

The Saint Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of PAC held on 29th July 2011

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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.

This report follows from a Formal Public Accounts Session held on 29th July 2011.

2. INFORMAL SESSIONS PRIOR TO THE JULY FORMAL SESSION

PAC's last report followed its formal meeting held on 15th April 2011 and was laid before Legislative Council on 27th June 2011. That report highlighted nine recommendations for action by SHG comprising six recommendations on Empty Government Buildings, one regarding Contracts for Works and Services, and two in relation to the Procurement of Electrical Equipment by the Energy Division. PAC continues to monitor progress on these.

Nine informal meetings of the PAC took place between the April and July formal sessions in order to discuss the following:

- The principles of Good Governance
- Outstanding recommendations from previous reports to LegCo
- SHG's Financial Statements for year ended 2010
- The Solid Waste Management Project
- The application of Government Landlord Housing Policy
- SHAS Review of the PW&SD Recommendations Report

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- SHAS Review of the Agriculture Division Business Plan 2009/10 VFM Report
- SHAS Review of the Police Service Strategic Plan 2009/10 VFM Report
- SHAS PH&SSD Medical Supplies VFM Report
- SHAS Annual Audit Plan for 2011-12

3. FORMAL SESSION HELD ON THE 29th JULY 2011

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

The following four items were considered:

A VFM Report on Medical Supplies

The Solid Waste Management Project

SHG's end-of-year Financial Statements for 2010

The VFM Report on the Police Service Strategic Plan 2009/10

Medical Supplies

The Senior Medical Officer & Clinical Director, Dr Saril Bloem, was in attendance to answer questions, together with Mrs Helen Lawrence, Acting Director of Health & Social Welfare and Mr Keith Yon, Senior Dispenser.

As the budget for Medical Supplies is one of Government's high-level expenditure items, PAC wished to explore some issues raised by the Audit Service following a VFM study in May 2011. The committee noted the following;

- That the budget for the current year had been set at £506K which is marginally lower than the actual spend on medical supplies during 2009/10.
- That there were justifiable reasons why the procurement of medical drugs needed to be treated differently outside of the standard rules required of Contract Regulations and the forthcoming review of the Contract Regulations would need to take this into account.
- That the current policy of using drugs up to 6 months out of date was currently being addressed.
- That there was still an unacceptably high backlog of out-of-date drugs requiring disposal and that the current arrangements for the disposal of medical waste were woefully inadequate and may have health and safety implications.

In addition, the committee was apprised of some of the cost constraints associated with the intended divestment of some elements of the pharmacy service, particularly in respect of the requirement for a fully-qualified Pharmacist.

Solid Waste Management

As this is a DFID-funded project which had been approved in November 2008, PAC wished to be advised of the reasons why it had not been possible to make more progress

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given that approx 25% of the approved funding has been spent to date with no committee-approved Waste Policy yet in place.

The Senior Environmental Health Officer, Mrs Georgina Young and the Project Manager, Mr Robert Ellick, were invited to answer questions. Mrs Helen Lawrence was also in attendance. Councillor Michael Benjamin declared his interest in this matter on the basis of his Recycling Company.

The committee learned that a number of unresolved issues appear to inhibit progress on this project. In particular, the status of the COWI report is unclear, there is as yet no committee approved policy and therefore no clear framework or action plan or milestones within which all the different elements of the project can be managed. The committee were advised that overall responsibility for the Solid Waste Management project has now shifted to the Director of Infrastructure and Utilities, yet the line management responsibility for the project lies within the Directorate of Health & Social Welfare, despite this being an infrastructure project. At the time of compiling this report, the committee were advised that the current status of the project is that it is on hold, pending an expert opinion on whether or not there is a need to relocate the waste dump away from Horse Point due to the risk of birdstrike affecting the airport site. It is the view of the PAC that this presents an opportunity for the management arrangements for this project to be reviewed and clarified urgently.

End of Year Financial Statements

The next item to be considered was the SHG Financial Statements and Audit Management Letter for the year ending 31st March 2010. Whilst the committee were aware that this set of Accounts is now a historical document, PAC requested the Financial Secretary, Mr Paul Blessington to give an overview on what progress had been made to date on addressing the recommendations made in the Management Letter.

We noted the significant progress made towards the implementation of Accruals accounting and look forward to the improvements that this will bring to the overall financial management of Directorate budgets in future. However, the trend of significant underspends, particularly on development projects, has continued and this is likely to be reflected again in the Accounts for the year ending 2011. PAC is concerned that the effect of ongoing underspending of monies approved for development, may invite further negative comment from DFID and potentially reduce budgetary aid in real terms. The Financial Secretary assured the committee that these issues were being addressed within Directorates.

Police Service Plan

The final item under consideration at this session was the Police Service Strategic Plan for 2009/10. Whilst PAC were aware that the annual Business Plan and performance targets would have been updated for the current year, the committee took the opportunity to review, with the Chief of Police, Mr Peter Coll, ongoing factors affecting the performance of the police service. The Deputy Chief of Police, Mr Jeffrey Ellick was also in attendance. It is clear from the issues raised that difficulties with the recruitment and

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retention of police personnel is a major inhibiting factor in the ability to meet the performance targets that the Chief of Police is striving to achieve.

Questions and concerns focussed on the high turnover of Police personnel, the adequacy of the current pay structure and hours of work; the possible service implications and cost of a move to a 24/7 shift pattern; and reasons why the majority of performance targets set had not been met in the year under review. The Chief of Police was also asked if he considered that all of the recommendations made by the Police Advisor were appropriate for St Helena.

4. SUMMARY OF MAIN ISSUES ARISING FROM THIS FORMAL SESSION

- There are unresolved issues concerning the stockpiling and disposal of medical supplies, particularly out of date drugs.
- Clear policy decisions need to be made on sustainable strategies to manage the disposal of waste to enable the Solid Waste Management Project to proceed. It is clear that there is no action or established milestones. Furthermore, the management arrangements to support the project need to be strengthened.
- The ongoing difficulties with recruiting and retaining police officers are having a negative impact on the ability of the police service to meet its performance targets.
- With regard to SHG's financial statements, PAC commends the move to accruals accounting for future years but will continue to monitor trends, during the current year, on the underspending of monies allocated for development projects.

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.

The following matters are, to date, still outstanding:

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1. Heads of Department Staff appraisals: It was recommended that a report be submitted to PAC once this exercise was completed. The report is still awaited.
See attached situation report at A.
2. Post Office Delivery Service: PAC recommended a progress report be issued on which service delivery option is expected to ensure best value for money. It is not clear what the current service delivery policy is.
Currently the Post Office delivers mail to PO boxes and sub-post offices, not to individuals doors (although this service is available for a premium). The Post Office has examined a range of options for the reintroduction of door to door delivery and the introduction of a single monthly door to door delivery would seem to be the most attractive, as much of the mail consists of monthly bills which issue around the same time every month. Implementation of the plan would depend on funding which is being considered as part of the current budget round.
3. The monitoring of BFI Maintenance: PAC recommended that the inspection arrangements be the subject of an external review. Now that the Director of Infrastructure & Utilities is in place, PAC requests an update on this matter. This recommendation has been reviewed in light of the recent positive airport decision and the fact that the contract includes the installation of a new bulk fuel farm. The view has therefore been taken that in view of the limited life of the existing BFI, it would not be cost effective to organise an external review of the inspection arrangements. However in going forward, SHG will ensure routine joint inspections are undertaken on an annual basis by SHG and Solomons and Company. The Financial Secretary is in discussion with the Director of Infrastructure and Utilities about this.
4. Over Sixties Pensions: PAC recommended that further research is needed to establish how the pension liability could be funded. A progress report is also needed.
There are no plans to fund current pension liabilities that are in the region of £15-20m. Pensions for most current staff will continue to be paid from the consolidated fund as they become due. New joiners since 1 April 2010 are on funded defined contribution arrangements. SHG is currently consulting on proposals that would change the rules of the current unfunded arrangements, aimed in part at reducing future increases in unfunded liabilities.

PAC requests the Chief Secretary to issue a formal response to the outstanding recommendations, prior to the next formal PAC to be held on 28th October 2011.

6. RECOMMENDATIONS TO SHG

No	PAC Recommendations	SHG Response
1	<p><u>Medical Supplies</u> PAC were reassured by the explanations given for the use of some drugs which have passed the manufacturer’s recommended use-by date and welcome the intention to implement a new Drugs Code to further limit the use of out of date medicines. However, the disposal of drugs which are not going to be used must be tightly controlled and not stock piled whilst awaiting disposal. Further clarity is necessary to ensure informed decision-making, with the input of relevant expertise, regarding the safety implications of deciding whether disposal should be by incineration or deep burial. In particular, given that there is now a significant backlog awaiting disposal, the health and safety implications (toxicity levels) of burning large quantities of chemical drugs must be considered, particularly as it would appear that the incinerator does not fully meet EU standards.</p> <p><i>Recommendations:</i> 1.1 Consider the security of medical supplies awaiting disposal and establish an action plan for managing the disposal of the backlog. 1.2 Make arrangements to monitor the toxicity levels of disposal by incineration. 1.3 Make provision within the revised Contract Regulations for the need to apply different and more flexible purchasing arrangements to medical supplies.</p>	<p>1.1 Stockpiled drugs have now been disposed of by deep burial, as advised by COWI consultant. In future out-of-date drugs will be disposed off by incineration on a monthly basis.</p> <p>1.2 Expert advice will be sought on how to achieve this recommendation</p> <p>1.3 . Suggested amendment to Contracts Regulations approved by FS and with him for further action</p>

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No	PAC Recommendations	SHG Response
2	<p><i>The Solid Waste Management Project</i> DFID approved funding for this project in November 2008 with project completion due by 2014, yet to date it would appear that the Health & Social Welfare Committee has yet to define and approve the policy principles for the reduction of landfill, the treatment of recyclable materials, the introduction of user charges and other related waste policy issues. Furthermore, frequent changes to the management arrangements for the project have compounded delays and would appear to require further clarity. The status of the COWI consultant's report on the recycling feasibility study and related waste management issues remains unclear.</p> <p><i>Recommendations:</i></p> <p>2.1 Establish a clear policy remit at committee level.</p> <p>2.2 Review and clarify the project management arrangements and reporting lines.</p> <p>2.3 Consider the adequacy of the consultancy arrangements and technical support.</p> <p>2.4 Establish a revised Action Plan to bring the project back on track.</p>	<p>2.1 The way forward is being considered following the receipt of the 'Bird Strike' report. It should be noted that the final Bird Strike report has not yet been received but DFID/Nigel Kirby has advised that there are no major changes from the draft received in August 2011.</p> <p>2.2 Director, Infrastructure and Utilities is the Programme Manager and the Director, Health and Social Welfare is the Accounting Officer for the project.</p> <p>2.3 These will be discussed further once the way forward is agreed following the recommendations of the 'Bird Strike' report. The advice given so far by the consultant has actually resulted in the commissioning of the 'Bird Strike' report. As far as the H&SW Directorate is aware, threat of 'Bird Strike' has never been highlighted by any other consultant associated with the Access project. The Health and Social Welfare Directorate has issued TORs for the operational Link provided for in the Solid Waste management project; these TORs include the need for the appointed consultant to investigate the possibility of relocating the existing landfill site and looking into revisiting/revising the present/ future operational management arrangements for waste collection, disposal and treatment. Two tenders have been received which are currently being evaluated. It is planned that the consultant visit the island in May this year, or earlier if possible.</p>

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No	PAC Recommendations	SHG Response
		<p>2.4 It will be necessary to redefine the project outputs in light of the 'Bird Strike' report. It is still to be determined who will be responsible for taking forward the recommendations of the Bird Strike report and, in this regard, discussions are ongoing within SHG.</p>
3	<p><u>SHG Financial Statements & Management Letter for the y/e 31st March 2010</u></p> <p>PAC is required to consider and report on the published annual accounts of the Government together with the Chief Auditor's Management Letter. Council will already be aware that the Chief Auditor has accepted the Financial Statements for the period in question without qualification. Given the lapse of time since the end of the financial year in question, PAC will wish, in future, to look at the Financial Statements at a much earlier stage and the Chief Auditor has readily agreed to this.</p> <p><i>Recommendation:</i></p> <p>Director of Finance to regularly monitor the underspending of monies allocated for development projects.</p>	<p>The Finance Directorate produces monthly management reports for Senior SHG officials and elected members. These contain a breakdown of expenditure on all major development projects. Significant variances are challenged by Finance and taken up with project managers or delegates. Significant variances are highlighted when presented to Economy and Finance Committee.</p>

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No	PAC Recommendations	SHG Response
4	<p><u>Police Service Strategic Plan</u></p> <p>PAC notes the ongoing difficulties with the recruitment and retention of police officers. This challenges the ability of the police service to meet its performance targets. This committee believes that a return to 24/7 policing within an appropriate shift working pattern would not only enable the better performance of the service, but would reduce the significant expenditure on call out and overtime payments because the level of out of hours working currently required would be built into shifts. Pay levels of police officers should be set to recognise the need for a non-standard pattern of work and it may not be appropriate to harmonise police pay with the pay of staff in other directorates.</p> <p><i>Recommendation:</i></p> <p>That a review is carried out by the Chief of Police, in conjunction with the Human Resources Directorate, of the pay of police officers.</p>	<p>The Police Directorate has carried out its own review and as a result has made application for a Market Forces Supplement for suitably qualified constables who perform front line duty.</p> <p>The Police Directorate has also called for an Independent Review of Pay and Conditions (in order to carry more weight than the internal review) and whilst there is good support for such a review, it can be argued that there is also a case for a review for nurses and teachers.</p> <p>In this regard, plans are in hand to address the recruitment and retention problems across SHG and this is one of the key areas for discussion during the current DAPM visit.</p>

SITUATION REPORT ON PERFORMANCE APPRAISALS FOR HEADS OF DEPARTMENT/DIRECTORS

At the PAC meeting held on 29 October 2010, the then Chief Secretary undertook to provide the PAC with a report when all appraisal interviews had been completed for Heads of Department and countersigned by the Governor. The PAC has since been following up on this recommendation and this brief paper shows the number of reports that were completed for the years ending March 2010 and 2011.

Appraisals completed for year ending 31 March 2010

At the end of March 2010, there were a total of 15 Heads of Department in post, namely:

- Employment and Social Security Officer
- Director of Tourism
- Chief of Police (Acting)
- Chief Agriculture and Natural Resources Officer
- Head of Public Works and Services Department
- Chief Education Officer
- Head of Legal, Lands and Planning Department
- Chief Auditor
- Chief Development Officer
- Postmistress
- Chief Admin and Social Services Officer
- Chief Finance Officer
- Head of Internal Audit
- Chief Human Resources Officer
- Deputy Chief Secretary

Reports were completed for 11 officers.

Appraisals completed for year ending 31 March 2011

Mid term reviews for the period 1 April 2010 to 31 March 2011 were completed for 9 officers but only 5 end of year appraisals were completed for the year ending 31 March 2011. This was largely due to the then Chief Secretary's early departure from post.

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Appraisals for the current year 2011/12

On 1 April 2011, SHG introduced its new directorate structure. Most Heads of Department were re-designated Directors, all of whom are members of the Corporate Management Team. The Employment and Social Security Officer post was abolished as part of the rationalization and re-structuring exercise; the Postmistress post became a Head of Section post within the Finance Directorate; the Director of Tourism post was re-designated Head of Tourism and the Head of Legal Lands and Planning was re-designated Crown Estates Manager.

The following is a list of Director level posts:

- Tourism Development Executive
- Director of Police
- Director of Agriculture and Natural Resources
- Director of Infrastructure and Utilities
- Director of Education and Employment
- Chief Auditor
- Director of Corporate Procurement
- Director of Health and Social Welfare
- Director of Finance
- Head of Internal Audit
- Director of Human Resources
- Director of Strategic Policy and Planning
- Deputy Chief Secretary

Individual Performance Appraisals are deemed an important element of the overall performance management system and are taken very seriously. During the early part of 2011/12, a generic set of performance objectives were agreed for all of the above corporate management posts and job specific objectives have also been agreed. Mid term reviews have been undertaken and end of year appraisals are to be completed by the end of March 2012.