goes away.

13 Q. Okay. Thank you. Now with reference to
14 paragraph 72 of the 2014 Report and Accounts of the Chief
15 Auditor, when is it expected that returns would be made on the
16 Cinnamon Reef Development investment project which has
17 resulted in significant losses of some EC\$16 million by
18 ASSIDCO?

19 A. Again you fade away during the middle of the
20 question but I think I got most of it. Perhaps you want to
21 repeat it a little slowly, a little more slowly.

22 Q. So you want me to repeat the question?

23 A. Yes, please.

24 Q. Okay. With reference to paragraph 72 of the
25 2014 Report and Accounts of the Chief Auditor's Report, when

1 is it expected that returns will be made on the Cinnamon Reef
2 Development investment project which has resulted in
3 significant losses of some EC\$16 million made by ASSIDCO?

4 A. Madam Chair, just to say that we don't have the
5 privilege of the Inland Revenue Commissioner to have received
6 those reports so I will just assume that ahm, cause I have
7 never seen that paragraph. However, I understand the
8 question, I will endeavour to answer it. And I think in the
9 future it would be helpful if we do receive, even if we do not
10 receive the entire audit report of Government of Anguilla at
11 least we receive the sections that relate to the Social
12 Security Board. I think that's only a wise thing to do so
13 that we can really answer these types of questions.

14 The answer is that ahm --

15 THE CHAIRMAN: Mr. Hodge.

16 MR. T. HODGE: Yes.

17 THE CHAIRMAN: Yes. I've just seen in
18 your 2015 accounts the consolidated financial statements. In
19 fact, the Chief Auditor's requirements are actually stated in
20 it so I'm surprised ahm, I don't know if you want to
21 reconsider what you're saying, taking into account that it's
22 there and it would have been previously as well. You
23 indicated in your report; do you want me to read it to you?

24 MR. T. HODGE: No, thank you. I know that
25 there is reference to this debt in our audited accounts.

1 Sorry. So the paragraph that the Honourable Mrs. Bradley
2 reference is in our accounts or in the Government of Anguilla
3 accounts?

4 THE CHAIRMAN: Both.

5 MR. T. HODGE: Okay. Well I was speaking
6 to the Government of Anguilla's accounts cause I've never seen
7 that statement, so let me try to answer the question then.

8 THE CHAIRMAN: So, so, no, no, no. I want
9 you to correct. So it is not true then that you would not
10 have been privy to the Chief Auditor's requirements, you in
11 fact knew them because it's in your report.

12 MR. T. HODGE: Madam Chair, I was
13 responding to a question that Mrs. Bradley asked, Honourable
14 Mrs. Bradley asked which is referring --

15 THE CHAIRMAN: Yes, I --

16 MR. T. HODGE: -- to a paragraph of the
17 Government of Anguilla's Audited Accounts which I do not have,
18 have never seen.

19 MRS. E. BRADLEY: Mr. Hodge.

20 MR. T. HODGE: But I will say that the
21 Chief Auditor's accounts for the Social Security Board do
22 reference debt to the ASSIDCO by the Government of Anguilla
23 and I acknowledge those statements. And if I in any way I
24 appeared as if I was saying I have never seen any Government
25 -- any Auditor's Report which related to that debt then I will

1 correct that.

2 MRS. E. BRADLEY: Mr. Hodge, just for
3 clarification and reference would you like me to read that
4 particular section for you?

5 MR. T. HODGE: No, thanks. I think I
6 understand fully what the question relates to.

7 MRS. E. BRADLEY: Okay.

8 THE CHAIRMAN: Mr. Hodge.

9 MR. T. HODGE: Yes.

10 THE CHAIRMAN: Are you aware that the 2014
11 Auditor's Report was laid before the House of Assembly? Do
12 you have that personal knowledge?

13 MR. T. HODGE: The Government of
14 Anguilla's audited reports?

15 THE CHAIRMAN: The Chief Auditor's Report
16 of the accounts of Anguilla, yes, 2014.

17 MR. T. HODGE: I do not have that personal
18 knowledge.

19 THE CHAIRMAN: Well it's referenced in
20 your report.

21 MR. T. HODGE: Yeah, but that, that may
22 not have been laid before the House. It would not probably
23 have been laid before the House at that point in time. I have
24 no idea that it has been laid. But I do not -- I don't think
25 we need to belabour this point, Madam Chair. All I was saying

1 was I have never seen the Government of Anguilla's Audited
2 Reports, that's all I was saying.

3 THE CHAIRMAN: Mr. Hodge, I'm less
4 interested in what you think about what I think that -- in
5 answering the question. You are the most senior officer at
6 Social Security Board and you're telling me that you were not
7 aware that the 2014 accounts, Chief Auditor's Report was
8 actually laid before the House of Assembly. Is that what you
9 are saying to me, yes or no?

10 MR. T. HODGE: Chief Auditor's accounts of
11 what institution, Madam Chair? We are talking about two
12 different accounts here: One is the Government of Anguilla
13 and one is the Social Security Board, and I'm very much aware
14 that our accounts, the Social Security Board's accounts have
15 been laid before the House. I have never seen any accounts,
16 audited accounts of the Government of Anguilla in my life.

17 THE CHAIRMAN: Mr. Hodge, I know that
18 you've been up for a long time. What I'm asking is a very
19 simple question, you can say yes or you can say no that you
20 are not aware of it. Are you saying that you are not aware
21 that the 2014 Chief Auditor's Report was laid before the House
22 of Assembly?

23 MR. T. HODGE: Of which institution, Madam
24 Chair; that's what I'm asking, of which institution?

25 THE CHAIRMAN: The Chief Auditor's Report

1 on the Government of Anguilla's accounts.

2 MR. T. HODGE: Yes, I am saying I am not
3 aware that they have been laid before the House. I am very
4 much aware that the Chief Audited accounts -- the Chief
5 Auditor's statement on the Social Security Board's accounts
6 have been laid before the House and they are two different
7 accounts, different reports.

8 **BY THE CHAIRMAN:**

9 Q. While we're engaging in this very long
10 dissertation, can you tell me why the 2012 to 2015 Social
11 Security, the accounts of the Social Security Board, why they
12 have not been laid before the House? Were you aware of that?

13 A. As far as I'm aware, the Social Security Board's
14 accounts, all the audited accounts up to 2014 I think have
15 been laid before the House.

16 Q. And we're saying that there have been no
17 accounts laid before the House between 2012 and 2015. Can we,
18 rather than having that kind of disagreement, you are saying
19 that you don't know in fact that they have been laid, whether
20 or not those accounts have been laid before the House?
21 Because we're saying that they have not been laid.

22 A. I will accept what you are saying, Madam Chair.
23 I would have thought otherwise because as all the audited
24 accounts that we have received from the Chief Auditor have
25 been passed on to the minister to be laid before the House.

1 Q. And so as the Principal Director at the Social
2 Security Board you have not questioned whether or not those
3 accounts have been laid before the House; yes or no?

4 A. I have not questioned it because I was of the
5 belief --

6 Q. Thank you.

7 A. -- that they have been laid before the House.

8 Q. Thank you. Thank you. We'll move on.

9 One, just before we move on to the other point.
10 You said you relied on the actuarial report, and I note from
11 your presentation that the actuary has been with the Social
12 Security Board for many, many years. I think you indicated
13 that yourself.

14 A. Yes.

15 Q. Yes. So it's been the same actuary for how many
16 years?

17 A. No, it has not been the same actuary.

18 Mr. Montas performed the very first actuarial review of the
19 Board in 1986. Subsequently, there have been several
20 actuaries who have performed actuary reviews by the Board and
21 they are due every three years, so we are now I think
22 somewhere in the region of our 10th or so actuarial review.
23 We have had the Chief Actuary of the United States Social
24 Security system, Franciso Bayo, performed it on one year; we
25 have had the ILO actuaries performed it on maybe two other

1 occasions, but the last shall I say three or so actuarial
2 reviews, consecutively Mr. Montas has performed those reviews.

3 Q. So you said how many years? Just for
4 clarification, how many years the current actuary has been in
5 this current cycle; how long?

6 A. I would say at least four, and they are
7 triennial reviews.

8 Q. Yes. And can you share with us, share with the
9 committee the process, as far as you understand it, in
10 relation to the selection of the actuary?

11 A. The Social Security Board have contracts for and
12 with the actuary on an annual basis, and with -- for the last
13 let's say of maybe six or seven years the Board has gone
14 beyond contracting for the actuary -- actuarial review on a
15 one-off basis and has retained, as it were, Mr. Montas to
16 provide ongoing actuarial advice given the environment in
17 which the system was operating and given the desire to
18 introduce a national health insurance system in Anguilla and
19 to respond rapidly to any significant change or development.
20 And for example, the temporary unemployment benefit, the
21 system was able to take the advice of an actuary as opposed to
22 having to contract on a one-off basis for such advice.

23 Q. In terms of your selection of the actuary, can
24 you share with us what the criteria is and particularly what
25 your procurement process is in relation to similar functions?

1 A. Yes, Madam Chair. The provision of actuarial --
2 Actuarial services, particularly for Social Security systems,
3 are extremely -- are hard to come by. To the best of my
4 knowledge there are no more than two persons in the region who
5 provide such services and Mr. Montas is by far the most
6 experienced in the -- widely used actuary in the Caribbean and
7 perhaps in the Americas.

8 Q. But tell us what the procurement process is?

9 A. And so ahm, the Board has great difficulty in
10 finding, procuring services short of the present arrangement
11 where Mr. Montas has been retained, as it were, and his
12 actuarial reviews are not costed separately to the ongoing
13 rate at the Board in about, like I said about maybe six years
14 ago decided to retain rather than to try to procure on a
15 one-off basis for each actuarial review. And so the Board
16 feels that this is a satisfactory agreement and it is not, as
17 I said it is not as simple as advertising for an actuary
18 because there are not many, you could count them on half of
19 one hand, that offer these services in the Caribbean.

20 Q. Mr. Hodge, thank you for that. I just want to
21 clarify what we are trying to ascertain here from asking you
22 these questions. We want to be assured of the independence of
23 the actuary; that is really what we are looking at, how you
24 satisfy yourselves of his independence.

25 A. Yes, Madam Chair. The independence is -- The

1 actuarial review is a scientific exercise. There is no
2 subjectivity in the report. No matter who does the report the
3 figures do not change and the objectivity is in the figures
4 and in the projections and so the Board is satisfied, has been
5 satisfied that whichever actuary it engages has provided --
6 has had that level of independence from the Board. I would
7 also say that the Board is also aware of the underlying basis
8 foundation of your question which is to ahm, not to have the
9 actuary or the auditor or whoever continue on ad infinitum so
10 that there is no independence or lack of independence. And in
11 this regard contracting is on an annual basis and the
12 consideration has been given to the time when this arrangement
13 no longer works. The Social Security Board along with other
14 Social Security Boards in the Caribbean have been trying to
15 establish a Caribbean actuarial service that would service all
16 the Social Security systems but that has not happened as of
17 now.

18 Q. One question, one final question in relation to
19 the actuary though. Are you -- Can you give us the assurance
20 that this is a matter that comes up that you deal with, that
21 you look at the independence every year when you are dealing
22 with the extension of the contract? Is this -- Is there -- Do
23 you do that? Can you give us the assurance that the Board
24 considers that aspect each year?

25 A. I would ahm, I would have to say that it's not a

1 matter that is discussed as a standing part of the ahm, a
2 standing part of the considerations.

3 Q. Okay. So it's not discussed as a standing part
4 of the process for the Board to deal with; that is what I
5 understand you're saying. It's not on the agenda every time
6 you're going to review the contract; you don't address all
7 those considerations at each juncture; is that a yes or no?

8 A. But I'm also aware that the Board is aware of
9 its fiduciary and other responsibilities.

10 Q. No, no. I just want to, I just want to -- I'm
11 sure the Board's aware of other things. I really just want an
12 answer to the question whether or not the Board routinely,
13 when it comes to the review of the actuarial recruitment,
14 considers the requirement for independence and whether that's
15 documented?

16 A. It wouldn't be documented.

17 Q. Thank you. I'm going to invite the Honourable
18 Mrs. Bradley to progress with the other questions relative to
19 the ahm, you know, to other questions arising out of the
20 query. But we will seek to be as economical as we possibly
21 can in the responses, I hope.

22 **BY MRS. E. BRADLEY:**

23 Q. Yes, Mr. Hodge, back to our line of questioning.
24 The Chief Auditor in his report notes that there
25 continues to be very slow progress to resolving away powers

1 with regards to this asset referring to ASSIDCO. Ahm, would
2 you then agree with the Chief Auditor that progress has been
3 very slow; and is it possible to provide the committee with an
4 explanation as to why progress -- no progress has been made
5 given the deteriorating position of the Social Security Fund?
6 I know you explained before that as far as you're concerned
7 this is not a deteriorating position. Just to --

8 A. Madam Chair, the ahm, I am at a loss to
9 understand why the Government of Anguilla has not met its
10 obligations under a lease agreement which is signed and is in
11 place. What I will say is that the Social Security Board, and
12 I believe the Investment Manager is present, and every month
13 religiously the statement is sent and that is the reason why
14 the Chairman could update the actual debt to the Social
15 Security -- to ASSIDCO which is the wholly owned subsidiary of
16 the Social Security Board as up-to-date as he did this morning
17 or today. The progress will come I think when the Government
18 of Anguilla has the lease terminated, or ASSIDCO, and the
19 amount is settled whether in cash, whether by converting to a
20 long term loan. All of these have been made, proposals have
21 been made to the Government of Anguilla or by some other
22 means, for example, land for debt or whatever, but the Social
23 Security ASSIDCO reminds Government on a monthly basis. I
24 personally have spoken about it to Government and to Executive
25 Council, and the progress, as you say, as has been said is

1 slow but nonpayment does not eliminate the debt.

2 **BY THE CHAIRMAN:**

3 Q. Mr. Hodge, if I may just interrupt. I see that
4 on page 14 of the 2015 Financial Statements at paragraph 1
5 under "Reporting entity", and then "*the subsidiary company*
6 *(continued)*", under the heading "*Status of operations of the*
7 *subsidiary company (continued)*". I'm going to read this:

8 *"As at report date, the company is currently*
9 *considering a proposal for a joint venture arrangement with*
10 *the property developer with the aim of developing the Cinnamon*
11 *Reef Property into a high-end hotel. The company believes*
12 *that the favourable outcome of this will alter its current*
13 *financial position and will in turn result in favourable*
14 *result to the company's financial position and results."*

15 Can you tell us what the present status is,
16 please?

17 A. Yes, Madam Chair. There was -- Those
18 discussions reached the point of being a signed Memorandum of
19 Understanding between ASSIDCO and those developers which has
20 not come to fruition. There have been others and there is
21 one; I think ASSIDCO's Board meets today or tomorrow to
22 discuss another proposal. ASSIDCO has been advised by the
23 Government of Anguilla -- sorry, by the officials in the
24 Government, not to pursue the idea of a joint venture because
25 it apparently has not worked in the past with some of the

1 developments, the proposed hotel developments in Anguilla. So
2 that is one consideration. Another consideration is that
3 there is a feasibility study underway in the marina industry
4 in Anguilla and Cinnamon Reef has been identified as one of
5 the top sites in Anguilla for such facilities and the
6 ASSIDCO's property at Cinnamon Reef stand to benefit
7 substantially from that either by an outright sale or in some
8 other involvement in the marina, which is, of course the
9 marina is in the water but it also has elements on land and
10 the Social Security Board's ASSIDCO is well poised to benefit
11 from such development.

12 Q. And I'm sure well poised is a very, a very
13 interesting position to be in particularly when you don't --
14 we don't know what's going to happen. Why is it -- How would
15 you rate your standards in relation to corporate governance at
16 the Social Security Board? How would you rate them on a
17 spectrum of 1 to 10?

18 A. Ahm, I would prefer to actually --

19 Q. Just answer the question. How would you rate
20 the corporate governance standards? You have to consider this
21 in your position I'm sure almost on a daily basis. Please
22 tell us how you would rate it?

23 A. Yes, Madam Chair. I was about to say that in
24 the last month or so the statutory boards in Anguilla
25 conducted training at the Anguilla Community College, and part

1 of this was an exercise where the Boards themselves as a whole
2 would assess answers to that question. And there's a process
3 which I would prefer not personally to speak to. I think that
4 the Social Security Board has done pretty well but I think
5 that there are some constraints, one of which is the provision
6 of timely, audited financial statements. And so ah -- And I
7 understand if --

8 Q. So as the chief --

9 A. -- you are correct that our reports which we
10 have sent on, would have sent on have not been laid before the
11 House, then in that regard we have not met that
12 responsibility, but in terms of the operations of the Social
13 Security office, in terms of the fiduciary responsibility of
14 directors and the level of ahm, standard and level of our
15 accounts and everything else I think we do extremely well.
16 And I would like to recognise ahm --

17 Q. I know you would, but please answer the
18 question, we're very limited on time. And I take it from your
19 answer that in fact you are not in a position to rate yourself
20 on that spectrum at this time. Is that, would that be a fair
21 statement?

22 A. It's fair, but I would just like to say that
23 within the next two weeks we are conducting a strategic
24 planning exercise and this will be part of our objective.

25 Q. And ahm, you will be -- we'll reserve then on

1 the opportunity to get further evidence from you in relation
2 to where you are on that spectrum, but in line with that
3 consideration - and I notice that you pointed out what you
4 consider to be the positives - tell me, in relation to the
5 monies owed to you why you haven't taken significant steps as
6 to ensure that those payments are made to you?

7 A. Madam Chair, we billed the -- we invoice the
8 Government on a monthly basis; we have written letters. We
9 have a letter right now awaiting an answer written to the
10 Permanent Secretary, Finance and the Minister for a meeting to
11 discuss this debt. During -- Within the last quarter I
12 addressed Executive Council on this matter. Very careful as
13 to what I can say about what I said at Executive Council. And
14 --

15 Q. And how --

16 A. -- I think that we continue to follow up on the
17 debt and I just hope that ahm, you know, that at some point we
18 get movement. I don't think that we have the situation ahm --
19 Well, let me just not say.

20 Q. Mr. Hodge, Mr. Hodge, please.

21 A. Yes. Yes, Madam Chair.

22 Q. How many years, how many years you have been
23 writing these letters and sending invoices? Can you tell the
24 committee how many years you've been doing this? How many
25 letters you have written?

1 A. A great deal, Madam Chair.

2 Q. I'm sorry?

3 A. A great deal, a great number, a high number.

4 Q. How many years as the Chief Executive Officer?

5 A. I will say at least five years, six years.

6 Q. Five/six years. And I recognise that yes, can

7 -- your officer is going to be able to help us with that.

8 How many years?

9 MS. D. FLEMING: I was saying from 2010. We
10 are now 2018, every month.

11 THE CHAIRMAN: Every month since 2010?

12 MS. D. FLEMING: April 2010.

13 **BY THE CHAIRMAN:**

14 Q. And can you tell the committee, in addition to
15 those letters, what other actions you have taken to assure
16 that you're going to be paid outside of writing those letters?

17 MR. C. FRANKLIN: Can I answer that? Over
18 the period of --

19 THE CHAIRMAN: Make sure your microphone
20 is on, please.

21 MR. C. FRANKLIN: Yes. Over the period of,
22 over the term of the lease, ASSIDCO has been constantly trying
23 to have this lease agreement resolved and we have been writing
24 letters, not only sending invoices but we have been also
25 sending letters to Government, making proposals of how to

1 resolve this lease in a favourable manner, such as where
2 Mr. Hodge mentioned that we try to say okay, outstanding
3 payments if we can come to some resolution with the
4 outstanding payments, if the Government cannot make the
5 payments that instead of accumulating lease payments every
6 month that those payments be converted into, the outstanding
7 payments be converted into a loan agreement. We haven't heard
8 any response from the Government on that. We also have met
9 with the Government, previous Government administration
10 concerning this lease agreement but we, up to now we still
11 don't have any positive movement.

12 **BY THE CHAIRMAN:**

13 Q. Can I ask, Mr. Hodge, in light of that
14 information, how is it that you have not commenced litigation
15 in this regard in line with what would be expected of your
16 Director's responsibilities? How are you -- How is it that
17 you haven't commenced litigation; why is it?

18 A. Madam Chair, I -- when someone else other than
19 the committee, Public Accounts Committee speaks I cannot
20 really hear the responses well, so I really heard nothing of
21 what he said, but in response to the question why have we not
22 commenced litigation, what happen is that the Boards appointed
23 under the previous administration seem to have no interest in
24 pursuing the debt. They -- Subsequently to administration
25 (sic) there has been acknowledgment of the debt and there have

1 been some attempts to talk about it but we have never had any
2 positive response, so we have indicated to Government that
3 this is a matter which cannot continue indefinitely and at
4 some point there will have to be litigation if they do not
5 make arrangements to settle the debt.

6 Q. Thank you, Mr. Hodge.

7 **QUESTIONS TO MR. RUSSEL REID, CHAIRMAN OF THE**
8 **SOCIAL SECURITY BOARD**

9 **BY THE CHAIRMAN:**

10 Q. Mr. Reid, as Chairman of the Board and following
11 on with what Mr. Hodge has just shared in terms of your prior
12 administration, your prior Board, can you share with us the
13 position of the current Board in relation to litigation
14 against the Government?

15 A. Well as Mr. Hodge say, the present Board hasn't
16 really --

17 Q. Just make sure your mike is on because I want to
18 absolutely make sure that Mr. Hodge is hearing you.

19 A. As Mr. Hodge said, the current Board has not
20 really looked at that as yet. Mr. Franklin has been sending
21 the correspondences to Dr. Aidan and he also carbon copied
22 those to the Governor too, so the Governor is aware of all
23 this. So as Mr. Hodge said ahm, we will have to relook at
24 this again and get back to you as soon as possible.

25 Q. What I want to, what I'm asking you as the

1 Chairman of the Social Security Board, very important
2 position.

3 A. Yeah.

4 Q. What are your plans in relation to introducing
5 litigation against the Government if this failure contends.
6 Remember, your stakeholders are the good people of Anguilla.
7 What are you intending to do? What is your position and your
8 Board's position on that?

9 A. As Mr. Hodge said, we have not really addressed
10 it in the context of what you are saying. And going back to
11 the Board, we will speak with our attorney, Mr. Richardson,
12 and we will have a look at it.

13 Q. Thank you.

14 A. Welcome.

15 THE CHAIRMAN: Mrs. Bradley will finish
16 with her two last questions I think in this matter.

17 **QUESTIONS TO MR. TIMOTHY HODGE (cont'd)**

18 **BY MRS. E. BRADLEY:**

19 Q. Okay. Continuing Mr. Hodge, still on the
20 ASSIDCO issue, my last two questions: Would you agree that
21 this matter should be given top priority; and also can you
22 provide us with a timeline as to when it will be resolved?

23 A. Madam Chair, I ahm, it definitely is a top
24 priority of the Board. It's a top priority of ASSIDCO and
25 ASSIDCO has -- is not just a -- is no longer just a sell

1 Cinnamon Reef company to recover ahm bam at capital, but plans
2 are well underway to make ASSIDCO be a vibrant project
3 management and property development company as its model is
4 based on the National Insurance Property Development
5 Corporation of Trinidad, so that it is a top priority to
6 restore the financial stability of the company and to actually
7 move it forward and so that will definitely involve collecting
8 on the Government of Anguilla debt to ASSIDCO.

9 Q. Thank you very much, Mr. Hodge.

10 MR. T. HODGE: Madam Chair, if I may
11 before you move on to the next line of questioning?

12 THE CHAIRMAN: Mr. Hodge, I know that
13 you're anxious to speak and I am as well. I've just noted, I
14 have just had one last look, there was a question that I
15 intended that I will ask not just of you but of your Chair as
16 well.

17 **BY THE CHAIRMAN:**

18 Q. I've seen based on the Consolidated Financial
19 Statements December 31, 2015, I see that in the introduction,
20 the statement to the auditor and it's referenced I think it's
21 on page 2, although it's ahm, the preface to page 2, not the
22 contents, the statement to the auditor. Yes. On page 2 at
23 note -- In fact I'm going to read from note 25. I think that
24 is going to give the whole import of where our focus is and
25 maybe even if you are not able to answer categorically perhaps

1 the Chair will be.

2 *"Note 25 of the consolidated financial*
3 *statements shows that at 31st December 2015, the group had*
4 *\$144,600,449 and \$75,013,357 worth of financial assets with*
5 *the National Bank of Anguilla and with the Caribbean*
6 *Commercial Bank, respectively, in the form of savings, demand*
7 *and fixed deposits, equity investment and other receivables."*
8 And I'm going to go down to the second bullet point.

9 *"As stated in note 28, the passing of the*
10 *Act..."* and this is the Bank Resolution Obligations Act. In
11 fact, why don't I go back up.

12 That *"On 12th August 2013, the National Bank of*
13 *Anguilla (NBA) and Caribbean Commercial Bank (Anguilla)*
14 *Limited (CCB) were placed in conservatorship and as mentioned*
15 *in note 28, the conservatorship ended on 22nd April 2016. The*
16 *conclusion of the conservatorship is a consequential effect of*
17 *the passing of the Bank Resolution Obligations Act, 2016 (the*
18 *Act) by the Government of Anguilla on 30th March 2016."* And
19 this is the bit I want you to focus on: *"As stated in note*
20 *28, the passing of the Act resulted in the transfer of the*
21 *Group's financial assets to the Government of Anguilla and to*
22 *the newly established bridge bank: The National Commercial*
23 *Bank of Anguilla (NCBA). The passing of the Act will also*
24 *result in an impairment loss estimated at \$35,547,224 on the*
25 *Group's financial asset as at and for the year ended 31st*

1 December 2016.

2 The estimated impairment loss as indicated above
3 will have a significant impact on the consolidated financial
4 statements. This might also have a significant impact on the
5 financial condition of the fund, the adequacy of the
6 contributions to support benefits and the fund period of
7 equilibrium.

8 Aside from the estimated impairment loss as
9 indicated above, the Group might face significant uncertainty
10 in the collection of the financial assets assumed by the
11 Government of Anguilla as a result of the country's current
12 and future economic and financial condition."

13 I want you to comment on that and I'm going to
14 ask -- comment on it and say how you address those challenges
15 but also I'm going to ask your Chair as well to go on record
16 with a response in that regard. Thank you.

17 A. Yes, Madam Chair. The auditors, subsequent to
18 that audit statement, have moved that element from their
19 considerations, that is the potential or the need to provide
20 for ahm, in payment on the Government of Anguilla debt of \$214
21 million through the promissory note so that has been removed
22 from the financials and no longer exist.

23 The question of the risk of nonpayment, I did
24 address it earlier but if you need me to restate it I can
25 restate it. We do consider it as a sovereign debt and that

1 the Government always raise the monies to repay its debt. We
2 have also --

3 Q. Thank you. I understand.

4 A. We've also encouraged -- By the way, Madam
5 Chair, we have -- we -- the Social Security Board have
6 encouraged the Government of Anguilla to address the
7 promissory note in different ways so that it is no longer
8 saddled with that responsibility and that could be by the sale
9 of the note. We have encouraged the Government of Anguilla to
10 consider the sale of the note, and this is something which has
11 been under consideration by the Social Security Board and the
12 Government, the Ministry of Finance of the Government of
13 Anguilla. That would eliminate the question of the Government
14 of Anguilla having the funds to do it. It would free up the
15 Government to do other things with those monies and as well it
16 would remove that potential of impairment or deterioration or
17 whatever the terms were used in the audit report. Thank you.

18 Q. Thank you very much.

19 **BY THE CHAIRMAN TO MR. R. REID:**

20 Q. Mister.

21 A. Madam Chair, I do not --

22 Q. Yes. Make sure you're speaking into the mike,
23 please.

24 A. Yes, yes. I do not profess to be an expert in
25 finance but based on the advice of my CFO, for 2016 there is

1 no impairment because the Government is up to date with the
2 promissory note based on the arrangement that they have, and
3 since Irma there are plans to review the 2016 accounts so from
4 that perspective I can answer that question. Yeah.

5 Q. And can I ask for your -- for you to comment on
6 the position of your Chair or the actuary as I think you
7 recited, that because it's sovereign debt we don't consider
8 that a risk. Is that your position as the Chair as well?

9 A. Also, yes. Yes. And I must add that the
10 Government and the Social Security Board has been working very
11 hard to see if we can get the note sell, and many persons were
12 interested in the note but since Irma things have slowed down
13 a bit but we're hoping to revamp that very soon.

14 Q. And can you, in the context of your -- of that
15 note being sold say, can you share with us what parameters you
16 envisage that process will follow?

17 A. I would forward that question to Mr. Franklin.
18 Mr. Franklin, you can answer?

19 MR. C. FRANKLIN: Yes. Well I should say
20 that the, through the PS, the Government had asked Social
21 Security if they can assist with trying to see if we can
22 assist with trying to get someone to purchase this note or to
23 get someone to restructure the note as such because at the --
24 the current status of the note is that it's not tradeable as
25 is.

1 THE CHAIRMAN: It is not tradeable?

2 MR. C. FRANKLIN: As is.

3 THE CHAIRMAN: As is.

4 MR. C. FRANKLIN: So they approached us, the
5 investment committee. We did the ahm, all the -- we met with
6 the ahm, some -- we met with interested parties in different
7 brokerage companies and we have identified one or a group that
8 is willing to assist us with the restructuring and the sale of
9 the instrument.

10 THE CHAIRMAN: So?

11 MR. C. FRANKLIN: So those recommendations
12 were sent back to the Government, so right now that decision
13 is with the Government of Anguilla because the note is a
14 Government note; it's not a Social Security instrument, it's
15 an instrument of the Government of Anguilla.

16 THE CHAIRMAN: But it's, as I understand
17 it, it's a very important position as regards whether you're
18 impaired or not, whether the position is deteriorating or not.

19 MR. C. FRANKLIN: Correct.

20 THE CHAIRMAN: And I want you to answer;
21 you've just said to me that it's not tradeable as is.

22 MR. C. FRANKLIN: Correct.

23 THE CHAIRMAN: What does that mean? If
24 nothing were to change, how is the Social Security Board's
25 position if that position, that state continues? You

1 understand my question?

2 MR. C. FRANKLIN: The state of?

3 THE CHAIRMAN: Well let me --

4 MR. C. FRANKLIN: Well ahm, just recently,
5 just a couple weeks ago we wrote to the Government raising the
6 same issue whether or not they had made a decision on the sale
7 of the note, because if the Government is ahm I guess amicable
8 to selling the note then those funds will come back to Social
9 Security Board which will free up Social Security and how it
10 invest its asset.

11 THE CHAIRMAN: So you're suggesting that
12 the Social Security Board is dependant on an amicable
13 relationship with Government in relation to the treatment and
14 tradability of that note before you can determine what the
15 financial position truly is? Is that longer term in terms of
16 risk management?

17 MR. C. FRANKLIN: Well.

18 THE CHAIRMAN: You're dependant on
19 Government?

20 MR. C. FRANKLIN: Well we're dependant on
21 Government and we're dependant on the performance of the
22 country on a whole.

23 THE CHAIRMAN: Very well.

24 MR. C. FRANKLIN: Alright.

25 THE CHAIRMAN: Thank you. Thank you.

1 MR. T. HODGE: Madam Chair.

2 THE CHAIRMAN: Mr. Hodge, I believe ahm, I
3 believe we have another question that's arising out of that
4 question --

5 MR. T. HODGE: Okay.

6 THE CHAIRMAN: -- from Mr. Harrigan to
7 you.

8 MR. T. HODGE: Yes.

9 **BY MR. P. HARRIGAN:**

10 Q. Mr. Hodge, good afternoon.

11 A. Yes.

12 Q. Good morning to you.

13 A. Good morning.

14 Q. In your report, 2015 report section 14 "Pension
15 fund obligations", there's a section in it that states:

16 *"As detailed above, there is a difference of*
17 *\$148,880,323 between the reserves of the fund and the*
18 *actuarial present value of the actual benefit obligations and*
19 *a difference of \$357,740,690 between the reserves of the fund*
20 *and the actuarial present value of projected benefit*
21 *obligations. These differences will be compensated by future*
22 *adjustments to the contribution rates of employers and*
23 *employees, under the scaled-premium system of finance of the*
24 *long-term branch pursuant to section 18(2) of the Social*
25 *Security Act."*

1 Now our question here to you is when do you
2 vision (sic) that you will raise the actual contribution
3 rates?

4 A. Madam Chair, the -- this is where the actuary
5 comes into being, into prominence here. The actuary - and
6 here actuary doesn't mean Mr. Montas, it means whoever is the
7 actuary - they determine at what point the contribution rate
8 needs to be adjusted in the model. The model calls for a
9 higher than needed contribution rate in the early years, which
10 is where we are, the phase that we are in at present so that
11 reserves are built up and when those reserves begin to be
12 depleted at equilibrium that is when the pay out would now
13 exceed the contribution level. At that point the contribution
14 rate is raised, and that is the model of the Social Security
15 system under which we operate. And if I may quote from him,
16 he is saying that *"the analysis shows that the statutory rates*
17 *of contributions can be maintained until the next statutory*
18 *evaluation. The pace of the actuary development for the rest*
19 *of this decade might not be optimal."* And this was submitted
20 actually before the hurricane, so that because the economy is
21 in the state it is, a current rate of contributions he said
22 would be maintained until the next evaluation which will be in
23 2020 I think, but that he proposes to do a review of the
24 actuarial review during the first half of this year because of
25 the incident of Hurricane Irma immediately after this report

1 was finalised, but we do not expect the contribution rate to
2 be raised within the next three years or perhaps within the
3 next five years. What we do expect though, is there is
4 another way of increasing revenues to the fund is to increase
5 the contribution ceiling. In fact, that was definitely going
6 to be on the cards for this year except that the hurricane has
7 come and nobody really wants to impose that additional
8 requirement this year but we'd expect that in the coming year,
9 that is in 2019, that the contribution ceiling would be
10 increased so that without increasing the contribution rate
11 there is -- more funds would come in.

12 And Chair, just to add to what Mr. Franklin just
13 said, I don't think he really meant amicable, but that's the
14 word he used. The reason why the note is not tradeable right
15 now is because that is the way the note is written, not that
16 nobody would buy it. The agreement with the Social Security
17 Board is that it would not be tradeable, so that would have to
18 be changed between Government and the Social Security Board in
19 the rules governing the promissory note.

20 **BY THE CHAIRMAN:**

21 Q. And Mr. Hodge, you know, thank you for that.
22 It's why we asked for other officers to come because it's very
23 important when we have responsible positions that people are
24 accountable at their level. And I very much value the
25 evidence that's been provided by your officers.

1 I want to say to you, Mr. Hodge, in the context
2 of the "threat", for lack of a better word, of a requirement
3 to raise contributions, can you tell us who is -- are you on
4 holiday in Australia or are you on a Social Security
5 department's venture?

6 A. In the -- Once I am out of office the Deputy
7 Director is appointed Acting Director as is the case now,
8 Dr. Maglan Lewis is Director.

9 Q. Mr. Hodge, I know you're having difficulty
10 hearing us but I'm asking a very simple question. Who is
11 responsible for your trip to Australia? Is it -- Are you
12 there as part of your Social Security duties or are you there
13 on a frolic of your own? In other words, are you on holiday?
14 Can you share with the committee that it's especially relevant
15 considering we've extended the privilege of instead of having
16 you here in front of us extending you the privilege of being
17 there. Can you tell us, can you answer the question?

18 A. Madam Chair, the Social Security Board, as a
19 privilege accorded to its sponsor, was invited to provide the
20 team attaché to take up the post of team attaché on this visit
21 of the Commonwealth games team.

22 Q. Yes, so you're on Social Security business?

23 A. In a sense yes, Madam Chair, but I am paying
24 substantial part of my -- I'm paying for my room and board and
25 other costs, and the Board has contributed to the cost of

1 airfare only.

2 Q. So what we're going to do at this point because
3 we've got other witnesses, Mr. Hodge, and I know we could go
4 on at length, there're so many questions, but what I'm going
5 to do is we're going to reserve additional questions for you.
6 We had a line of questions to do with the national health
7 service in that pilot project and the kind of decision making
8 that led to its discontinuation, but we want very much to be
9 -- not to extend the witnesses and we will have questions for
10 you on that that when you come back we will put forward and
11 expect written responses to, but I want to thank you very
12 much. I believe the committee is signalling that they are
13 satisfied with the inquiry at this point. I want to thank you
14 for, you know, being there all these days including the day
15 when you expected to be there, and I especially want to thank
16 your Chair, Mr. Russell Reid, for making sure that the group
17 was well represented. And I want to single out as well Madam
18 Doris Fleming and Dr. Maglan Lewis and Mr. Carlyle Franklin,
19 all ably representing the Board and I want to thank all of you
20 for the evidence you've provided and for, in advance for the
21 evidence that you are going to provide on the other questions
22 we are going to have, so thank you very much.

23 (Witnesses responded "*thank you*".)

24 MR. T. HODGE: Madam Chair, I would like
25 to say thank you too for the opportunity and I would like to

1 thank my staff and I would like to single out Candis and
2 Romero from our IT Department for arranging this. I think
3 this is -- has worked well. I want to say thanks to them as
4 well.

5 THE CHAIRMAN: Yes. We want to thank them
6 for it as well. Thank you.

7 I'm well aware -- Yes. Order please. I'm well
8 aware of the time that we are quickly approaching the 5
9 o'clock hour and I want to, before we even go into the next
10 line, thank the witnesses for their patience, their
11 understanding and their commitment to this process.

12 We are going to continue with questions to the
13 Permanent Secretary Mrs. Kathleen Rogers and with Monifa
14 Brooks-Gumbs dealing -- and we're going to be dealing
15 specifically with the cost of, how --

16 MR. T. HODGE: Hello.

17 THE CHAIRMAN: -- we're going to meet the
18 cost of future Government pensions, and I'm going to ask the
19 Honourable Mrs. Bradley, Evalie Bradley to direct those
20 questions at this time.

21 **QUESTIONS TO MRS. KATHLEEN ROGERS,**

22 **PS PUBLIC ADMINISTRATION**

23 **BY MRS. E. BRADLEY:**

24 Q. Good afternoon, Mrs. Rogers and Mrs. Gumbs
25 Brooks (sic). I don't think that we'll be as lengthy as the

1 others but ahm we'll go through.

2 The first question is, well this is just a
3 statement: *"The actuarial valuation of pension liabilities of*
4 *the Public Sector Pension Fund was \$245 million (that's in the*
5 *2014 accounts). These liabilities are not payable*
6 *immediately, but will need to be paid over a period of time.*
7 *While the Government of Anguilla annual budget includes*
8 *amounts to pay for these liabilities, it is likely that the*
9 *resolution of the banks, which has reduced the interest rates*
10 *payable on pension fund investments, will require additional*
11 *funding in future to meet pension liabilities."*

12 The first question is: Would you agree with
13 this assessment by the Chief Auditor?

14 A. Okay. Good afternoon. First of all, I think in
15 answering this question we need to consider which pension
16 obligations we are actually referring to because there are
17 three level (sic) of pension obligations: There is one that's
18 charged to the consolidated fund which is unfunded; and there
19 is the one that the Pension Board is responsible for that's
20 funded by contributions by employees and the employer, so I am
21 not certain as to when the question is raised about funding
22 future obligations; I think the fact that it is funded that I
23 don't see no immediate threat to the Pension Fund based on the
24 current standing.

25 Q. The Pension Board's written response to this

1 inquiry highlights that the actuarial report recommends that
2 pension contribution rates should increase to 8 percent. Has
3 a decision been taken on whether this recommendation should be
4 implemented?

5 A. Initially the actuary would have made that
6 assumption but since then he has changed. I think the concern
7 came up -- came as a result of deposits that Pension Board
8 would have had with the two banks. However, the Board made a
9 decision to introduce the Pension Roll Scheme where now that
10 would assist in mitigating against expecting loss from the
11 deposits held at the banks.

12 Q. Ahm, have you carried out a risk assessment on
13 what impact a delay in the implementation of the recommended 8
14 percent contribution would have on the sustainability of the
15 pension funds?

16 A. No assessment would have been carried out.
17 However, we do rely on the actuary review and from time to
18 time if the Board sees it necessary to have recommendations
19 we would refer matters to the actuary who would provide us
20 feedback and we would use that to make further recommendations
21 and make changes to anything that we need to. So therefore at
22 this point in time I don't think it is necessary for the Board
23 to ask them or to request an 8 percent as was initially
24 advised. We will wait. I think there will be a further
25 assessment in terms of the impact the Pension Roll Scheme

1 would have had on the fund. At the end of this year that
2 assessment will be done.

3 Q. Thank you. The Public Service Pension Board
4 states in its written submission that the Government of
5 Anguilla owes the Pension Fund \$2,505,924 as at January 2018.
6 Does the figure represent the current arrears to date?

7 A. I would allow Mrs. Brooks-Gumbs to answer that.

8 **QUESTIONS TO MRS. MONIFA BROOKS-GUMBS,**
9 **PUBLIC SERVICE PENSION FUND ADMINISTRATOR**

10 **BY MRS. E. BRADLEY:**

11 Q. Okay, Monifa.

12 A. Good afternoon. Yes, the figures that were
13 submitted are current as of December 2017.

14 Q. Would you be able to shed any light as to why
15 these arrears have not been paid?

16 A. These arrears stem from the back pay issue. In
17 2013, February, the Government decided to have the reduced
18 salaries become the substantive salaries of persons employed
19 in Government. However, to avoid any disadvantaged persons
20 when it comes to pension payments they decided that the higher
21 salary would be applicable to any pension calculations.
22 However, the pension contributions that we receive on a
23 monthly basis are on the substantive salaries, so these
24 figures that were submitted are for the Government of Anguilla
25 to make up the shortfall, the difference, and they haven't

1 been able to do it; they have tried. In 2015, we were -- we
2 received about 3 months worth of that but, however, since then
3 they haven't been able to make up the shortfall, so.

4 MRS. K. ROGERS: And we have been sending
5 reminders, by the way, to remind them of the obligation.

6 THE CHAIRMAN: I'm happy to hear that,
7 and that it's being monitored --

8 MRS. BROOKS-GUMBS: Yes.

9 THE CHAIRMAN: -- and continually
10 assessed, so well done.

11 **BY MRS. E. BRADLEY:**

12 Q. Okay. As it relates to the Pension Board
13 response, EC\$19 million was transferred to the Deposit
14 Protection Trust. Have there been any studies completed to
15 determine the impact this will have on the value of the
16 Pension Fund in let's say 10 years time?

17 A. Ahm, well with regards to the funds transferred
18 to the DPT, in November last year we received the actual ahm
19 plan, of repayment plan then, from the trustees of the Deposit
20 Protection Trust. However, we haven't received any payments
21 on those funds as yet so in turn what we've done, with our
22 auditor's assistance we've done an impairment on the value of
23 the 19 million; we've brought it forward using a discount of 3
24 percent which is what was used by the actuary for his
25 evaluations, so that is going to be embedded into the 2016

1 accounts. We have actually reduced our investments reserves
2 by that amount, the impairment amount.

3 Q. Okay. See how easy it was? A tell yuh.

4 THE CHAIRMAN: Yes, yes, very easy and
5 also we appreciate very much that -- your patience but I have
6 just one question.

7 MRS. BROOKS-GUMBS: Okay.

8 **BY THE CHAIRMAN:**

9 Q. How soon do you expect payments?

10 A. Well we have written and we've signed off just
11 last month the documents for the trustees. I have been in
12 communication with their secretary and she has asked for our
13 banking information, so that is a sign. So we submitted --

14 Q. Is that the first time you've been asked for
15 banking information?

16 A. Yes, yes. So we're hopeful that we will be
17 receiving some funds very soon.

18 Q. Okay. Thank you very much.

19 A. You're welcome.

20 Q. And thanks again for your, you know, being so
21 willing and being so helpful in connection to the process
22 altogether. Thank you very much.

23 A. Thank you.

24 THE CHAIRMAN: Yes. And our final few
25 questions for our Deputy Accountant General, Mr. Vonlee

1 Harris. I really have to comment on the fact that in the
2 witness section we have Mr. Vonlee Harris, Deputy Accountant
3 General. He is again joined by Mr. Kiel Connor and
4 Mr. Jason Hodge and it's wonderful to see that networking and
5 that, you know, supportive environment. I just wanted to note
6 it.

7 **QUESTIONS TO MR. VONLEE HARRIS,**

8 **DEPUTY ACCOUNTANT GENERAL**

9 **BY THE CHAIRMAN:**

10 Q. Now Mr. Harris, the draft 2014 accounts
11 included, for the first time, a statement of outstanding
12 arrears of payments, and these included medium, I'm sorry,
13 short and medium-term arrears totalling some EC\$63 million.
14 And whilst the note was withdrawn as a disclosure because it
15 could not be verified and was not a requirement of the current
16 regulations, it did point to a significant backlog of
17 outstanding payments, which, and I quote, "*exert significant*
18 *pressure on ongoing budgets.*" The most recent figures
19 provided to the committee by the Accountant General show that
20 EC\$64.8 million that that's owed to creditors.

21 A. Correct.

22 Q. We call them unrecognised creditors, I believe?

23 A. Yes, and that's as at December 2014.

24 Q. This was at December 2014. And in light of the
25 fact that we had a disclosure from Social Security Board that

1 in fact the 20 million referred to in the 2014 accounts had
2 escalated to 30 million plus, I wonder if you could comment on
3 that even before we get to the substantive questions that
4 we've prepared. You see, the most recent figures provided to
5 the committee and the Accountant General show that \$64.8
6 million is owed. Is that the actual figure now?

7 A. As at 2014; not for 2017, no.

8 Q. The 2017, can you share with us?

9 A. Yes, 2017 it is 63.7 million.

10 Q. Very well. So it's gone down as well. I think
11 you do miracles.

12 (Laughter.)

13 Yes. Just a little bit of a, some humour.

14 Sometimes it helps to --

15 A. True.

16 Q. Now this represents, this amount of money is a
17 significant call on Government's finances. Does this
18 represent an accurate picture though of all monies owed to
19 creditors and including monies owed to even small creditors in
20 quasi governmental agencies such as the Anguilla Carnival
21 Committee and the high school, the Albena Lake-Hodge
22 Comprehensive School?

23 A. No, it does not.

24 Q. Alright, it does not.

25 A. No.

1 Q. Can you -- Are they -- Can you share with us how
2 you're treating those additional debts?

3 A. Okay. So things like the Carnival Committee and
4 the school, those are something (sic) that we actually budget
5 for annually. But like the carnival, we budget let's say
6 \$800,000 per annum but they spend more than that. Like right
7 now they are still paying 2016/2017 bills from their 2018
8 budget so it's difficult to budget for those things but we are
9 aware of them.

10 Q. Yes. Can you share with the committee what the
11 amount of money, what sum you're currently in relation to the
12 carnival insofar as it has been used an example between ahm,
13 how much from the 2018 budget you are provided to deal with
14 vast amounts owed?

15 A. We didn't budget to pay anything for the past,
16 we just gave a contribution for the current year, so for 2018
17 we're only going to contribute a million dollars.

18 Q. So you're going to contribute a million dollars
19 this year?

20 A. Yes.

21 Q. But how are you dealing with the deficit? Since
22 it's not there in the accounts how are you dealing, addressing
23 the deficit from prior years and how much of a deficit is
24 there?

25 A. I don't know exactly how much it is, like how

1 much is outstanding, but what they are doing now they are
2 using the 2018 budget to pay the previous year's outstanding
3 bills; that is what is happening right now.

4 Q. That's very interesting. Can you -- And I'm
5 going to come back on that, but can you explain how Government
6 has ended up with so many unpaid bills?

7 A. Okay. Some of these bills - and I will say it
8 based on my opinion - are expenses that has been incurred
9 under the Government but did not follow procedures, did not
10 follow Acts and regulations and policies that we have in
11 place. So going back to 2014, the roads and the land, those
12 acquisitions, there is the Lands Act, the Roads Act that
13 specifies things that should be followed in order for them to
14 be paid but they were not, that's why we are aware of the
15 amounts, but they weren't budgeted for and once it's not
16 budgeted for it's not paid.

17 Q. Sounds like a normal process.

18 A. I wouldn't say so.

19 Q. So why do they continue to remain on the list of
20 creditors; why do you honour them with that status?

21 A. Because we have to recognise these are
22 outstanding amounts that the Government owns pretty much in
23 the Government name but we acknowledge that they are not paid
24 for.

25 Q. Can we just backing up a little bit on the

1 Carnival Committee, is this a company; how is it established
2 and are the payments -- how do you address those payments?
3 Are they coming out of a budget; how?

4 A. Yes.

5 Q. Of a department's budget? Can you share with us
6 the example of the Carnival Committee how you've traditionally
7 treated it and why it doesn't appear as a live item on the
8 budget?

9 A. Okay. For -- Well my understanding of how it is
10 it's just a contribution that Government makes to the Carnival
11 Committee. It's not like a Government department budgeted
12 for, it's just a contribution, so wherever the committee deals
13 -- want to allocate the funds that's on them, but only for
14 this year now the Department of Youth and Culture has taken
15 over that part of the carnival but before it was just a
16 contribution that we gave to them and they use the funds as
17 they feel fit.

18 Q. Do you know if the Carnival Committee has a
19 proper legal status?

20 A. I have no idea.

21 Q. And do you know what the criteria might be if
22 the payment is being made say from, you know, a specific
23 department, how to assure that that portion of tax payers'
24 money is being responsibly contributed or paid; do you know
25 what the parameters are?

1 A. No, I don't.

2 Q. You don't know.

3 I wonder if -- I know we've released Monifa but
4 I wonder if -- oh, I'm sorry, Mrs. Rogers not Monifa, yes,
5 you're right. Mrs. Kathleen Rogers, I wonder, having served
6 in that very senior position in the past, if you could shed
7 any light, share with the committee, you know, information
8 regarding these points? Sorry to draw you back just like
9 that; it just show you how essential our senior officers are
10 in every way.

11 MRS. K. ROGERS: Maybe I should have left
12 when I was --

13 (Laughter.)

14 THE CHAIRMAN: I am glad you stayed.
15 Thank you very much, but seriously, can you shed light on
16 those answers Mr. Harris has indicated he does not know?

17 MRS. K. ROGERS: Actually, the Ministry of
18 Social Development would be responsible for actually
19 budgeting, so they would meet with the committees because they
20 are responsible as well for putting the Carnival Committee
21 together. And, however, I must say there is a lack of
22 accountability when it comes to the monitoring and the
23 spending of the monies. Even as PS Finance I had my concerns
24 as well. I think, however, the ministry have been trying to
25 actually tighten up on the controls but, as Vonlee expressed

1 before, it has been an ongoing situation where the committees
2 have owed monies and to ensure that the suppliers, et cetera,
3 or the providers of the services get paid, Government have
4 been coming through for the committees. But I am sure that
5 there is some effort being put in place to ensure that there
6 is more accountability now going forward.

7 THE CHAIRMAN: Can you share with us
8 though from your knowledge whether or not the Carnival
9 Committee is a legal entity on its own? Is it a quasi
10 governmental agency; is it a departmental agency? It's not
11 clear to me.

12 MRS. K. ROGERS: It's just a committee that
13 has been put together to run the affairs of the carnival and I
14 think it's done every year. They'll appoint a Chair and
15 they'll have other committee members and subcommittees but I
16 don't think that it's a legal body per se or a foundation. I
17 know there were discussions about having a foundation
18 responsible for carnival but I'm not aware if it has been
19 established.

20 THE CHAIRMAN: What about the requirements
21 on the part of the Government to assure that the committee
22 does proper accounting?

23 MRS. K. ROGERS: I think it should be a
24 requirement in terms of Government monies. Once it's given
25 out there should be some level of accountability and I think

1 more and more we are recognising it because money is hard to
2 come by so ahm.

3 THE CHAIRMAN: But historically, from your
4 knowledge have proper accounts been kept by the committee?

5 MRS. K. ROGERS: No. No.

6 THE CHAIRMAN: Thank you.

7 MRS. K. ROGERS: Not as far as I'm aware of.

8 THE CHAIRMAN: Thank you.

9 MRS. E. BRADLEY: Just ahm --

10 THE CHAIRMAN: Just -- Mrs. Bradley, one
11 minute, please. And to confirm that it's a million dollars a
12 year we're speaking about in this instance?

13 MR. V. HARRIS: Yes, I can verify --

14 THE CHAIRMAN: Yes.

15 MR. V. HARRIS: -- exactly how much has
16 been allocated for 2018 budget, I can provide that for you.

17 THE CHAIRMAN: Thank you. It's a lot of
18 money.

19 **BY MRS. E. BRADLEY OF MR. V. HARRIS (cont'd)**

20 Q. Just for clarification and to put this whole
21 thing into historical context. This has been ahm, these
22 unrecognised creditors, has something accrued over a number of
23 years through successive governments?

24 A. Yes. Like the lands and roads, these has (sic)
25 been done from --

1 Q. Ongoing?

2 A. Yes, been ongoing.

3 Q. Over the years.

4 A. Yes.

5 THE CHAIRMAN: All these debts ongoing in
6 relation to lands and roads still not paid for.

7 MR. V. HARRIS: Yes. If Mr. Hodge can
8 elaborate on lands and roads a little?

9 THE CHAIRMAN: Yes, and I invite you,
10 Mr. Hodge, to comment.

11 MR. L. HODGE: Actually, I will reserve on
12 the roads. I will offer my advice on -- my comments on them
13 but roads I actually would refer that to the Chief Engineer of
14 MICU cause that's actually under his responsibility/portfolio.

15 THE CHAIRMAN: Yes.

16 MR. L. HODGE: But as I may, in regards to
17 the lands and roads, I mean, some of these purchases were made
18 acquisitions from my understanding have predated my tenure at
19 the office which started somewhere back in the '80s or '90s
20 and have continued out to --

21 THE CHAIRMAN: And you started serving
22 when? Sorry I missed that.

23 MR. L. HODGE: 2014.

24 THE CHAIRMAN: 2014, thank you. And it
25 predated the 2014?

1 MR. L. HODGE: Most of these. Only one or
2 two items on the list that really came to light since then
3 that we were dealing with mostly on the roads -- on the land
4 side.

5 THE CHAIRMAN: Thank you.

6 **BY THE CHAIRMAN:**

7 Q. And Mr. Harris, what steps are you taking to pay
8 the creditors, for example, civil servants' deferred salaries
9 of 22 million; what steps are you taking to pay them?

10 A. So right now it's not 22 million. As at
11 December 31st, 2017 it's down to 15.

12 Q. It's at 15 million?

13 A. Yes. We do make -- There's a provision that has
14 been allowed where civil servants could get their deferred
15 salaries by resignation or sick. If you have a medical
16 condition you would get your deferred salary.

17 Q. In your projections, I know you're very good at
18 these, I've seen your extended list and I want to compliment
19 you on them as well. I think that, you know, it's that
20 day-to-day management that is so critical to where we are now,
21 but can you tell me, can you give an estimate as to when you
22 think, for instance, all the deferred salaries will be made in
23 the current planning?

24 A. Honestly, I cannot give a percentage or an
25 answer on that because it all varies, depends on the financial

1 situation, our position because, you know, debt is our first
2 charge. I cannot really honestly answer.

3 Q. You can't forecast it but can you, based on your
4 holistic appreciation of the factors that impact that, can you
5 give an estimate of or a hope even, express a hope even as to
6 when?

7 A. As a hope I would say less than the next 10
8 years.

9 (Laughter.)

10 Q. Less than the next 10 years.

11 A. Yeah, I would hope. If the financial position
12 improves, of course.

13 Q. Thank you very much. Thank you very much for
14 that. Yes.

15 Well are there any supplemental questions from
16 the committee anybody wants to ask? We've got these gentlemen
17 for such a long time I really am anxious to let them --

18 **BY MR. P. HARRIGAN:**

19 Q. Mr. Harris, I just want to comment on, from the
20 committee's standpoint on the monies that the Government
21 distributes to the different committees. I was on a committee
22 once and I basically moved on because of that same situation
23 where certain monies are given and they are not accounted for
24 and I was the one in charge of the finance, I was the finance
25 officer and I didn't want to have that background tainting me

1 so I basically exit myself, but in reference to using
2 Government funds to support the Carnival Committee, my query
3 is every year it seems like it probably goes up, \$200,000 or
4 maybe less or more whatever the case may be. Now this year
5 we're looking at 1.2 million. You say yuh budget for a
6 million this year?

7 A. Yeah.

8 Q. But next year might be 1.2. Now, I will like to
9 know if -- and if there is a process what we can put in place
10 where we make sure that having certain people to do certain
11 task for these committees because it could be a friend that
12 they just want to hire and they kind of pack the expense up
13 just to make extra money and then they distribute it among
14 themselves; and this is the people's money.

15 A. Yes.

16 Q. And it's not fair to the people. Yes, they go
17 out and they frolic and they enjoy themselves for the carnival
18 but then in the end who pays it, the Government, and then
19 eventually what happens is we would get taxed higher.

20 A. Yes.

21 Q. And I mean, they probably enjoy themself (sic)
22 and they don't realise the consequences but it's something
23 that I'm concerned about and it's something that needs to be
24 addressed.

25 A. Yes.

1 THE CHAIRMAN: And what is, you know,
2 really the fun part of the inquiry for me especially when
3 we're presented with witnesses who are so capable of making
4 the difference, we want you to have the opportunity and I want
5 to invite, I see that Mrs. Rogers is still here as well and
6 Monifa is still here as well and persons from Social Security
7 still here. Can you -- You have an opportunity now to
8 influence the recommendations that the committee will make,
9 and I want you, each of you to consider if there was one thing
10 that impacts your area that you would like to see implemented
11 or you would wish support to see implemented I want you to
12 share it with the committee now. And don't worry if you are
13 not able to share it with the committee now. I want you when
14 you're sending the additional documents or if you want to
15 consider it, you know, in the coming days before we write our
16 report I would like each of you to direct your mind to that
17 excellent opportunity. We recognise and I'm sure that not
18 just the committee but all tax payers will really value any
19 recommendations to improve the financial standing of
20 Government, so you can go now or you can indicate if you
21 prefer to reserve and to address it then; your top one wish.
22 And Mr. Harris, you cannot, your top one wish can't be 10
23 years away, sorry.

24 (Laughter.)

25 So you will defer.

1 MR. V. HARRIS: Yes.

2 THE CHAIRMAN: Well thanks again. You've
3 been extremely patient, very resourceful and we thank you for
4 your attendance.

5 We want to thank Mr. Hodge as well for
6 continuing to attend and to each of you you've made a
7 difference. This is probably the most important issue that
8 will impact Anguilla's sustainability, this session, and
9 you've all contributed and the records will show historically
10 you made a difference and I want to thank you for that on
11 behalf of the committee and thank you for all the good work
12 you do. We appreciate that very much.

13 (Witnesses said "thank you".)

14 So we're adjourning, we're completing this
15 session of the Public Accounts Committee and it's gone some
16 almost 45 minutes more than we intended but I believe that
17 we've received a lot of information.

18 So today's evidence session has highlighted the
19 challenges that face the Government of Anguilla. It also has
20 pointed to the challenges posed through the Social Security
21 Board's vulnerability; and more than ever, it points to the
22 need, I believe, for robust systems to ensure good governance,
23 accountability and transparency. Much work needs to be done
24 to make sure we keep on track.

25 I want each of you, in addition to sharing your

1 top recommendation, I want you, can you consider providing the
2 committee with the assurance that we have sufficient
3 government arrangements in place in your areas to meet the
4 challenges ahead, and further make a commitment to the Public
5 Accounts Committee to update us on the progress and your
6 progress at regular intervals? You can always ask us to find
7 more, but starting out with your area and areas where you see
8 that your work can impact, like for instance the wonderful
9 example shared with us of how you're networking and that
10 initiative on the part of Mr. Connor and with CARTAC and to
11 make sure as well that the Chief Auditor is aware of these
12 because it will present a much clearer indication of where we
13 are as a country. Again, thank you very much and the session
14 is complete.

15 **(Meeting ended at 5:35 p.m.)**
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REPORTER'S CERTIFICATE

I, **CARLA S. RITCHIE**, a Certified Court Reporter, do hereby certify:

That on the 22nd day of June, 2018, the foregoing proceedings were transcribed by me from electronic recording consisting of 215 pages herein;

That the foregoing is a true and correct transcript of the audible portions therein;

That I am not an attorney, relative, or employee of any party hereto, or otherwise interested in the events of this cause;

IN WITNESS WHEREOF, I have hereunto affixed my signature at The Valley, Anguilla, British West Indies, this 22nd day of June, 2018.



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CARLA S. RITCHIE
Certified Court Reporter