

## Transcript

### Formal Meeting of Public Accounts Committee held on Monday, 10<sup>th</sup> February, 2014

Chairperson	Mrs Lynette Rees-Styles
Deputy Chair	Mr Rodney Buckley
Members	Councillor Nigel Dollery
	Councillor Brian Isaac

Secretary	Ms Anita Legg
Ag Chief Auditor	Mr John Gilchrist

#### Introduction by Chairperson.

Good morning and welcome from the Court House in Jamestown to this formal session of the Public Accounts Committee and an especially warm welcome to those of you listening on the radio. For that we thank South Atlantic Media Services for making this live broadcast possible.

Now, I'd better just explain, the work of this Committee is to look at how Government spends the public purse. This means reviewing the financial and management systems which the St Helena Government has in place to ensure the public money is properly and economically spent. Today we will be commenting and asking questions on the Government's financial statements for 2011/12 and with that the Chief Auditor's Management Letter. Also, we'll be looking at the National Trust Financial Statements for the last financial year and that's 2012/13 and then we'll turn our attention to a Value for Money Report, a Review by the St Helena Audit Service on Government Landlord Housing, and, finally we will hear about the Chief Auditor's Annual Plan and Budget for the next financial year, which this Committee will be asked to formally endorse.

Before we begin our questions, for the benefit of the public, I should just explain that the membership of this Committee consists of three elected members of Legislative Council and two independent members of the public appointed by the Governor. Currently, the independent members are myself, Lynette Rees-Styles as Chairman and Mr Rodney Buckley, who is the Deputy Chairman. The current elected members are the Honourable Brian Isaac and the Honourable Nigel Dollery. The other seat on the Committee, which must be filled by an elected member, is currently vacant, but will hopefully be filled after the by election has taken place next month. The key adviser to the Committee is the Chief Auditor and we welcome today Mr John Gilchrist as Acting Chief Auditor. We're also assisted by Miss Anita Legg as Secretary to the Committee.

So, turning to the business for this morning, we start with the St Helena Government Financial Statements. This is a document produced annually by the St Helena Audit Service in which the Chief Auditor sets out his formal opinion on the financial performance of the St Helena Government. His observations and recommendations must then be considered by Legislative Council together with any comments and responses from SHG's Management Team and ExCo as well as this Committee and to discuss this we have with us this morning the Financial Secretary, Mr Colin Owen and the Assistant Financial Secretary, Mr Dax Richards, good morning to you both.

Mr Owen/Mr Richards -  
Good morning.

Chairperson -

Now, Mr Owen, as a previous Chief Auditor, you are exceptionally well placed to assist us with our questions having seen both sides of the coin, as it were, so perhaps we should start with asking you why in February 2014 we're only now able to consider the financial position for the year ending March 2012, that's nearly two years ago?

Mr Colin Owen (Financial Secretary) -

Thank you, Chair. Yes, it's a long time and certainly I'm very well aware of that and timeliness of the accounts process does need to improve, there's no question of that. The reason it was such a delay this time was accruals accounting. Accruals accounting was a major step change for Government. It changed the way we present these statements but how we go about our accounting treatment, that was very detailed and very complex. I would say the introduction into the Directorates and how we worked accruals accounting in Directorates worked successfully and worked very well, but looking at how we pull together those financial statements from those records, we underestimated it, absolutely underestimated the length of time, how complex they were to pull together. We're looking at financial statements, it's always backward looking, so I think that's quite important to remember, it's always a historic document, so what ideally, and as I would like to see it going forward, where we should be looking for, it's usually within nine months, I think that's the sort of medium term aim of it, within nine months of the year end finishing we'll be having the signed off set of statements. Looking at the UK, which basically goes through a very similar set of auditing financial statements at local Government and County Council level, their aim, is basically to do that by the end of September, which is six months. Now, that's a long term aim for SHG, as I see it. In the UK, accruals accounting was introduced 2001/02 and still at the end, maybe eight years later, you've still got fifty of those bodies eight years later still not meeting those deadlines and still having qualification issues, so we need to improve, there's no question about that, we've put more resources into what we're doing. The first year was difficult, it wasn't just the process, it was looking at the accounting treatment. It was extensive discussions with the Auditors on that, looking at issues and it's one of these things, accounting and auditing is based on a set of rules and guidance and a lot of it is about interpretation. We would have different

interpretation from an Auditor or of an Accountant and so a lot of the discussion had to take place on those judgements and they can be very technical and detailed discussions, so we need to get the process better, we're certainly doing that at the moment, so the Audit has started for the next 12/13 year and I think we'll probably get an improvement of around four to five months on the opinion being signed off. I think the big improvement is going to be probably the next year or the year afterwards, because what we couldn't do, we couldn't start the accounts for the next previous year until we'd finished off the other, so naturally there's going to be a delay in the 12/13. Yes, we're improving and it's not acceptable; we are, but we need to get it right.

The Chairman -

Okay, thank you for that. I'm going to ask my colleagues to come in with some questions in a moment, but let me ask you first, given that the Chief Auditor deemed it necessary to qualify the accounts, can you explain, for the benefit of the public, what that actually means?

Mr Owen -

Yes. Usually when you use the term unqualified people think that's, say, they've done something wrong or the accounts is not provided in the proper format. It's usually, it's the opposite around, the qualified opinion means that the Auditor, I'm sure John will chip in on what he believes the Auditor, because the Auditor is the one that makes that judgement, it's not SHG, but it's basically saying they found something in the statement, in the way it's presented or the way the accounting treatment that doesn't fit in in line with the guidance or the interpretation of the Auditor. I don't know if John wants to add on the qualification side of things because it's obviously the point of view of the Auditor rather than the.....

Mr John Gilchrist (Acting Chief Auditor) -

Yes, certainly. Colin has largely explained it well. Effectively, the Auditor is asked to provide an opinion on whether the accounts present fairly the Financial Statements, so an unqualified opinion means that I can say that, I can make that statement without any qualifications, without any provisos or anything and I say, yes, the accounts do present fairly, so a qualified opinion means the accounts present fairly the situation, except for, and the except for is effectively the qualification.

The Chairman -

And there are a considerable number of qualifications in your report, Mr Gilchrist, is that correct?

Mr Gilchrist -

There are, I should perhaps go back a step. We talk in general about qualifications. The technical term, if you'll forgive me, is a modified opinion. What we have here is two qualified opinions and one adverse opinion. An adverse opinion represent a greater level of uncertainty than a qualified opinion and that's in the context of the group accounts, the non consolidation, so St Helena Government has a controlling

interest in a number of subsidiary bodies, such as Solomons through their shareholding, Enterprise St Helena through Board appointments and so forth and there are a number of others, so what you'd ordinarily have, or the accounting standards require, is all of those bodies to be brought in together so that the statements show a holistic picture of all those entities. That, as I'm sure Colin will go on to explain, is a complex exercise and so that was not done in this first year of accruals accounting because of the, effectively the complexity of work required. The consolidation of those subsidiary bodies means that a number of the account lines would be different had the consolidation taken place and so when you have a number of different lines to the accounts where you are uncertain about the correctness you have to go further than just qualifying, you have to then issue an adverse opinion, so that's the difference between an adverse and a qualified. The two qualifications are about the pension costs, where the standards require the in year estimated cost rather than the cash transfer costs and that's, again, it requires a specialist, an actuarial specialist to provide that work and a decision was made that it did not represent value for money to get two reports, which is what would have been required for the first year of accruals accounting, so they just, a single year end position to show the liability was obtained, that didn't provide the information for the in year costs, that will fall away in subsequent years, because actuarial reports have been obtained for going forward, so that's a qualification which we anticipate falling away immediately. And the other one about the Social Benefits payments, where there's an element of uncertainty about the eligibility of those payments.

The Chairperson -

Thank you for that explanation, I'm sure we'll have some questions around those issues.

Councillor Nigel Dollery -

From the point of view of the public, does it matter that the SHG accounts are qualified?

Mr Owen -

I think it does, it depends what sort of qualifications they are, that's the key point to it. I think three qualifications in the first year of doing accruals accounting, which is a major change, I think is an acceptable level. The qualifications that have been provided, I think they are acceptable. I think, looking at the whole of the accounts, there are certainly no issues raised around, which would be more concerns I would think, around fraud or irregularities or not actually doing what we should be doing, and that certainly wasn't the case and the Chief Auditor highlighted that in the Management Letter that that wasn't the case, so, yes, I think it does, it depends what qualification it is. In the terms of the three qualifications we had, which John has clearly indicated what they are and the impact of those, we should be seeing one of those drop off for this year, for 12/13, the other two will remain. We need to change Ordinance around the pensions, the sort of benefits, sorry, we need to change Ordinance around the benefits and the other one involves a considerable amount of work around consolidation and, you know, we've agreed that, you know, with the

Chief Auditor and DFID and ourselves we're going to look into that and what the practicalities of that. What we don't want to be doing is addressing some of the qualifications that could be very, very costly in time of staff and input on costs. Do we want to do that I think needs to be some consideration, so I think, if you're, getting back to the question, it is important, but it depends what sort of qualification it is. From the general public's point of view, it's very complex. You know, auditing and accounting are very complex issues and that can be very difficult to explain to people.

Councillor Dollery -

It might be useful over the next couple of years for our Finance organisation to produce a very simple statement of the significance of these qualifications and when they're going to vanish, would you consider that a reasonable thing to do?

Mr Owen -

Absolutely. Just before we started this session today I showed you a letter which basically looks at each one of the qualification issues, it explains to them, I believe, in layman's terms as much as possible as is in accounting and gives an indication of what the next steps are and what we're going to be doing, so I'd be quite happy, it's addressed to DFID, I will speak to DFID in the first instance to make sure they're happy with such a publication being published, but I can't see why they shouldn't be and it does give much more detail on what those issues are and how we're going to tackle them.

Councillor Dollery -

I'm quite happy that the letter you've written is technically fine, as you would expect, but I was thinking that for the public it might be a nice idea to try and produce something really simple so that they understand why people are getting excited about qualification, why are we talking about it, as it is they will listen to what is said, if they're not in the business they will not understand what is going on.

Mr Owen -

It's a fair point.

Councillor Dollery -

Yes, thank you.

The Chairman -

Is that a commitment to produce a user friendly document for the purposes of perhaps publishing in the newspapers?

Mr Owen -

I don't think a user friendly document, I think what we can do is try to explain in maybe layman's terms even more what the process is. It's difficult because it is complex and if you start to, you know, you've got to keep to some of the rules

around things, so we'll try to do something that's better and I think it will follow on really from the letter that we've got.

The Chairman -

Thank you.

Councillor Brian Isaac -

Mr Financial Secretary, has the reduction in head count had an impact on the slow process?

Mr Owen -

Not from my understanding, no, we've pulled together the Financial Statements, I was explaining before, it's the technicalities that have caused issues on the delay in the financial statements, I'm happy with the resources that we've got, we now have two qualified accountants in SHG, Dax Richards and Nicholas Yon, I don't tend to count myself in those numbers, I'm a qualified accountant too, but we have two Saints on island that are qualified accountants who heavily are involved in this process and run the process. I'm very happy there are the resources there. In any department you could always do with more resource, but we've got to be practical here. We're limited in our funds and Finance are very well aware of that as any other Directorate, so we work with the resources we have, but the reason these Financial Statements were delayed were around technical issues, around understanding about the accruals process rather than having lack of people.

Councillor Isaac -

I would assume that your Directorate are giving support to other Directorates in this field, would I be correct in saying that, in overcoming.....?

Mr Owen -

Well, the Financial Statements are pulled together by Finance, so they're pulled together from the documents that are produced for our ledger system and I would say nearly 90% of the work is done in Finance, but the Directorates input data into the Financial Ledger and process payments, they'll be part of the pre-payments in accruals, but most of the legwork is all done in Finance.

Councillor Isaac -

Thank you.

Mr Rodney Buckley (Deputy Chair) -

Financial Secretary, the aspect of time, and in your opening statement you said nine months to produce accounts. In anybody's world, in anybody's organisation, that's a long time to take to produce accounts for the end of the year and I don't think that we ought to be comparing ourselves with the UK, the size of their Government, tell us what resources do you believe would be required to reduce that nine-month period?

Mr Owen -

I don't think you can. I think normal accounting processes within six and nine months. I think comparing to the UK our local government accounts is a very good comparative. We have a budget around £30m, most local authorities in the UK are bigger or around a similar sort of size, we follow very similar process. If you look at the Financial Statements, they're not tailored around St Helena, they are Financial Statements, the audit process is the same process that we go through. Nine months, I believe, is a good aim in the medium term, six months in the longer term. That would be my recommendation and that's what we're looking for, to put any - you could possibly do it slightly earlier. We might have to put lots of effort and resources to it, I don't think that's a reasonable approach, six to nine months, in my professional opinion, is the right period and length of time.

Mr Buckley -

Well, I can't say I agree. Nine months and then on top of that you have the audit you said nine months to sign off, so give the Auditor another three or four months and that's, you're over a year and to me it's little value in scrutinising accounts that old.

Mr Owen -

Sorry, I'll just reassess that. I didn't say, you know, it's the opinion being given by the end of nine months, but the opinion will be given at December 31<sup>st</sup>, before December 31<sup>st</sup>, that's the aim.

Mr Buckley -

I thought you said signed off.

Mr Owen -

Right, when I say signed off, I mean the Auditor signing off.....

Mr Buckley -

You sign them off and not the Auditor?

Mr Owen -

Yes, well, sorry, it's an accounting term.....

Mr Buckley -

In my accounting term you sign them off.

Mr Owen -

Right, shall we be explicit? So, my aim is to get the Financial Statements signed off and certified by the Chief Auditor within nine months.

Mr Buckley -

That's fine, okay, that's a different.....

Mr Owen -

That will not be this year though and possibly next year, it's a medium term aim and a longer term aim will be within six months.

The Chairman -

I'd like to bring the Chief Auditor back in here, Mr Gilchrist?

Mr Gilchrist -

I think it's probably worth mentioning that Colin and I have had discussions recently about how to make the whole process work better. We recognise that even the Audit Service contributed somewhat to the delay. We have recently also changed to update our audit methodology to bring it into line with international standards where before there were some areas of weakness and added to which the Constitution gives the Chief Auditor a six month timeframe from when the Chief Auditor receives the draft financial statements so we have a legislative six-month window. Now, with the best will in the world, if Colin were to give me the accounts by the end of June and I took the six months that I was entitled to, we'll be looking at nine months and so there is, both sides need to be working together on this. In my opinion I would hope to cut down the time it takes to carry out the audit and that's really the point of the discussion that I've had with Colin and Dax, to try and cut that down, because we also need to contribute to bringing that timeframe forward.

The Chairman -

I'd like to come back on something more specific, if I may. The adverse opinion on the non consolidation of subsidiary bodies, for example, why Solomons accounts are not shown in the Financial Statements, are you able to give us any explanation, Mr Owen?

Mr Owen -

Yes, I can give you quite a detailed, it's not just Solomons, it's the Bank and various others as well. SHG, as you all are very aware, is a Government body, we account similarly to other businesses on island but we use a different accounting methods, we follow different processes at times, so if you're looking at Solomons, Solomons is a retail body and does various other things on island. The Bank again is very different from local government. To merge, which is basically what we're talking about the consolidation of accounts, is an extremely complex and difficult process and will take considerable time and effort. Now, this is being clearly raised by DFID, by the Audit Service, even the Chief Auditor, if I just look at his Management Letter this year, clearly states "stating that has proved to be a very complex and time consuming exercise which presents both Management and Auditors with significant difficulties." Now, that is looking at the consolidation. DFID have raised it as an issue too, there needs to be a balance about how much we spend against what is the benefit to the public, as I see it and that's where we are at the process. Trying to merge the accounts of different bodies who work in different ways again is extremely difficult. We'll aim to do it over a long, long time or period, but the first step we're going to do this year is to talk through with the Chief Auditor and DFID



and ourselves and get understanding what can we consolidate. There are certain areas I think we can consolidate much easier, the two difficult ones will be Solomons and the Bank and when you're talking about consolidation what you need to do is take out all the transactions that relate to each other of those bodies as well, so any sort of purchases or anything like that we put for Solomons we'd have to strip out, we'd have to strip out any sort of transactions that they have with the Bank, so that in itself is considerably difficult process, so it's finding the balance as in anything. We might have to live with a qualification on consolidated accounts for a very long time, but there needs to be understanding what is the benefit of doing a consolidation.

Mr Chairman -

Are you anticipating an adverse opinion year on year if you're not able to consolidate these accounts?

Mr Owen -

That will be for the Auditor to decide on, but certainly this year there'll be a qualification on consolidation and certainly next year will be a consolidation I believe, but, you know, it's the opinion of the Chief Auditor at the time, we are certainly working towards that, we certainly won't be expecting anything different on that this year and next year and possibly the next two to three years.

Mr Buckley -

What would be required to comply with the law in rectifying the situation?

Mr Owen -

Maybe John can explain, because I don't think it's law, consolidation, I think it's a set of rules and that's applied, I don't think it necessarily is law.

Mr Gilchrist -

That's correct, the law effectively requires the accounts to be prepared under international public sector accounting standards and international public sector accounting standards there are some thirty-six odd standards and of potential interest in regard to the consolidation issue is that there is currently a consultation being carried out by the International Public Sector Accounting Standards Board about the consolidation standards so they will change within the next two or three years so obviously when Colin and I discuss the roadmap of where we go with consolidation it will be in reference to pending changes to the standards because they may have an impact, but coming back to your question about the law, as long as they comply with the standards then the Chief Auditor, I would sign off an opinion on that basis.

The Chairman -

I think we're hearing that the St Helena Government has acknowledge that the accounting policies, you know, that you're not consolidating because it's a difficult process, it's not in compliance though with the International Regulations. I'm not

clear as to what you expect, what progress you expect to be making year on year to try and comply with that.

Mr Owen -

As I said, we're meeting, we're going to meet with the Chief Auditor, we're going to meet with DFID and get an understanding between all three organisations of the way forward, but it might be, it certainly will not change for the next two years, I think it would be foolish to say that is going to change in five years, this is a complex, extremely complex issue and can I just bring in context, there are a number of organisations around the world, among the governments, that don't, have tried this process and are finding it very difficult. You know, St Helena, it has in the first year provided accruals accounting accounts, they have been signed off by the Chief Auditor, yes, he's raised some issues in there, but that's a great achievement, I think to think anything different is not really understanding the full nature of the level of work and commitment that's gone into doing these accounts, not just from my team, but from the Audit team as well. Looking forward, I think we just need to have a clear understanding and maybe a line drawn in the sand of what the next step will be. It's quite interesting, we had an expert on island of late from the Oxford Policy Management Group called Tony Bennett and he'd come out to do a PEFA report, which is basically a Public Expenditure and Financial Accountability report. Now, he was commissioned by DFID to do this and even he raised issues and concerns around the challenges facing SHG on consolidating and I'll just say, it's an extract from the report which he says, "the transition to output budgeting and accruals accounting is a massive challenge and so far has only been met by a few highly developed countries over several years. Even in the UK, the whole of government accounts do not include some publicly controlled entities." Now, if you look at the UK and the number of accountants and bodies that have working for them, we're talking hundreds of thousands of people involved in finance in the UK. They have bodies like ACCA and CIPFA that provide specialist, technical knowledge to the UK Government and still the UK Government hasn't been able to achieve it, so there needs to be an understanding about what level of resources do we need to put in. Do we want to use those resources better? Now, Councillors and the public are very well aware there are calls on the budget of SHG for so many things and I think that will be the issue is, do we spend more money to get this right or do we use money in better ways, do we live with the qualification or look to get rid of that qualification and those are the questions that need to be addressed and that's the work we'll be doing with the Chief Auditor, supported by DFID.

The Chairman =

Thank you.

Councillor Isaac -

Hearing this morning that a lot was touched on working with DFID over the next couple of years, but does DFID have an opinion on the qualification of these accounts?

Mr Owen -

The letter I provided this morning is a response to DFID on it. At DAPM there was discussions around it and that's when the suggestion came out that we need to sit down and have a clear understanding what the costs and implications are of doing it against the benefit.

Councillor Isaac -

Thank you.

The Chairman -

Can I just turn to another issue which is about Government assets. What plans are in hand for Government land and property to be valued and assets included in the accounts, the value of the assets?

Mr Owen -

We have looked at assets, we have valued our assets, they're held in the accounts, they're depreciated, there's some certain questions about any assets that we value or the process that you go through, but certainly SHG have put a lot of time and effort into valuing the assets and putting those in the Financial Statements. The assets themselves is one of those things that we look at, accruals accounting would like to have that fully. Again, on St Helena, as I think most people are well aware, there's issues around how you value your assets. We don't have a comparative market, we have very few sales going through on a yearly basis, so it's very difficult to actually value those assets as it is and give a realistic figure. Other countries have active markets so you can do very lots of comparative works, here it's certainly not the case so it's very difficult to do.

The Chairman -

Yes.

Councillor Isaac -

Can I ask on debtors, how are we addressing these issues?

Mr Owen -

In what way, sorry?

Councillor Isaac -

In Government, from the public, debts that are owed by the public to Government?

Mr Owen -

There's a set procedure in the Financial Regulations as a very clear guidance, it's a step by step approach, it's standards or a format that you'd have in any governmental body following, letters are issued after a certain number of days, if that isn't paid then, there's another letter in a certain number of days, after that it would then be taken into Court and basically it follows a legal procedure, so it's a

very clear set process that needs to be followed in any debt management, which is very standard to the rest of the world.

Councillor Isaac -

It is very standard and a very drawn out process as well, I understand that, but are the people being taken through the legal system, being appearing in this house here?

Mr Owen -

Absolutely, absolutely, we follow a debt taking process, we manage the debt, we follow timelines and, you know, debts do go to Court. I think it's been some very high profile cases on that of late, looking at debt management and certainly that's exactly what we do.

Councillor Isaac -

And this is taken by your Directorate?

Mr Owen -

No, we refer, we manage debt, but once it gets to a legal point of view, that's referred to the Attorney General's Chambers and then Finance are no longer involved in that detailed, legal process. Same standard approach that happens in so many countries.

Councillor Isaac -

Thank you.

The Chairman -

Let me come to one of the observations, specific observations in the Chief Auditor's Management Letter. It says that it would be better governance practice for a formal committee of LegCo to be established with the remit of an Audit Committee and presumably that's a committee which would look at the detail of that. Can I ask the Chief Auditor do you have any observations and comments further on that?

Mr Gilchrist -

Yes, I do. This recommendation comes out of requirements in Auditing Standards. Effectively, as the Chief Auditor, when conducting an audit, I have a responsibility to ask those charged with governance, which is a term that Auditing Standards refer to, to correct any misstatements in the accounts, so the process would be that in an audit we would bring together all of the errors that we'd identified, we'll discuss that with the Finance team who would then make a decision about what to correct and what to live with. For example, in many cases, errors that are not material to the financial statements as a whole may not be corrected if correcting them would be an onerous job. Nevertheless, as Auditors, we have a requirement to ask for them to be corrected so we would have that discussion with the Finance team; we also are required to have that discussion with those charged with governance in which for the St Helena Audit we have deemed that to be Legislative Council. The Standards permit a subcommittee of that to be the forum through which we have that

discussion. Often you'd have an Audit Committee who would have a responsibility devolved to them to carry out that discussion. Now, in the context of this recommendation I have had discussions with Helena Bennett, the Head of Internal Audit, who had also been planning to review the Audit Charter, so SHG at the moment has an Internal Audit Department which reports to an Audit Committee, which is a Charter Committee, so it's slightly different to the Section 56 Committees, such as Public Health and what not. So Helena, in conjunction with the Committee, is reviewing that and reviewing it in the context of both the recommendation and other best practice guidance, for example, there is Financial Reporting Council, recent guidance on Audit Committees, there's Treasury guidance on Audit Risk Assurance Committees, so all of that guidance is being referred to in reviewing that process and I will obviously maintain a dialogue with Helena and I'm not sure if Helena would like to come and speak about this at all or not, I'm .....

Ms Helena Bennett -

Only if you've got questions

The Chairman -

Do members have any specific questions, in which case we would call Helena, but otherwise we would spare her. I don't think we have any specific questions, Mr Gilchrist, thank you. I don't know if Mr Owen wants to comment on what's been said.

Mr Owen -

Just to add to that for John and I, we have discussed this at length. I think for the first time this year though, looking back, you know, the Management Letter went to ExCo in an open session with the Financial Statements and was discussed and that's a first and I think any process what you want to have is some challenge in the process and I think that's really important and in previous years we didn't have that challenge process and this year we did and again open and transparent, you know, in an open session and I think that's extremely useful to keep that process going. I think as John says if you had an Audit Committee that could be the way of doing things, but it's good that ExCo were involved in that discussion this year.

The Chairman -

Thank you for that. One of the other observations, Mr Owen, in the Management Letter was a comment on the airport contract payment schedule, which apparently doesn't specify any clear requirements for the evidence to be provided to support a payment request. The upshot of that seems to be that it may be presenting a risk to public funds and may be considered poor practice in project management. Do you want to respond to that?

Mr Owen -

Yeah, I don't agree with that statement. We have Halcrow on island who provide the technical support and review, that's part of their job as a part of the airport, we have the Airport Director at the set up, we quite strongly stated in the Management

Letter that we don't agree with the comments made by the Chief Auditor. You've got to understand there's interpretation going on here, the Chief Auditor's interpreted one way, we interpret it the other way. We discussed with DFID who are heavily involved as you're all aware in the airport contract and they fully supported us on our stance there and our response. You know, there's the Project Management Unit, there's Halcrow who provide the technical and look at the payment structure, so, no, we're happy with the arrangements that are in place.

The Chairman -

Thank you. Any comments from the Chief Auditor?

Mr Gilchrist -

No, I'm sure that we'll continue to discuss this as we go forward.

The Chairman -

Thank you. Any other questions from the Committee here?

Mr Buckley -

Recommendation 2, Madam Chairman?

The Chairman -

Yes, Recommendation 2, well, an observation, an additional observation was to introducing accruals accounting for financial reporting present an inconsistency to SHG's budgeting process which are currently being prepared on a cash basis. Now, we've had explained to us many times the benefits of introducing accruals budgeting and we're happy that that is proceeding, we understand the difficulties. Do you have any comments, Mr Owen, you want to say to us on what progress, because clearly the PAC will be looking for a commitment from you that you will continue to implement as adequately as you can for the next budget round and the budget round after that?

Mr Owen -

Thank you. Just to give you, you know, where we stand on this, we fully support it, you know, as a Corporate Finance we would like to see it introduced here, it does help the process. We believed, not so long ago, that there could be legal implications, I think we've now addressed that through the Attorney General with the Chief Auditor, so we'll be looking to introduce it over the coming years. It certainly won't be in this year's and we'd hope to maybe introduce it towards, make it probably for the 15/16 budget process, because the budget process that we're in at the moment now is coming towards the end in March. Again, it's one of those areas that what is the key priority for Corporate Finance at the moment. There are major, significant pieces of work that are going through Corporate Finance and we need to prioritise our workload like anybody else does in SHG, so we support it, we're very well aware of it and we're working to implement, but it's a long timeframe and can I just add as well, you know, where the process normally would be you'd introduce

accruals accounting, you'd let that embed for several years and then you take the next step, because you need to understand what's happening in the processes.

The Chairman -

Thank you for that explanation. As Committee, we decided that it wasn't of any further use really, or adding value to ask questions, any detailed questions on the Financial Statements because of their, they're very aged now, so we're not actually going to ask you any specific questions on that, but just to conclude this part of our agenda is there any other comment you want to make to us, Mr Owen, about the accounts?

Mr Owen -

I think there is. I think, looking at the way we did the Financial Statements last year, and we've certainly improved the process for this year again, so this year we're looking to have a very detailed, foreword for the Financial Statement, which, hopefully, will address all the concerns raised by members around the table. Trying to explain what they actually mean, what the figures mean and how people who are reading them can relate to them. It will still be complex in areas, but we will try to simplify as much as possible. Another great step, I believe, this year is the annual Governance statement, that's going to be introduced and that will be part of the Financial Statements and what that will do, it will explain the process and procedures in place to enable SHG to carry out its functions and the statement will review the governance arrangements in place and that's a lot of detailed work that's been carried out by Internal Audit and Directors in SHG and that will be audited by the Chief Auditor, so again, it's providing more information and improvement and certainly, looking over the last year, we now produce monthly statements, so there's monthly Management Accounts that go out, there's a Performance Report that goes out, again, just providing more detail to the public on what's happening with the financial arrangements in Government. Thank you.

The Chairman -

Just one final question from Mr Buckley.

Mr Buckley -

Yes, I'd like to come back on the assets, Madam Chairman, on the lands, property and equipment. You took the five-year option on the accounts in the transitional option for five years to value the assets. I accept and I think everybody accept the difficulties in valuing land and properties, but it would have to be done, is it likely to be in this next year's account or this current year, 14/15 evaluation?

Mr Dax Richards (Asst Financial Secretary) -

It's unlikely to be in the 14/15, until we can determine what are reliable property markets and land. It's worth pointing out that there are other assets in the Financial Statements, as Mr Owen said, but land and buildings are the two areas we have grave difficulties.

Mr Buckley -

But, I mean, you're gonna have to get some value at some point.....we are running out of time, because five years will expire next year.

Mr Richards -

Five years won't expire until 15/16.

Mr Buckley -

15/16, yes.

Mr Richards -

So, just to add, we have a valuation already, it's just the Auditor's interpretation of whether that valuation actually represents the true value of that land and buildings.

The Chairman -

Let me ask Mr Gilchrist to come back in now.

Mr Gilchrist -

In the valuation exercise that Mr Richards referred to, there are a number of different types of properties. There are some properties where there weren't any questions raised about the valuations, there were some where there were questions raised. Due to the complexity of ironing out the issues the decision was taken strategically to remove the entire lot so I would anticipate that it maybe possible to have a phased approach, rather than waiting five years and bringing everything in, which can be quite complex, a good practice might be to have a particular type, for example, domestic properties, Government Landlord Housing might be an example that could be brought in, so property types where there aren't any questions raised, there could be a programme of bringing them in, in subsequent years you would add other property types, but as already stated, there is a question about the valuation and at the moment I know John Clements and the Land Directorate are advertising some properties in the open market and that's, part of that objective is to try to identify and ascertain what the market bears for certain types of properties, so that's a very helpful process to be going on as well.

Mr Owen -

I think it's important to note, you know, the reason why you have that five-year grace is because it's known by the Institutions and the Standards that it's a very complex approach to take so they give a five-year window of opportunity to allow people to do, so you'd focus on the accruals process, the debtors, the creditors, the cash, the working day to day processes, that's what would be the focus and this will be a longer term, so we're planning to address it. Hopefully with the opening of the airport there might be more exchanges of property and we might by then have an understanding of what value of property and land is on St Helena.

The Chairman -



Thank you for that. I think we've concluded that part of our agenda now and let me just thank you for your time this morning Mr Owen and Mr Richards.

Mr Owen/Mr Richards -  
Thank you.

The Chairman -  
We'd like to move on to the National Trust Financial Statements for 2012/13 and I want to invite the Director, Chris Hillman, to come and talk to us about that. Now, as I said earlier, the Public Accounts Committee's main concern is always to ensure that the money provided by St Helena Government to other bodies is doing the job of supporting the core costs of running the organisation, in this case, the National Trust and obviously that includes ensuring that there are effective management processes in place. Welcome to you, Mr Chris Hillman.

Mr Chris Hillman (Director, St Helena National Trust) -  
Thank you.

The Chairman -  
Now, we note from the Financial Statements that the St Helena Government contribution was only about 5½% of your income in 2012/13, but nevertheless, as it's public money, clearly we have to have those open financial statements to talk about. I'm going to ask Councillor Dollery to lead on this.

Councillor Dollery -  
First of all, I must declare an interest, my wife and I settled here five and a half years ago, as part of the settlement process we took out life membership of the Heritage Society and the St Helena National Trust. At no time have I received financial benefit from the National Trust and at no time have I held any office within side that organisation. Thank you.

The Chairman -  
Thank you for that clarification, Councillor Dollery. I should also declare that I am a life member of the National Trust.

Councillor Dollery -  
Thank you. I've got a series of questions, they tend to be very specific, but they are short, okay? I was very surprised to see that the Audit fee went from £930 for the last accounting year to £3,800 odd this accounting year. First of all, did you know in advance that that was going to happen?

Mr Hillman -  
I have to explain that I was only Director of the Trust for three days of the financial year in question due to the resignation of the previous Director and I'm not a financial person myself. I think I'm right in saying that this came as something of a surprise, we requested an explanation. The explanation given, which was before I

took office, was it related to the increase in the total funds flow through the Trust, this was the way the accounts had been kept, meaning that extra auditing work was required. Why it should have jumped up so much in one year, I'm not sure, and possibly we could put that question to John Gilchrist in the auditing office if he's in a position to clarify it further.

The Chairman -

Do you want to comment?

Mr Gilchrist -

Certainly. Like Chris Hillman explained about not being in position the whole time, I have only been Acting Chief Auditor since about November time for this year, so this pre-dates my being in post. However, what I can say is that the main reason for the increase in fee is that a different type of audit was required by legislation, so at the moment there is a requirement where a body reaches certain thresholds, which the National Trust did for the first time in 12/13, requires a full International Standard of Auditing compliant Audit. Where a body is below that threshold, there is a much lower level of assurance that's provided by the audit work and that means that it's, obviously we do less work, we charge less and it is quite a big difference, particularly when you're only on the cusp of that threshold where you particularly feel it, so that's the main reason for the increase in fee. The fees are certainly communicated right at the outset of the audit; we have our terms of engagement letters that do set out what the fees would be, so that explains the main change. We are hoping to look at what those thresholds may be to try and work out whether that is best use of funds. I've begun discussions with the Financial Secretary about on that subject and it may be that within a timeframe, which I'm unable to specify, we might be able to change the threshold so that National Trust falls again below and that would expect to result in a lower fee going forward, so that's, I think, is enough.

The Chairman -

Thank you.

Mr Hillman -

Thank you very much.

Councillor Dollery -

The High Knoll project. It has an unspent balance of about £4,000 and very little spent over the financial period shown in this account. It's probably not a big enough sum to do anything major with, what do you intend to do with it?

Mr Hillman -

These funds were generated by activities organised by Martin George with the youth of St Helena some years ago, the funds were left with the Trust to be held in trust. I don't know enough about the history of Martin George and the youth and then the development of New Horizons, our understanding is it should be used towards

conservation and other relevant activities at the Fort. They are augmented now periodically with agreement from St Helena Tourism whereby the few tourist visitors are charged £5.00 per head, which comes to the Trust, but in the current year, for example, this amounts to about forty people, which is not a lot of money. They are given an information leaflet and a guided tour by one of the Trust staff. If the funds mentioned by Nigel Dollery of £4,000 were put towards repairing the two collapses which the Fort has suffered recently it would represent only twenty-eight man days for a team of four skilled workers and would not cover material costs, so it would be feasible to repair the single, small collapse at the Fort currently. There have been discussions with Tourism of how best to manage High Knoll Fort, we cannot keep people out of it, people are able to get through the large collapse, it does get used by people, judging by the evidence left behind, for drinks parties and other activities, we would point out the building is Government property under Crown Estates, it does not belong to the Trust, so we do not feel we are beholden to repair the Fort, but we are working towards a situation where, together with Tourism, we can determine how best to use this money to the benefit of the island and the community in the long term.

Councillor Dollery -

Thank you, very clear. There's a couple of small balances on accounts, the Overseas Territories Environmental Programme Central Peaks Project and the Leonardo Project, about £80 odd in one and £160 in the other. Are those dormant or dead accounts or is the money going to be transferred centrally or....?

Mr Hillman -

These are dead accounts for projects that have been completed and finished. Recently we have closed down six bank accounts and all the balance from that has gone into a Trust Core Project which receives no funds from almost any other source, which is the Millennium Forest, which could be seen as an island community project and so that project will benefit from the small amounts left in the six accounts concerned.

Councillor Dollery -

Lovely, so they will vanish this on the next cycle?

Mr Hillman -

Yes.

Councillor Dollery -

That's very nice.

Mr Hillman -

They'll have to be included in the next audit, but they won't be in the audit after.

Councillor Dollery -

Understood. There's quite a strange one on the built heritage project where there's a wages receipt of eleven thousand four hundred odd pound, why would the wages be a receipt?

Mr Hillman -

This is an unfortunate use of words. The income noted as wages was generated by construction work carried out by Trust staff and was accumulated in order to cover their wages for a number of jobs at that time. It would have been better coded as income from jobs carried out.

Councillor Dollery -

Thank you, nice and clear. Possibly a touchy one, the Darwin Project and the Feral Cats and the Wirebird Projects are almost wholly funded by DEFRA and the RSPB, we note within the accounts that there were two sums of money transferred from those headings into unrestricted funds, are you allowed to do that under the terms of the agreement with DEFRA and the RSPB?

Mr Hillman -

Before the project started, it was realised that it was necessary to be able to have it up and running as soon as the funds could be transferred from the UK. As we are all aware, with a field project transport is critical and the availability of suitable transport for purchase on the island is very limited, RSPB were unable to provide any funds upfront towards the purchase of a vehicle, the Trust therefore went ahead and purchased a Landrover in the UK and brought it over. It cost £13,000. The money you see as transfers was that money going back to the Trust as funds became available from RSPB/DEFRA towards the purchase of the vehicle, which meant that within six days of my arrival on the island I was able to go down to the wharf and drive a Landrover out of the container and get the project going.

Councillor Dollery -

Nice, nice clear explanation, it seems very sensible. You've recently had two sums of money from ESH according to these accounts; one is the £18,000 for the Maritime Cultural Heritage and £20,000 for the AGR Building Trades Programme. What are you going to do with them?

Mr Hillman -

Taking each of those in turn, again, as I say, I took over just at the end of the previous financial year to which these relate, those funds had been attracted by the previous Director for a project to train people in the treatment of artifacts recovered from the sea in particular, along with a certain amount of training in guidance and management of underwater artifact wrecks in particular. At the time I took over, I was very concerned that the potential benefit to the island would be very limited, I had discussions with ESH, with the proposed trainers in Australia, with the Museum and representatives of the Diving Industry and it turned out there would only be two or three people of the island who would benefit, there might have been others who would have an interest because they are sports divers, but with no assurance

they would stay on the island and so retain the benefit to the island. With regret, I went to ESH and said that we could not use that fund at this time to benefit to the island, we would like to make a bid to use it for other purposes but we felt we should give it back. After discussions, it was agreed the money would be handed back and that was done so within the current financial year. On the second amount of £20,000 granted for the HER Building Trades, which should read Building Training, this was augmented with an additional £10,000 in the next financial year from OTPF through the Governor's Office and in September and October of 2013 a very successful training course was carried out, Henry Rumble came from the UK, he spent six weeks on the island training initially seven Saints, but that changed to six with one dropping out. All six were qualified as NVQ 2 Heritage Stonemasons, they remain on the island, one of them Henry reckoned was probably the best student he has trained from anywhere in the world. We had significant discussions during that time in order to try to ensure that those trainees would have work to do within this field. Sadly, not much of that came about, we had discussions with Planning and various other organisations, however that is now slowly gaining ground, we are currently cutting stone to put new flags into Plantation House courtyard, we have successfully bid for and received the contract to repair the wall at Ladder Hill by the tennis courts which was damaged by a vehicle, we're doing work with the Churches on their older buildings and we are aiming at a number of other contracts. Sadly there is not much by way of funds available for the repair and maintenance of St Helena's historic buildings and this is where the main work has to be done, which is one reason for putting in an additional request to the Finance and Planning Committee a few weeks back in which we said it would benefit built heritage if at least £50,000 a year could be put towards their maintenance. These historic buildings will be one of the mainstays of the hoped for new St Helena economy under tourism. At present, no-one, as far as we are aware, is responsible for those buildings, we do the best we've got with what few funds we have. I'm sorry if I've expanded beyond what I should have done.

Councillor Dollery -

No, that was informative and very interesting too. My last one is really one for the readers of the accounts who are not as much in touch with what's going on as you are. You mentioned in the text things like the, I'd better get the name right, the Spiky Yellow Wood Louse, the She Cabbage and so on and as somebody who's interested in the accounts I read that but I cannot see which part of the various projects you have they fall under and it might be useful in future, if practical, to link that into the accounts where the actual action takes place so that we know that, for instance, the Spiky Yellow Wood Louse, the cost associated with that come from this particular sub account. As a finance person I read it with a finance thing, as a person who likes bugs I'm interested in that as well. Thank you.

Mr Hillman -

Your point is well taken. The three projects that you have identified are three smaller projects. The funds were all put into what we call the Reafforestation bank account because they are all related to some extent to that process. Spiky Yellow

Wood Louse received £11,900 from the Fauna and Flora International Focal Species Fund, the She Cabbage received £5,700 from the same Fund and the Large Bellflower research received just over £5,000 from the Mohammed Bin Zaid Foundation in the Middle East. We have now, at the recommendation of the Audit Office, switched over to Sage Accounting Software, we received a grant from the St Helena Community Development Fund, which has purchased it and we hope that the audit this year will be far less painful and time consuming and we hope that as a result smaller aspects like this will be able to be more evident to anybody looking at the accounts.

Councillor Dollery -

Are you pleased with the Sage package?

Mr Hillman -

Very much so far. It does need a degree of computer literacy amongst the people using it, I'm hesitating to get involved myself, partly because my longevity on the island is limited and partly because that is not the best way to train people, they've actually got to find out for themselves. ESH has been especially helpful in this, giving us the services of Michielle Yon and of Lisa Ryan who have been very helpful coming down and teaching staff how best to carry out new aspects when needs arise.

Councillor Dollery -

That's really nice to hear. Thank you.

The Chairman -

Just for clarification, Mr Hillman, that Sage software, is it fully implemented now to the extent that when we come to look at the 2013/14 accounts we will actually see that you have been fully utilising that system for presenting of the accounts?

Mr Hillman -

Lisa was down just last week and went over the process with Phyllis and other members of staff and as far as we can see the audit output required should simply be the touch of a button with pre-built templates within it. However, I want to go over this with John or other Audit staff to see if we can develop a kind of template process so that not only will we get that output from Sage, but we will know what supporting documents are required by way of contracts or work records or invoices or receipts etc, etc, because it does need the balancing paperwork to support what one sees Sage output.

The Chairman -

Of course, thank you for that explanation. Any other questions from the Committee?

Mr Buckley -

I have two small questions, Madam Chairman. Have the Trust any plans for increasing membership?

Mr Hillman -

We would love to. We currently have less than forty paid up members, and I emphasise the words "paid up". When they're on the island, in the past the membership was £2.00; that would mean £80.00 this year towards Trust work. We have increased membership, in fact, to £10.00; that would be £400.00 towards Trust work. We're in a situation where we have got a potential membership catchment on the island of 4,000 people. Break that down by the universal family of two adults and two children and you're looking at a thousand. Break that down further to people with an interest in the environment and disposable income and the number is very small and most charitable, environmental NGOs recognise that the proportion of any population that has a deep interest in the environment is always very small. We then have to look further afield to see whether we can find another catchment. That does exist, it tends to be the visitors who come to the island, of which there are not a lot at present, but we hope that's going to increase, they will come to the Trust, they will do a Wirebird tour, they will have a fantastic time with Eddie, who sadly you have now poached, but we've replaced him, they have an extremely good time and they then come back and say we want to join the Trust. However, a year later they're in Thailand or Florida and their interest in renewing has been lost and so it's a very ephemeral fast turnover. The only other market, if you like, is those people who've worked here and gone away and have maintained a deep interest in the island and what it does. They tend to become life members and while two of you here today have said you've been life members, do keep in mind that at the £50 you probably paid as life membership, with a £10 membership fee now, in five years the benefit of your life membership has gone. So we could ask you to raise your fees to the current new life membership, but that may be something to talk about later. We would like to increase membership, it is not easy, we have realised that we have got to appeal far more to the Saint population, to lose the reputation we seem to have as an expat organisation, to raise interest in schools, which is something we are doing a lot now so the next generation have an interest and to raise interest outside, for example, we have a visitor on island at present who has a deep interest in military history and so is extremely interested in the built heritage on the island that relates to military periods.

The Chairman -

Thank you. Another question from Councillor Dollery?

Councillor Dollery -

From what you've just said, is it worth you writing out to the current life members and perhaps asking them to repeat the process?

Mr Hillman -

We sent an e-mail when we launched our new newsletter in September last year, which went out to over 800 addresses. We had a lot of bounces, which is not surprising, because I harvested every e-mail address I could find, we had a fair number of responses from people who clearly did get the e-mail, including quite a

few of the life members, so just before Christmas I sent out what I hope was a friendly Christmas letter inviting people (a) to renew their membership; (b) to make donations; and, (c) to think about taking up some of the higher subscriptions that were now being charged. We had five responses.

Councillor Dollery -

I am mortified, but will visit. Thank you.

The Chairman -

I think we need to bring this particular part of our session to a conclusion. You have one final question?

Mr Buckley -

I did have two, Madam Chairman and you only allowed one.

The Chairman -

Okay, thank you.

Mr Buckley -

Thank you. This is not intended to be critical, but just a small point I'd like your comment on. What mechanism the Trust got in place or you plan to put in place for project output management? You know, management in the field, Postbox Walks, maintenance and that sort of projects, what mechanism you got or plan to put in place, we just need to make sure we have issues in place for increased fundings?

Mr Hillman -

The Trust has grown very rapidly. When I first came in mid 2011, I think there were ten staff, today we have seventeen. Our core staff, which, until now has been the Director and the Executive Secretary, have had to deal with all of the project management, the finances for each project with audits etc. We have recently taken on an Admin Assistant within the office to try to act as a filter for everybody appearing through the door, because a lot of those people are people wanting information, which takes up a lot of our time, particularly the Director's time. We are now moving into a phase where we are going to take on an Operations Manager together with Field Operatives. This is partly to cope with the very increased interest there is in the work we can do, particular in skilled heritage construction, but in addition, the Trust has invested three years in training three Saints in very specialised scientific fieldwork related to the Wirebird. That project comes to an end in six week's time. We've been desperately seeking a method to retain the investment in those people and their enthusiasm and dedication to the Trust and to the heritage, the natural heritage of St Helena. We believe we've now found a way of doing it. We tried with the Darwin Plus Project, the response was, no, we cannot help you; the Government should be paying salaries. We tried with the small UNDP funds that were recently available for bidding, but we failed, that went to a Social Services bid, so now the Trust is going to dig into its savings, take on an Operations Manager, it's gong to dig into funds that is generated through Wirebird tours and as



a result will take on the two staff who would otherwise lose their jobs at the end of March, so it is an internal recruitment system to retain those skills to be able to carry on that Wirebird work through the work they've done, those projects which were supported by RSPB, DEFRA, DFID and OTEP, we will keep those people on, we have determined that the critical period for Wirebirds is about September through March, so they will do the same work in that period, they'd be available the rest of the year and in other parts of the day to carry out other Trust work all towards making the Trust far more self supporting so that it doesn't have to rely on funds from the Government or RSPB or anywhere else, but this will be a long process.

The Chairman -

I think the Committee acknowledges that, Mr Hillman, and interesting as it is, it's slightly beyond our brief to consider these issues now. We do, have acknowledged that within the financial statements we've been considering the St Helena Government contributes only about five and a half percent of your gross income. Thank you for your time this morning, we much appreciate it.

Mr Hillman -

Thank you very much.

The Chairman -

I'd like to move on now, we'd like to talk about Government Landlord Housing, in particular a Value for Money review by the St Helena Audit Service that was done last September, so I'd like to call Andy Crowe, who is the Housing Executive and do we also have the Chairman of the Social and Community Committee here?

Mr Andy Crowe (Housing Executive) -

We do indeed.

The Chairman -

And may I also call Councillor George? I'm sorry, Councillor Les Baldwin, I do apologise, you're Chairman of the Social, is it called Social and Community Committee?

Councillor Les Baldwin -

Social and Community Development.

The Chairman -

I beg your pardon, Social and Community Development Committee and Mr Andy Crowe, welcome to you both.

Mr Crowe -

Good morning.

Councillor Baldwin -

Thank you.

Councillor Isaac -

Madam Chairman, before we proceed here, I would like to declare my interest as a the Deputy Chairman of the Social and Community Development Committee. Thank you.

The Chairman -

Thank you, Councillor Isaac. Now, we're looking at the Value for Money report, clearly you have seen that and no doubt discussed it with the Chief Auditor. The report includes thirty-one recommendations and regrettably it would appear that the Audit opinion was that the management arrangements are not currently considered to be conducive to achieving value for money. Do you want to tell us what is happening currently or what has happened since that report has been produced?

Mr Crowe -

Yes, Chair, can I just give some clarification here, because the Value for Money report was pretty much written by myself. I arrived in mid to late November of 2012, I'd actually undertaken around about fifty value for money studies of housing services in the UK, so it was only natural for me to start my job by carrying out a review of the service. Now, I found as part of that review that it was a very poor service and I reported the findings to the Health and Social Welfare Committee in January. Now, round about March I was approached by the Audit Service and they said we'd like to carry out a Value for Money Review of the Housing Service and so I said, well, here it is and they took it away, they simply supported everything that I was saying and came back and said well, you know, that's fine, if you can just give us an update of where you've got to we can take it forward and so by the September I produced an update which is like where we've got to and that forms part of the review itself. I think that was actually quite a value for money approach because there was no point in the Audit Service going round asking the very same questions that I had asked and come to the very same conclusions, but I think there was some value added by using the September update to actually say where we'd got to and it's now, four months really since that report went before members and I would say that things are continuing to improve. What I have to do really, as Housing Executive, is try to get a balance between the short term fixes and those are things like the ability to sell houses and the free paint issue that was flagged up and the, sort of, long term improvements to the viability of the service and so trying to get a balance between the two is really where we're going to, but I would say that in each of the areas we're making steady improvement on the service, which, frankly, had been overlooked for probably a generation.

The Chairman -

Okay. One thing I wasn't able to determine from the report that we have in front of us was what the full cost of the service actually was for the year ending 31<sup>st</sup> March 2013, have you any information you can give us about that?

Mr Crowe -

I think that's one of the most difficult nuts to crack, because we do have a trading account for the service and I'm grateful to the Finance team for putting that together, but the trading account doesn't include many of the costs of the service, so, for example, a lot of the on costs, the support service costs, some of the direct management costs, they're not included within that and then when you start to take into account some of the other costs, for example, I think we got something like £380,000 in the backlog of repairs budget's coming up in the next year, those go way beyond the actual income that's received for running the service, and, as I say, that's one of the most difficult things that we need to get our heads round if we're going to create a viable service.

The Chairman -

Thank you. We understand that the service that you're currently responsible for is actually fragmented in that it's spread across three different departments, or was at the time of this report, is that still the case?

Mr Crowe -

Well, it is still the case, but the approach they've taken so far is that it's again getting that balance between short term fixes and long term viable service improvements and in terms of the short term fixes what I've been doing is trying to work as closely as possible with the people involved in providing the service and I'm seeing it's paying off. Let's give you an example, in terms of arrears recovery. There hadn't been a case go to Court for many, many years for rent arrears and part of the reason for that was that the approach to rent arrears was basically you send out a letter after a few weeks of arrears and then wait and wait and you look in the file and you see the next letter is maybe a year later. Now that approach has changed dramatically that, I mean, what I've been saying to the people involved is best practice. Best practice is that first of all you find out about the payments as early as possible, secondly you make regular contact with the people who owe the money, and, thirdly, if that doesn't work and at the same time you're trying to provide some financial advice, because we recognise that for many people it is very difficult to juggle the cost of paying the rent and paying for food and so on, you have to stress that, you know, the roof over your head is the most important thing, but ultimately if you find that you've got people who, I would say, are willful non payers, as opposed to the can't payers, then you have to take the cases to Court and we've now referred nine cases to go to Court as a result of the work that's been undertaken jointly with the Finance team.

The Chairman -

So you're happy that the process for collecting arrears is improving, the situation's improving?

Mr Crowe -

It is improving and I didn't really touch upon the long term and the long term really is about creating a viable community-based housing organisation and that's where a lot of the background has already been going in to it. Some of that is around

assessing the cost of the organisation, it's around the asset valuations, it's around the fact that we need to spend £6.5m on bringing those, just the Government Landlord houses up to the minimum standard. It's about the fact that we now have a definition of the minimum standard, there was no definition before. This was a housing service that was never regulated, there's no regulation for housing and in many ways you've got a conflict between the Government's role as both regulator and landlord and that may explain why things didn't get done.

The Chairman -

I think we understand clearly that your objective is to create a professional housing service, but, nevertheless, surely effectiveness and efficiency must be compromised by the current situation where you have the service fragmented over three different Departments?

Mr Crowe -

Well, yes, and this is where what we're doing through the work on the community-based housing organisation is defining what that service should consist of. If you talk in terms of a core landlord service, you're talking about carrying out the repairs, collecting the rent, dealing with estate management problems, developing new houses, those are pretty much the core duties, tenant consultation I'd also add is an element of it and so we're at a position now where we're drawing up what needs to be a thirty-year business plan to say if you're going to have a service like that, if you're going to look after your tenants for thirty years how much is it going to cost and then the difficult question is where does the money come from.

The Chairman -

Quite.

Mr Buckley -

What are the difficulties you're experiencing with fragmentation now on the current system, with three departments?

Mr Crowe -

I would say that in some respects it's working quite well where we've got, in terms of the planned maintenance schedule, the fact that Tracy Goldsmith has done a lot of work in helping to define a minimum standard, has completed the survey of all a hundred and seventy odd Government Landlord properties, has actually built a programme for the improvement and the backlog repairs that are needed on those programmes, I think having someone like Tracy close to hand has been a real benefit, but one of the biggest problems I would say we do face is having a real shortage of professional building expertise within Government. It cost us more to buy in professional expertise, particularly the UK-based professional expertise, and if I drift a little bit into development, what I would say is the design by e-mail is absolutely impossible.

The Chairman -

That's a fair point.

Mr Buckley -

That's difficulties on the building side, but is there any difficulties in the management aspects of the three fragmented departments?

Mr Crowe -

Well, again, I'd say we do improve, because we now have, we've appointed a local person as a Housing Management Officer and although that process was, I have to say, very convoluted, I've managed to recruit someone who I think is very good, exactly the right personality for housing management and Tracy has now completed her first assignment as part of her work towards a professional qualification. She's managed to get herself a merit in that first piece of work, so I'm really pleased that in that respect things are moving forward. I think, in terms of the, yes, I don't want to sound like a, some sort of the empire builders and, oh yes, give me a surveyor, give me this, that and the other, I think that's something that we have to look at as part of the development of the community-based housing organisation. If I felt that there were the skills out there in the community and that we didn't have to buy in skills and so on I'd be very happy with that.

Mr Buckley -

Of the thirty-one policies that were approved, is there any slippage on due dates for these policies?

Mr Crowe -

Are we talking about the actions?

Mr Buckley -

The thirty-one recommendations, the summary of recommendations.

Mr Crowe -

The recommendations, no, I mean, if you've got the time I could talk through our progress in each of those areas, if you prefer I can just give you a piece of paper with it on, but I'll leave it, it's up to you.

The Chairman -

Can you just briefly summarise?

Mr Crowe -

Yeah, yeah, well, in terms of repairs and maintenance, I've mentioned about the minimum standard, I mentioned about the completed house survey, I mentioned about the backlog repair programme, I mentioned the money that's in the budget for next year, I mentioned that we've consulted tenants over the standard and I think we, in terms of a service where, area we've had most difficulty in is about engaging with tenants, but we have gathered some tenant feedback which I think is a first and one of the things that they complain most about was where you have someone

coming out to do a repair, they don't complete the job, they say they're going to come back and they don't come back, so that's an issue that we need to address. In terms of tenant and the estate management, well we've got a new allocations and housing register policy awaiting final approval tomorrow at ExCo, so I've got quite a busy week ahead of me, we've got a revised tenancy agreement and a range of public service standards due to go up for consultation round about July onwards, I've mentioned the appointment of a Housing Management Officer, we tackled what I think could be, is the most serious housing management issue and that is the use of stairwells in the flats of Jamestown for storage. Now, bearing in mind that we've prioritised rewiring as being the thing we'd need to do first, the health and safety issue that we need to tackle first as part of the improvements programme. If we recognise that the wiring is poor in some of the flats and we allow people to store all sorts of inflammable materials in those stairwells then we're asking for trouble and so first thing we did was we wrote to everyone in the flats, then we wrote to them again, then we actually put notices up and then eventually we actually had paid for somebody to actually remove what rubbish was still there, but that is something that we have to just keep badgering on about is to make sure those stairwells aren't used for waste, because it's a real health and safety risk and if we're not seen to be doing what we can to prevent that happening and there's a tragedy then it will come back to the Government as well as, obviously, the families affected. We've carried out walkabouts of estates and what I would say is I think the two issues in terms of estate appearance which concern me most are – first of all the appearance of the houses, because we haven't had a cyclical painting programme; and, secondly, an issue which I think affects the whole of the island, regardless of tenure, and that's the amount of broken down cars that sit in people's gardens and if anyone wants to have a walk over Bottom Woods they'll see that Bottom Woods has been a dumping ground for all sorts of vehicles for what must be many years and that's an issue I think that we need to tackle corporately as a Government. We'll do our best in housing, we are taking action against people who've got, you know, who are using their yards or their gardens as breaking areas and so we're trying to deal with that. We've produced two issues of the Housing Matters newsletter and one thing that I particularly tried to do in the second issue is to say we asked you these questions, these are your responses and this is what we're going to do about it, because consultation doesn't work if you just say this is what we're going to do and don't take any notice of what people say. I still think we need to generate more responses from people and we've tried various ways in terms of consulting with people, but I'm quite pleased with the contents of the Housing Matters newsletter so far. In terms of income collection, I've been circulating a rents setting policy for some months now. Rents are a hugely sensitive issue, everyone knows the process that we went through to raise rents by a pound last year, but unfortunately the cost, the income for the service is a fraction of the true cost of it. We can't simply wack up the rents because there are people who are on low incomes who are not protected from that sort of increase and we would create poverty, we would put people's homes at risk if we did that, so what I'm working with the Finance people on is some form of housing benefits system or some form of welfare system which would protect those people who are most at risk of any increase in rents. We've introduced some

incentives for clear rent accounts, for example, we've created this house sales policy which you'll read, you may have read about already, because it's been through two Committees, but it's going to ExCo tomorrow and one of the criteria there is you've got to have had a clear rent account for six months before you can buy. And equally with the free paints, you've got to have had a clear rent account to be entitled to that. In terms of the rent arrears position, we actually, the amount of debt last year was about £37,000, it's now about £35.5k, so you could say we've actually collected more than, that is equivalent to 101% rent collection. We've also got three cases awaiting write-off which will reduce the figure further. I don't like to actually just use write-off as a means of reducing arrears, but we have some cases, someone has been off island for about ten years who's still down there as a rent arrear, writing them off doesn't mean, of course, that we can't collect it at some point in the future if they decide to come back. We've got nine cases referred to the Court for Court action, which I've mentioned and that we're trying to target the won't pays rather than the can't pays.

The Chairman -

Clearly you're making some progress, we understand that, but let me bring you back for a moment to the repairs and planned maintenance, The Public Accounts Committee has been concerned for a long time and raised a number of issues over the years about the lack of adequate pre-planned maintenance, when is this likely to be fully resolved?

Mr Crowe -

Well, we have a planned maintenance programme and that is now in place and we have a, what I think is a bigger budget than we've had for many years, next year to help pay for it. What we have to do though is, I know that people want paths doing, I know that people want gutters clearing and that sort of thing, but ultimately we have to start with the health and safety issues, which is why rewiring of the Jamestown Flats and subsequently the houses has got to be the number one priority, that's not something you can consult on, that is, you know, we've got to do that first.

The Chairman -

That's understood, but we've seen figures which suggest that the planned maintenance programme will cost a minimum of £6.5m and take about fifteen years to complete?

Mr Crowe -

Well, that includes an element of backlog repairs, just to bring the houses up to the minimum standard in the first few years, but then the cyclical repairs, things like the painting, for example, is something that does spread over a certain period of time. I must admit I was quite shocked when I saw how much we'd need to spend on painting, that is like £2.5m and one thing that we've been doing is looking at the properties and saying well, there are some properties where you need to spend so much on them that firstly at today's rent levels it would take something like, well up to eighty-nine years to actually pay for the costs of just that first fifteen years, which

shows you something of the dilemma. For the majority it's around about thirty years worth of rent just to pay for the fifteen year programme, and that doesn't include the responsive repairs, it doesn't include the management costs, it doesn't include the estate management and so on, it's just that repairs programme, so there are certain properties where we have to look at the sums and take a view as to whether it's better to invest in those properties or actually build new ones to a higher standard with your hot water cylinders on the roof and so on so that people have a reasonable supply of hot water without having to incur huge electricity bills and for certain properties we're going to have to, sort of, make some difficult decisions about saying, well, you may have lived there for a long time, but we'd much prefer to offer you a new property.

The Chairman -  
Councillor Isaac?

Councillor Isaac -

Thank you, Madam Chairman. I have two questions for the benefit of the public that's always popping up. One is, are there any plans for the sale of Government Landlord houses to sitting tenants; and, my second question is, you spoke very much on the safety of flammable materials stored in the stairways within the Flats, are there any plans for fire escapes in these Flats in Jamestown? Thank you.

Mr Crowe -

Well, for the first question, that's the sale of Government Landlord homes, basically, that's being going through the system for as long as I can remember and goes to ExCo tomorrow for final signoff, so there's a very clear policy on who we will sell properties to, in what circumstances and so that's going to ExCo tomorrow. In terms of the flammable materials in the Flats, I don't think we're obliged to provide fire escapes because none of our Flats are above a certain level and I don't actually believe we need to.

The Chairman -  
Mr Buckley?

Mr Buckley -

Yeah, going back to policies, I think it may be useful, Madam Chairman, if we do get a list of written policies under the thirty-one recommended, what has been slipped and what has been achieved and whether the remaining policies under those recommendations are achievable.

The Chairman -

That's a very good point, Mr Buckley, in fact, I was going to ask the Chairman, Councillor Baldwin, whether he thinks the current policies of your Committee support the objectives that the Housing Executive has been speaking about?

Councillor Baldwin -



I think that, I've been Chairman now for about three or four months, so I don't know a great detail, but I think over a time we've all recognised that during times of austerity maintenance programmes have been allowed to slip, we would like to address that. Andy's recommendations have been supported by the Committee since my time on the Committee, yes.

The Chairman -

And are you happy that the current policies, all of your policies have been sufficiently reviewed to ensure that they fully support the objectives?

Councillor Baldwin -

I have ensured, well, I've certainly been through them, I've had a few questions and issues that I've been dealing with with Andy, but following those discussions, yes, I think the Committee is fully in support.

Mr Crowe -

Can I just come in here? Part of my role, it's really targeted for the third year I'm here, is about housing legislation and one fear I have is that we could spend our entire lives writing policies and there are too many policies in St Helena that just gather dust and what we should really be doing is focusing on implementation, but what I will be doing as part of the next year of my presence here will be around looking at what policies need to change. I mean, in fairness to Les, you know, he won't have that detailed understanding to know that there are certain policies which need changing. I mean, we are working on changes to the tenancy conditions, but there are, you know, there is a document called Housing Policy 2003, which I think really needs completely revamping, but it's important, and I'm sure Les will agree, that we're focusing on those policies that matter most at the moment, you know, you've mentioned about house sales, that's obviously something that's close to the heart of people; tenancy conditions is another one, so, yeah, the work is there and it's all scheduled.

The Chairman -

Your question, Mr Buckley, was specifically about whether it's possible to see these policies?

Mr Buckley -

Yes, I mean, not the policy, whether there's any slippage on the due date of the thirty-one recommended policies.

Mr Crowe -

I'm very happy to do that, because basically I've got it written down here.

Mr Buckley -

Whether there's any slippage on these policies as recommended in January and whether the remaining policies are achievable, the target dates.

The Chairman -

We look forward to receiving that information. Councillor Dollery?

Councillor Dollery -

I have two problems which may not be financial. You mentioned that if the building or the Flats isn't too high you do not need fire escapes, by law that might be true, but what that means is that the only fire escape in that building is the stairwell and therefore I would argue that it is a fire escape and though I understand under law you don't require to provide it, and I would probably label all the stairwells as fire escapes, which is a very cheap thing to do, but it makes the point why they've got to be empty.

The Chairman -

I suggest that's a matter for Councillor Baldwin's Committee.

Councillor Dollery -

I'm sure he will take it onboard. The other one is on, you mentioned the snagging of property repairs, which we know is a common problem here, where the job isn't totally finished or is not cleaned up afterwards. Presumably it's the contractor's job to deliver according to contract, but do your officers/officer go round and check that the people are happy with the work that has been carried out, because until they are, as far as I'm concerned, the property repair isn't finished?

Mr Crowe -

There is no systematic approach to getting customer feedback from repairs. The work we've done so far has really been talking to whoever will come into the office when we have drop-ins and so on and asking them, but I think that's a fair point, I think that as our work develops, and you have to bear in mind that Tracy only started in post in August, that will be something else that she can take onboard.

The Chairman -

Of course, because otherwise value for money is not ....?

Mr Crowe -

Oh, absolutely, I couldn't agree with the Committee more, we've got a long way to go yet in terms of value for money. I mean, value for money is first about understanding cost, I think we've got a reasonable understanding of that, cost, but it's also about quality of service and there's still some way to go there. We're not just talking about a quick fix here, we're talking about something.....

Councillor Dollery -

I think I pick it up from what you've said, Madam Chairman, about it's value for money and that's what our initial interest is here, but also it's one of these things which will just niggle and niggle and niggle with the tenants; they came in, they left this, they left that, they left the other and it's something which can be cleared up by some discipline in the tradesmen.

Mr Crowe -  
Yeah.

The Chairman -

I think that concludes our questionings for this morning on this particular issue and thank you very much both Andy Crowe and Les Baldwin.

Mr Crowe/Councillor Baldwin -  
Thank you.

The Chairman -

Finally, we want to ask the Acting Chief Auditor, John Gilchrist, if he will tell us about the annual plan for the next financial year. John?

Mr Gilchrist -

Thank you. Now, ordinarily I sit here as an adviser to the Public Accounts Committee, that's my statutory role for the Committee as it investigates accounts and audit reports. In this instance, obviously, I am presenting, effectively, the Audit Services budget, so I'm not advising the Public Accounts Committee on that. The reason for this is that the Audit Service is now trading account and all of our income expenditure goes through that way. This means that we don't have any appropriations through the ordinary budgeting process that will be happening in the coming month or two through LegCo.

So, we have got, essentially, explained all the Audit work that we do, the anticipated ball park costs, these are all approximate at the moment, best guesses, further costs or further detail of the actual costs will be discussed with each individual body, so what is written in my draft audit plan is not cast in stone. So, as I said, I explain it in the plan, all the bodies that we plan to be doing all the work and there's a couple of performance audits, what is known as value for monies, which we haven't yet identified the subject matter, that's currently out for consultation and the reason for the unspecified nature of them is that up until recently we did not have enough staff to carry out a performance audit programme, we've recently appointed two members of staff so when they come onboard, one of them has already joined us just a couple of weeks ago and another one will be coming aboard in April, once they are in place we'll have the resources to carry out that work and until I knew that we had those resources I didn't want to begin a consultation and establish a programme that I would then be unable to deliver, so that's the reason for unnamed programmes. So we've got budgeted revenue of about £179k, expenditure of £116k, that produces a surplus, but it's partly because we have costed and met through Technical Cooperation Funding, so my salary is a Technical Cooperation funded post, so that's met by DFID funding, but what we try to do is to charge a true cost so that we're not providing any kind of untargeted subsidy to any bodies that are audited and so, because of the nature of the trading account the way it works is that any surpluses that are deemed to be in excess of what is required can be returned to the Consolidated Fund, so we don't just make a profit and sit on it, it will get moved.

The other thing to mention is that because of the small number of staff that we have any particular change, losing a member of staff, being unable to do a piece of work, has a proportionally massive impact on our potential revenue and expenditure, so it's a very volatile budget position and so if we plan to budget a surplus then it provides cover for unexpected events that might occur, such as losing a member of staff that we weren't expecting. So I would present my budget for the Public Accounts Committee to approve.

The Chairman -

Thank you. Any comments, questions from the Committee?

Mr Buckley -

Yes, Madam Chairman, under the financial audit, the audit fee for 12/13 and 13/14 for St Helena Government is a huge difference between £17,350 for 12/13 and £37,470 for 13/14, can you tell us why?

Mr Gilchrist -

Unfortunately I can't tell you that this is because we've become so much more efficient. The reason is that the figure here represents expenditure in the year 2014-2015 and we have already begun planning the 12/13 audit so we've carried out a lot of that work, therefore, that fee element is not included in this particular number.

Mr Buckley -

Okay. And, Madam Chairman, we've already heard about the audit fee for St Helena National Trust and since the Government only contribute 5.5% to the Trust, you have charged a full fee of £3,600 for this current year again, against £3,800 last year, would you think, under the circumstances that the Government only contribute 5.5% that they would qualify for an independent examination rather than a full audit, because of the £18,000 only that the Government contribute?

Mr Gilchrist -

Well, the rules about whether you require a full audit or an independent examination are set out in statute and they refer to the overall expenditure. Now, the National Trust has received an awful lot of grant income with specific conditions from outside sources, as you say, a small proportion of their total income comes from the Government, but the legislation is blind to that differential, if you see what I mean, it doesn't recognise that and therefore we're unable to recognise that and short of, effectively, subsidising the National Trust by producing, by giving them a cut price audit, we're not able to do anything differently. As I mentioned, when I was talking about the National Trust, I would hope that the thresholds will be changed such that they would then fall below the threshold and have a reduced audit fee, but that is early planning discussions at the moment.

Mr Buckley -

They're just short of a £100,000 under the standard fee, so I mean, they're just short of a £100,000 for the standard audit compulsory fee and Government only contribute

5.5%, so I take your point, but I think it's something that need to be considered really.

The Chairman -

Any other questions from the Committee? We are asked to formally approve the report, the annual plan and the budget for 2013/14 is the Committee in agreement?

Committee -

Yes.

The Chairman -

Yes, all in agreement, thank you. That's approved. So, this brings us to the end of our Public Accounts session this morning. We are most grateful to the officers who shared their valuable time with us. As always, just to remind everybody, underpinning all of our questions and comments has been the need to ensure that the resources allocated from public money supports the policy priorities set by elected members and that those budgets that senior officials are accountable for are managed effectively in accordance with those policies. Now, the Committee's next task will be to make a formal report to LegCo on these proceedings, as required of Standing Orders and we do this to ensure that the matters come before the House and then onwards to ExCo for consideration and any necessary action by Directorates or the relevant service Committees. And that concludes this morning's proceedings, I thank you for listening. Good day to you all.

