

The Saint Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of PAC held on 18th November 2011

Contents

- 1 Introduction
- 2 Informal Sessions Prior to the November Formal Session
- 3 Formal Session held on the 18 November 2011
- 4 Summary of Main Issues Arising from this Formal Session
- 5 Recommendations not Implemented from Previous PAC Sessions
6. Recommendations to SHG

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

1. INTRODUCTION

In accordance with section 69 of the Constitution and Standing Order 24, the primary function of the Public Accounts Committee (PAC), is to objectively scrutinise how Government spends the public purse. It aims to ensure that robust financial systems are in place, which reflects the highest possible standards of fiscal management. It may propose any measures considered necessary to ensure that government money is properly and economically spent, thus ensuring that the necessary architecture of accountability is in place as required by the international principles of good governance.

The work of the Committee includes consideration of Financial Statements and Audit Management Letters and Value for Money (VFM) Reports which PAC is then required to report on to Legislative Council. The Committee may also consider any other issues of concern arising from the management of public administration.

The current membership of the PAC comprises: the Chairman, Mrs Lynnette Rees-Styles (since 23rd November 2010); the Deputy Chairman, Mr Anthony Leo (since 6th April 2011) and three Council Members chosen from and by the Elected Members of Legislative Council: Hon. Michael Benjamin, Hon. Stedson Francis and Hon. Brian Isaac. The committee is advised by the Chief Auditor, Mr Colin Owen and assisted by Miss Anita Legg as Secretary.

The substantive Chair, Mrs Lynnette Rees-Styles was overseas during this period thus the meeting was chaired by the Deputy Chairman, Mr Anthony Leo. The Hon. Brian Isaac was also absent on this occasion, being on compassionate leave.

This report follows from a Formal Public Accounts Session held on the 18th November 2011.

2. INFORMAL SESSIONS PRIOR TO THE NOVEMBER FORMAL SESSION

PAC's last report followed its formal meeting held on 29th July 2011 and was laid before Legislative Council on 2nd September 2011. That report highlighted several recommendations for action by SHG comprising three recommendations on Medical Supplies, four on Solid Waste Management, one regarding SHG Financial Statements for the Year Ending March 2010 and one in relation to the Police Service Strategic Plan 2009/10. PAC has yet to receive a response from SHG on these.

Eight informal meetings of the PAC took place between the July and November, in order to discuss the following:

- Pari Max Asphalt Plant

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

- National Trust Accounts 2010/11
- Technical Cooperation Budget Under-spend
- SHG Headcount Reduction
- The role and function of the Tender Board
- The impact of the establishment of the new Corporate Procurement Section
- SHG Recharging Services
- Outstanding Recommendations from Previous Reports to LegCo
- SHAS Ship work Report
- SHAS Compliance with Contract Regulations VFM Report
- SHAS Review of Vehicle Management VFM Report
- Tourism Development Plan
- SHG Employee Working Hours

3. FORMAL SESSION HELD ON THE 18th NOVEMBER 2011

This was the sixth occasion on which the Public Accounts Committee had met in formal session since its establishment in March 2010.

The following two items were considered:

The VFM Report on the Review of Vehicle Management
The VFM Report on Compliance with Contract Regulations

The VFM Report on the Review of Vehicle Management;

In attendance were Mr. David Thomson, Director of Infrastructure and Utilities, Mr. Nicky George, Senior Transport Manager, and Mr. Paul Blessington, Financial Secretary.

The Officials recognised the fact that there is currently no budget for the replacement of vehicles and the aged vehicles will cost increasingly more to maintain over time. The Committee was informed that the Transport Division is currently considering increasing the hire rates in order to recover costs. This means that all Government Departments will have to take this into account when compiling their budgets.

PAC considers that a more effective use of resources can be achieved by the implementation of a rolling replacement programme. The feasibility of entering into long-term leasing arrangements instead of outright purchase should be investigated. The Committee also noted that in order to inject a significant amount of cash into replacing the fleet, a draft business case should be presented to the Economy & Finance Committee.

The Senior Transport Manager also confirmed they were considering bulk purchasing and negotiating discounts as an efficient spending of funding.

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

PAC considers that in due course, there may be sufficient capacity within the private sector that could handle the whole of the vehicle fleet and directorates would then hire from them, hence SHG would not be involved in maintenance costs at all. This strategy would also be consistent with SHG's aim of enabling private sector development.

The value for money report highlighted the fact that over 8000 litres of fuel could not be accounted for and it was noted that some of the fuel tanks on plant don't have a lock. It is the case that signatures did not show that fuel was received by the plant operator. PAC were pleased to hear both the Director and Senior Transport Manager commented that controls are now in place to prevent this reoccurrence.

The VFM Report on Compliance with Contract Regulations:

Dr Corinda Essex, Director of Corporate Procurement and Mrs. Gillian Francis, Chair of the Tender Board, were present to respond to issues of concern regarding the value for money report on Compliance with Contract Regulations.

It is noted that SHG payments made for the period 2009/10 amounted to £3,947,520 and in 2010/11 procurement costs doubled in total to the value of £7,674,415.

Dr Essex was asked what progress had happened since the report was issued in August 2011. PAC were advised that no programme of action regarding procurement costs and the outstanding review of contract regulations was possible until the Corporate Procurement Section had been fully staffed.

The Chair of the Tender Board was asked to comment on the role of the Tender Board and the issues raised within the VFM report- She replied that as contract regulations currently do not specify terms of reference for the Tender Board, this will be addressed during the review of Contract Regulation. Dr Essex explained further that the regulations would be reviewed within six months of her section being staffed.

The Committee is concerned with the delayed implementation of the Corporate Procurement Directorate and the benefits of such a Directorate have not been realised during the past year. The Committee believes that action needs to be taken now and waiting a further six months after the section is fully staff is questionable.

4. SUMMARY OF MAIN ISSUES ARISING FROM THIS FORMAL SESSION

- there is no budget for the provision of replacement vehicles;
- the cost of maintaining the aging vehicle fleet is increasing in an unsustainable way;
- non-compliance with Contract Regulations is a regular occurrence; the Regulations need urgent need of review;

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

- the Tender Board currently operates without any written terms of reference; its role and function require clarification and review to enable it to add value to the process of contract regulation; and
- further delay to the implementation of the Corporate Procurement Directorate is not acceptable and action needs to be carried out urgently to fully implement the Directorate.

Specific and detailed recommendations are set out in section 6 of this report.

A copy of the transcript of this formal session can be obtained from the PAC Secretary via e-mail sec.em@cwimail.sh or can be viewed on the SHG website www.sainthelena.gov.sh

5. RECOMMENDATIONS NOT IMPLEMENTED FROM PREVIOUS PAC SESSIONS

LegCo is asked to note this Committee's concerns regarding the apparent lack of commitment to ensuring that issues raised and recommendations made by PAC are followed through and addressed by the relevant Directorate and/or Council Committee as appropriate. Therefore PAC asks that issues contained in this and future reports be brought to the attention of Council Committees for consideration and subsequently fed back to PAC.

The following matters are, to date, still outstanding:

1. Heads of Department Staff appraisals: It was recommended that a report be submitted to PAC following the completion of the 2010/11 Appraisals. The report is still awaited.
[Response included in the 29 July 2011 PAC Report](#)
2. The monitoring of BFI Maintenance: PAC recommended that the inspection arrangements be the subject of an external review. With the new Infrastructure & Utilities management arrangements now in place, PAC requests an update on this matter.
[Response included in the 29 July 2011 PAC Report](#)
3. PAC has received no response to the following recommendations regarding Medical Supplies:
 - Consider the security of medical supplies awaiting disposal and establish an action plan for managing the disposal of the backlog.
 - Make arrangements to monitor the toxicity levels of disposal by incineration.

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

- Make provision within the revised Contract Regulations for the need to apply different and more flexible purchasing arrangements to medical supplies.

[Response included in the 29 July 2011 PAC Report](#)

4. PAC has received no response to the following recommendations regarding the Solid Waste Management Project:

- Establish a clear policy remit at committee level.
- Review and clarify the Project Management arrangements and reporting lines.
- Consider the adequacy of the consultancy arrangements and technical support.
- Establish a revised Action Plan to bring the project back on track.

[Response included in the 29 July 2011 PAC Report](#)

5. PAC has received no response to the recommendation regarding SHG Financial Statements to March 2010 in that the Director of Finance regularly monitor the under-spending of monies allocated for development projects.

[Response included in the 29 July 2011 PAC Report](#)

6. PAC has received no response to the recommendation regarding the Police Service Strategic Plan 2009/2010 in that a review of the pay of police officers is carried out, by the Chief of Police in conjunction with the Human Resources Directorate.

[Response included in the 29 July 2011 PAC Report](#)

PAC requests the Chief Secretary to issue a formal response to the outstanding recommendations, within fourteen days of receipt of this report.

6. RECOMMENDATIONS TO SHG

No	PAC Recommendations	SHG Response
1	<p><u>Vehicle Management</u></p> <p><u>Recommendations:</u></p> <p>There were 24 recommendations made by the Audit service to improve the adequacy of the management arrangements for the SHG vehicle fleet. Whilst PAC has been advised that some progress has been made to address administrative deficiencies and weaknesses in control systems, the fundamental problem of inadequate funding for the replacement of an aging vehicle fleet remains.</p> <p>PAC recommends:</p> <p>1.1 That more radical options, including the feasibility of long-term lease arrangements with a private sector operator, be considered before implementing a formal vehicle replacement policy.</p> <p>1.2 That the principle of full cost recovery be pursued forthwith.</p>	<p>1.1 The Infrastructure and Utilities Directorate is still to look at the prospect of long-term lease arrangements and will do so when refining the business case. Long term lease arrangements usually entail an agreement over maintenance costs, and the current business case effectively has the Transportation Section (the Government Garage) acting as the effective lease holder, because new cars are bought, rented out, maintained and then sold off for their second hand value. Current practice is to buy from off shore and to sell them on island – so the model doesn’t match the commercial model that can work better in a mainland situation. The Directorate has however, looked at the feasibility of bulk purchasing and this would appear to be a good way to reduce the up-front costs, particularly if a three year package can be set up from the outset. More work will take place on this over the coming twelve months because the Business Case has not been rated a high priority during the current budget round when compared with other spending bids across Government.</p> <p>1.2 Although the Business Case has been prepared on the basis of a fleet replacement over three years and this pays back over six years, the Infrastructure and Utilities Directorate is still trying to work around a solution that requires less capital upfront. The principle of full cost recovery is going to be in place for the coming financial year and the rental charges to other SHG directorates will reflect this.</p>

**The Saint Helena Public Accounts Committee
Report to Legislative Council on the 18th of November 2011 Committee Meeting**

No	PAC Recommendations	SHG Response
2	<p><u>Compliance with Contract Regulations</u></p> <p><u>Recommendations:</u></p> <p>The need to improve controls over procurement processes, and thus achieve better value for money, has been recognised through the decision to create a specialist Procurement Section, yet delays in the establishment of the new unit, have meant that the anticipated efficiency savings have failed to materialise.</p> <p>The delay in establishing the Corporate Procurement function has also inhibited progress on amending and strengthening Contract Regulations and clarifying the terms of reference of the Tender Board. From a Good Governance perspective, both of these issues require urgent attention and full implementation of Corporate Procurement Directorate is urgently required.</p> <p>PAC recommends immediate implementation of these actions as soon as practicable.</p>	<p>External recruitment to the post of Corporate Procurement Facilitator attracted a strong field in terms of both quality and quantity. The successful candidate will assume duties in mid-February following completion of her notice period in her current employment. Two applications have been received for the post of Corporate Procurement Assistant, but one applicant does not meet any aspects of the post criteria. An interview is being set up for the other applicant.</p> <p>It is therefore hoped that the Corporate Procurement Section will be fully staffed and operational by the end of February.</p> <p>The review of Contract Regulations is the top priority for the Corporate Procurement Section to take forward as soon as relevant officers are in post. The review should therefore start before end February 2012.</p>