

The Saint Helena Public Accounts Committee

**Report to Legislative Council on
the Formal Session of PAC held on 13th January 2012**

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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, the Deputy Chairman, Mr Anthony Leo 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 Hon. Brian Isaac did not participate in the proceedings on this occasion.

2. INFORMAL SESSIONS PRIOR TO THE JANUARY FORMAL SESSION

Four informal meetings of the PAC took place during December and January, to discuss the following:

- **Tourism Development Plan**
- **Solid Waste Management Project**
- **Tender for Ferry Boat refurbishment**
- **SHG Performance Indicators**
- **Potential Conflicts of Interest affecting Elected Members of PAC**
- **Outstanding Recommendations from Previous Reports to LegCo**

3. FORMAL SESSION HELD ON THE 13th JANUARY 2012

This was the seventh occasion on which the Public Accounts Committee had met in formal session since its establishment in March 2010. It considered a Value For Money Report from the Saint Helena Audit Service which set out to assess the adequacy of the Performance Indicators used by SHG to measure the performance of government activities in relation to its strategic policy framework.

The VFM report had concluded that the performance indicators established by SHG are inadequate to enable management and key stakeholders to determine the performance of SHG in achieving its objectives. PAC therefore wished to scrutinise the findings and ascertain what measures were being considered to rectify the inadequacies so that key stakeholders could, in future, assess whether value for money is being achieved.

The Chief Secretary, Mr Owen O’Sullivan and the Director of Strategic Policy and Planning, Mrs Susan O’Bey were in attendance to answer questions.

The Committee wished to learn more about the type of indicators in use to measure performance and whether they could be relied upon to accurately determine the extent to which government departments were meeting their obligations in terms of efficiency, effectiveness and financial prudence.

We noted that more than 50% of the Performance Indicators in use within Directorates during the financial year 2011-2012 were not fit for purpose and a significant number were not specific, measurable, achievable,

relevant or time bound to be useful for measuring performance. Consequently there are currently substantial areas of policy development and service delivery which stakeholders have no means by which they may measure success or failure or to know whether the resources consumed by SHG achieved the desired outcomes.

The Committee was informed of the plans in hand to address the shortcomings identified in the Report and to ensure that the recommendations could be implemented for the 2012-2013 financial year. However, there would be a requirement for considerable training and support within Directorates to develop appropriate performance indicators and substantial improvements made to internal management information systems before the appropriate data could be produced for performance indicators. Officials acknowledged that it would be the end of the next financial year, March 2013, before all Key Performance Indicators were sufficiently well-developed to be able to accurately measure the extent to which policy objectives were being met.

The Committee strongly supports the need to establish more outcome-based performance indicators for service delivery objectives. We note that many of the new initiatives being undertaken are project-based and we have a particular concern, based on our scrutiny of some of those projects in previous meetings, that the existing project management arrangements are not sufficiently robust to ensure value for money. We have seen unrealistic timeframes, cost over-runs, inadequate risk assessments, or financial decisions taken before a business case has been tested or a procurement strategy worked through. These are all key indicators of possible project failures which could, in turn, lead to large amounts of public money being wasted. We therefore recommend that the development of specific outcome-based performance indicators for specific projects receive closer attention and are addressed as part of the ongoing improvements being implemented.

Underpinning all of our questions was the need to ensure that resources approved and allocated support the policy priorities set by elected members and that the work government directorates do is directly related to those policies. For this reason we touched on the ongoing restructuring and in some cases the relocation of functions within and between Directorates. Clearly the expectation is that these changes will not only

improve the effectiveness of Directorates' performance overall and deliver efficiency savings, but also create a more focused and integrated management structure to support the delivery of the policy objectives set within the committee structure. We therefore encourage the Chief Secretary to scrutinize the changes closely to ensure that this happens.

4. SUMMARY OF MAIN ISSUES ARISING FROM THIS FORMAL SESSION

- There are significant implications of managing services and projects with inadequate or inappropriate performance indicators which could lead to service or project failure and an increased risk of misinformed decisions being made. The case for establishing better indicators so as to be able to measure performance accurately is undeniable.
- To improve the effectiveness of the performance management system and reduce the administrative burden on directorate managers, the number of indicators can and should be substantially reduced without compromising the means by which the achievement of performance can be measured.
- To aid performance monitoring and measurement, there needs to be an increased focus on appropriate data collection which feeds into well-developed management information systems at the Directorate and Corporate levels.
- Directorate managers will need support and training to develop the skill of writing 'SMART' and outcome-based performance indicators.
- In some cases, a gap exists between the objectives of committees and the work of directorates. The development of more specific and measurable performance indicators should support a better alignment between action and accountability.
- The reorganisation of directorates should lead to a more efficient, effective and streamlined government. An additional specific performance indicator for headcount reduction will be recommended.

- **It is apparent that SHG stakeholders, including the public, will not be able to determine:**
 - a) whether all resources allocated to directorates in the financial year 2011/12 was effectively spent,**
 - b) what improvements can be made to service delivery, or**
 - c) the extent to which the strategic objectives have been achieved, because of the poor state of performance indicators**

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. OUTSTANDING ISSUES FROM PREVIOUS PAC REPORTS TO LEGCO

PAC's previous report followed its formal meeting held on 18th November 2011 and will be laid before Legislative Council during the February sitting. That report made recommendations concerning two issues: the management of SHG's Vehicle Fleet and Compliance with Contract Regulations.

That report also listed several other PAC recommendations made in previous reports to LegCo upon which a response was still awaited.

LegCo is again requested to take note of 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.

6. RECOMMENDATIONS TO SHG

PAC Recommendations	SHG Response	PAC Response May 2012
<p><u>Performance Indicators</u></p> <p><u>Recommendations:</u></p> <p>There were 11 recommendations made by the Saint Helena Audit Service to improve performance indicators and the performance management system in use across SHG. PAC supports all the recommendations made and notes that ongoing progress is being made to address the deficiencies.</p> <p>In addition, PAC recommends:</p> <p>1.1 That closer attention is paid to ensuring that the strategic objectives approved by committees and the objectives set by Directorate managers are more closely aligned. The development of outcome-based performance indicators which are specific and measurable should support this goal.</p>	<p>1.1 From April 2012, SHG's Corporate Performance Management system has been revised and now includes a total of 60 Performance Indicators. Included in this is a set of Key Performance Indicators which will be used to measure individual directorate and corporate performance during the three year budget cycle.</p>	<p>1.1 PAC is pleased that a system is now in place but still has concerns with regards to the quality of the KPIs including the systems supporting the KPIs.</p>

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PAC Recommendations	SHG Response	PAC Response May 2012
<p>1.2 A specific additional performance indicator for headcount reduction be added to the generic indicators to be monitored by the Corporate Management Team.</p>	<p>Each KPI will have a data collection/management system which will be used to verify the performance report for each KPI</p> <p>1.2 Included in the set of KPIs is a set of corporate KPIs which includes an indicator measuring progress against the planned headcount reduction for the public service.</p> <p>In the meantime SHG is currently recruiting a modernisation support advisor whose remit will include a review the existing performance management systems and include recommendations to ensure that they are in line with accepted best practice and support directorates to produce performance indicators which are in line with what is recommended by both the St Helena Audit Service and the Public Accounts Committee.</p>	<p>1.2 Noted new indicator.</p>
<p>1.3 That managers of all significant projects are required to identify</p>	<p>1.3 and 1.4 The contents of this report will be shared and discussed with the</p>	<p>1.3 The response provided does not address the</p>

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PAC Recommendations	SHG Response	PAC Response May 2012
<p>specific outcome-based performance indicators before project implementation commences.</p> <p>1.4 That Chairs of Committees and Directors, as appropriate, action all points raised in this and previous reports and report back to PAC.</p>	<p>Corporate Management Team to ensure that all recommendations are taken on board and fully complied with.</p> <p>SHG will monitor the implementation of recommendations contained in this report and all previous reports to which a response has already been provided.</p>	<p>recommendation with regards to PIs for significant projects. The PAC further requests that the recommendation be implemented and an appropriate response provided.</p> <p>1.4 Noted, the commitment that SHG will monitor recommendations.</p>