



**St Helena
Government**

ST HELENA PUBLIC ACCOUNTS COMMITTEE

**REPORT TO LEGISLATIVE COUNCIL ON THE
FORMAL SESSION OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON 9 AND 12 DECEMBER 2024
AND 23 JANUARY 2025**

Laid upon the Table 5 February 2026

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Sessions of the Public Accounts Committee held on the 9th, 12th December 2024 and 23rd January 2025

1. Introduction

In accordance with Section 69(6) of the Constitution of St Helena, Ascension and Tristan da Cunha, the Public Accounts Committee (PAC) hereby reports to Legislative Council on the First and Second Sitzings of the Second Formal Session of PAC held in December 2024 and the First Formal Session (and Third Sitting) held in January 2025 to examine the St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22.

Membership of the Committee is comprised of:

Chairman:	Mr Mark Yon
Vice Chairman:	Mr Bramwell Bushuru Lumukwana
Members:	Hon Gillian Brooks
	Hon Dr Corinda Essex
	Hon Karl Thrower

The Committee is advised professionally by the Chief Auditor, Mr Brendon Hunt, assisted by Deputy Chief Auditor, Mrs Vimbai Chikwenhere, and administrative support is provided by the Clerk, Miss Anita Legg.

A transcript of these proceedings will be made available in the Public Library and on the St Helena Government (SHG) website at <http://www.sainthelena.gov.sh/public-accounts-committee/>.

2. Order Paper – Second Formal Session 2024, Monday 9th, Thursday, 12th December 2024 and First Formal Session 2025, 23rd January 2025

9th December 2024 (First Sitting)

- I. Chairman's Address

- II. St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22

12th December 2024 (Second Sitting)

- I. Chairman's Address

- II. Continuation of St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22

23rd January 2025 (Third Sitting)

- I. Chairman's Address

- II. Conclusion of St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22

I. Chairman's Address

The Chairman opened the meeting and welcomed all in attendance and everyone listening via radio and live streaming.

As is customary, the Chairman explained the Constitutional role of PAC in accordance with Section 69 of the Constitution of St Helena, Ascension and Tristan da Cunha and Standing Order 26. He went on to explain the Committee's primary function which is to objectively scrutinise how the Government spends the public purse and advised further that the PAC is protected to act independently and is not subject to the directions and control of the Governor, the Executive Council, or any other body or authority and, has power to call any person to give evidence orally.

The composition of the Committee together with the key advisory and administrative support roles were then highlighted.

A brief update was provided on PAC. The Chairman together with the Vice Chairman, Councillor Andrew Turner, Deputy Chief Auditor Vimbai Chikwenhere, and the Internal Audit and Risk Manager Blessing Gurure attended the Sixth UK Overseas Territories Forum on Oversight of Public Finances and Good Governance in Westminster London, UK from 10th to 12th September 2024. This is the flagship bi-annual event which brings together the three main strands of scrutiny within the UK and Overseas Territories, resulting in a communique that highlights the contributions at the Forum and a proposed direction of travel. Gratitude was extended to CPA UK for assisting with funding the attendance.

On Friday 29th November 2024, the Chairman, Vice Chairman and PAC Clerk attended a virtual meeting of the Commonwealth Association of Public Accounts Committees held in Malta. This is also a bi-annual event at which the election of a new Executive Board is undertaken. The St Helena PAC sought one of the three Executive roles but lost however by one vote. Going forward, the St Helena PAC will seek to become a Member of the Executive Committee instead. Thanks were extended to the St Helena Government for enabling use of their meeting room facilities. The Chairman stated however that it was most disappointing that due to no funding being available, PAC could not be represented at the event in person, nor at the BIMR Conference held the day before on 28th November.

The Chairman invited participating witnesses to introduce themselves and to declare any conflicts of interest. He then moved on to explain and proceed with the business under scrutiny.

In concluding the Formal Session, he thanked everyone and added that PAC would evaluate the evidence heard and submit a report to Legislative Council on its findings, together with any recommendations. Thanks were also extended to South Atlantic Media Services for providing the live streaming and radio coverage, and to the listening public for their overwhelming feedback and continued interest in the work and activities of the St Helena Public Accounts Committee.

The evidence taken at these Formal Sessions of PAC is summarised below.

II. St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22 (including the continuation and conclusion Sitings)

The PAC examined the new Bulk Fuel Installation (BFI), highlighting estimation uncertainties from ongoing configuration studies whilst expressing numerous concerns and risks associated with the prolonged delay in commissioning the new BFI. SHG officials confirmed that a study performed by Chemi-Tech consultants proposed using most of the existing infrastructure, excluding jet fuel components. PAC was concerned to hear that the project, initially budgeted at £31.4 million, had overspent by £46.9 million at the time of the hearing whilst the commissioning is projected to take 2.5 years post-funding, potentially to be completed by 2030. PAC heard that discussions with the UK Government for funding are ongoing but remain uncertain. The Committee was very concerned with the lack of clarity on decommissioning costs for components like the Bayside gantry, the uncertainty of funding, the absence of a finalised funding plan and the unclear timelines. SHG officials informed the Committee that the old BFI, operational since 1987, continues to face rising maintenance costs, up 111% to £219,325 in 2020/21 and that these have continued to strain resources. In addition, SHG's reliance on Solomon and Company (St Helena) PLC (Solomons) for fuel supply highlights vulnerabilities for the government. SHG officials reassured the Committee that these risks are monitored via the National Risk Register whilst Solomons continue to maintain the infrastructure amidst supply chain disruptions. The Committee emphasised the need to mitigate risks for St Helena's economic stability, the need to resolve uncertainty around fuel pricing and the need for a robust strategy to avoid catastrophic failure.

SHG officials provided the Committee with the context to the management of the overdrawn BFI trading account. The Committee heard that the BFI trading account was overdrawn by £1.831 million as of March 2022 after factoring into account a historical £3.671 million decommissioning provision and on-going maintenance costs that are straining the account. The trading account receives a £1.1 million annual government contribution and an essential infrastructure charge. SHG officials went on to update the PAC that by 2023/24, the deficit had reduced to £548,000 and that a positive balance is expected in three years whilst the asset replacement fund may also be used to support the new BFI's initial fuel operations. The Committee was not convinced whether the funding for the future decommissioning of the current BFI was fully secured and was concerned with the trading accounts sustainability in light of the reliance on ongoing contributions. The PAC was worried with the dual use of the asset replacement fund thus raising adequacy concerns and with the lack of transparency on the long-term financial health of SHG. The PAC was also concerned with the absence of a clear decommissioning strategy necessary to ensure sufficient preparedness for the BFI transition and the lack of robust financial planning to avoid shortfalls.

From the testimony provided by SHG officials, the transitioning of the Enterprise St Helena (ESH) functions were still in progress striving for tourism recovery amidst resource constraints. The PAC heard that following ESH's dissolution, some of its functions were partially integrated into SHG's Treasury, Infrastructure, and Sustainable Development portfolio. The Financial Secretary informed the Committee that ESH's advisory, property, tourism, trade, and investment roles have been absorbed, with properties transferred to the Crown Estate and marketing shifted to the Communications Hub. The Committee also heard that the outstanding loans, now less than £200,000, are being transferred to the Bank of St Helena, with completion expected by March 2025. The PAC heard that the Tourism Recovery Strategy, launched in April 2023, aims to restore 2019/20 visitor levels by March 2025 through nine sub-objectives, with progress in visitor experience and product development but challenges in accommodation capacity. The PAC expressed concern over the limited capacity to deliver the tourism strategy, particularly due to staffing shortages and a £100,000 baseline budget, supplemented by a £500,000 FCDO Tourism Development Fund. The committee noted the strategic focus on high-value, low-volume tourism, which may neglect local B&B providers, and questioned the absence of business planning to support new tourism ventures. SHG officials also asserted that the closure of ESH has led to savings on subsidy previously given to ESH, but diverted funds to social benefits have strained economic development efforts. The PAC urged SHG to address accommodation shortages and explore broader market strategies to enhance tourism resilience, while ensuring timely audit completion for ESH's 2021 and 2022 financial statements to uphold fiscal accountability.

The Public Accounts Committee (PAC) expressed disappointment over the procurement failure of the Bremach fire tenders, purchased in 2016/17 for £160,000, which were found unfit for St Helena's terrain due to inadequate speed and stability. SHG officials provided the context that the vehicles, tested in the UK without SHG representation, failed to meet response time requirements on the island's challenging roads, leading to their reassignment to the airport for training and eventual return to the SHG garage for evaluation or potential tendering. The PAC was encouraged to hear that procurement regulations were subsequently updated to require testing by SHG personnel at the supplier premises, a lesson applied to subsequent vehicle purchases, such as a replacement fire appliance that performed well after initial COVID-related issues were resolved. However, the Committee remained concerned about the lack of detailed records on the vehicles' usage at the airport and the delayed evaluation process, projected for January 2025, to determine their conversion feasibility. The PAC was reassured by SHG's commitment to value-for-money assessments but questioned the absence of local terrain considerations in the initial testing, highlighting a systemic oversight. The successful replacement of the Bremach tenders with a single, more suitable appliance was noted positively, though the Committee urged clearer timelines for resolving the vehicles' future use.

SHG officials informed the Committee of the allocation of £3 million in COVID-19 relief funds from the FCDO, supplemented by £0.9 million from SHG

reserves, that were spent primarily on maintaining island access (£1.7 million), constructing and operating Bradley's Camp quarantine facilities, and supporting businesses. The funds, guided by a multi-agency response team and Executive Council, were disbursed through varied mechanisms, including contracts for charter flights, grants for business support, and fast-tracked recruitment, with no specific restrictions beyond mitigating short-term impacts, as confirmed by the Deputy Financial Secretary. However, the Committee was concerned by the lack of precise records on fund depletion timelines and the absence of detailed oversight on unused medical supplies, some of which were repurposed while others, like outdated drugs, were disposed of without clear valuation. The PAC appreciated SHG's proactive preparation before vaccines were available but urged better documentation to distinguish COVID-related write-offs from general stock losses. The Committee was reassured that future outbreaks would be better managed drawing from lessons learned from the response to COVID-19.

The PAC was pleased to learn that the Health Directorate cleared all medical referral backlogs that built up during the lock down period by the 2022/23 financial year, with 22 referrals to the UK and 23 to South Africa during the pandemic, facilitated by NHS slots at no extra cost to SHG and emergency arrangements. The underspend of £552,000 in 2020/21, despite a £167,000 supplementary budget, was attributed to reduced referral costs in the UK, though an overspend of £89,000 on aero-medical evacuations and a £42,000 underspend on other health expenditures raised questions about budget precision. The Committee was curious about the cost disparities, noting that UK referrals averaged £35,000 (150% of NHS tariffs) compared to £13,000 for South African referrals, reflecting the complexity of managing referrals during South Africa's lockdown. The PAC appreciated the detailed breakdown of referral numbers but sought further clarity on the financial impact of these arrangements. The successful clearance of the backlog was a significant achievement, though the Committee encouraged ongoing scrutiny of health budget allocations to reduce future variances.

The PAC noted SHG's plans to repurpose Bradley's Camp, where £1.035 million was spent on COVID-19 facilities, including a £398,000 oxygen plant, to serve as an emergency hospital fallback and potential migrant reception center under a UK-SHG agreement. The oxygen plant, critical for local cylinder refilling, was deemed cost-effective compared to importing oxygen, though its commissioning date remained unconfirmed, prompting concerns about record-keeping. The Committee was concerned by logistical challenges in relocating the oxygen plant to replace the aging hospital oxygen equipment, requiring complex civil engineering planning. The PAC appreciated the facility's role in emergency preparedness but urged SHG to clarify timelines for modifications and ensure the hospital modules remain unaffected by migrant-related adaptations. The Committee was concerned with the absence of detailed cost-benefit analyses to maximize the Facility's long-term utility.

The PAC was deeply concerned by the rise in medical litigation cases, increasing from 9 to 13 in 2020/21 and 11 in 2021/22, with provisions escalating

to £2.741 million, and limited reserves. The general reserve which sat at £4 million was below the £5 million minimum threshold and was not sufficient to cover potential adverse judgments. SHG's self-insured status and exploration of insurance options, hindered by the island's isolation and lack of NHS-standard systems, heightened financial risks, with an ongoing insurance project stalled at the Attorney General's chambers. The Committee was encouraged by efforts to mitigate litigation risks, including improved clinical governance, stricter recruitment, better record-keeping, and use of the WHO surgical checklist, alongside a push to judge cases against St Helena's contextual standards rather than UK NHS benchmarks. The PAC was disappointed by the lack of progress on recovering funds from medical malpractice insurance, as previously recommended by the PAC, and urged SHG to expedite insurance evaluations. Enhanced aftercare, particularly in orthopedics was a positive step, though the Committee stressed the need for robust resource allocation to sustain these improvements.

The PAC was disappointed that £513,000 in receivables from non-exchange transactions, related to donor-funded airport projects, remained unrecovered due to late submission past the FCDO cutoff, with no plans for resubmission due to project closure. The Deputy Financial Secretary proposed offsetting these against smaller advance funds and charging the remainder to the consolidated fund. The Committee was unconvinced that the appropriate regularity processes had been initiated in order to obtain the statutory approvals ahead of the financial year end. The PAC was concerned about the initial oversight that led to missed deadlines and the airport project's reconciliation revealing unclaimable expenses after funding ceased. The Committee urged SHG to enhance project management to prevent future losses and ensure timely claim submissions, emphasising the need for robust financial controls.

The PAC was frustrated by SHG's limited progress in recovering £143,000 in housing loans as of December 2023, with 13 loans (five over £10,000) outstanding, particularly from individuals off-island whose contact details were untraceable. Efforts to contact borrowers through family members were often unsuccessful, and while legal action via court proceedings was an option, no timeline was provided due to resource constraints, raising concerns about SHG's collection capacity. The Committee was encouraged by plans to establish a Lloyds account to simplify overseas payments and explore debt collection agencies, particularly those using social media and AI for tracing. The PAC was concerned about outstanding student debts from unfulfilled bond periods and a £40,000 customs debt from the Consulate Hotel, with minimal recovery progress. The Committee urged SHG to prioritize court action for significant debts, leverage digital payment systems, and address resource shortages to enhance debt recovery, noting public criticism of perceived leniency.

The PAC was concerned by the lack of detailed justification for writing off a £94,133 receivable from Penspen Limited, the former fuel management contractor, which violated Section 16 of the Public Finance Ordinance due to unauthorized debt waiver. The Deputy Financial Secretary noted the write-off was

part of contract termination negotiations and committed to providing evidential clarity at a subsequent date. This evidence had not been submitted at the time of finalising this report. The Committee was frustrated by the inability to probe the contract's non-renewal or the debt's origin, highlighting gaps in accountability. The PAC anticipated a comprehensive explanation to assess whether the write-off was justified and compliant with legal standards. The Committee emphasised the need for transparent documentation in such financial decisions to maintain public trust and urged SHG to expedite the provision of detailed records.

The PAC understood the necessity of Titan charter flights during 2020/21 and 2021/22, costing £1.697 million and £3.115 million respectively, but was concerned by the financial losses of £648,000 and £502,000 despite near-full flights, driven by high operational costs like airport fees and meals. The flights, funded partly by £1.7 million from COVID-19 relief, ceased after March 2022 when Airlink commercial flights resumed, as Titan's non-commercial service was unsustainable and reliant on interim Ascension agreements unsuitable for long-term use. The Committee heard that Airlink's commercial viability and lower costs were preferred to the Titan flights. The PAC noted Airlink's £750,000 loss in the 2022/23 financial year, urging SHG to improve cost management for future charter operations. The Committee appreciated the strategic shift to commercial flights but emphasised the need for detailed cost analyses to minimize future losses.

The PAC noted the Financial Secretary's decision to disapply the International Public Sector Accounting Standard (IPSAS) 35 on Consolidated Financial Statements, forgoing consolidated financial statements due to resource constraints and the complexity of eliminating inter-entity transactions, prioritising timely SHG entity accounts over consolidated ones. The Committee was reassured that SHG's financial statements include equity-accounted values of subsidiaries although was not convinced by the officials' assertion that all entity accounts are publicly available. The Chief Auditor highlighted that consolidation would enhance transparency by consolidating assets and liabilities for a comprehensive island-wide view. However, the PAC was concerned that the lack of consolidated statements limits scrutiny efficiency, as individual entity reviews are more cumbersome, and questioned the long-term plan, learning there was no intent to pursue consolidation soon. The Committee appreciated the focus on improving SHG account quality but urged exploration of resource-efficient consolidation methods to enhance accountability. The balance between cost and transparency was acknowledged, though the PAC encouraged SHG to weigh public benefits more heavily in future decisions.

The Committee was provided with the historical context to the €17 million funding received from the European Development Fund for the purpose of providing the Island access to the internet via a branch of the Google owned Equiano Cable System. Members of the PAC noted that cumulative spend on the project to 31 March 2022 amounted to £13.5 million. When providing context to the business case for this project the Financial Secretary stated that these funds had been indicatively set aside for the construction of a new hospital but that after

careful consideration it was determined that SHG was not sufficiently progressed in planning to enable the EDF funding to be used for the purpose of building a new hospital. Thereafter a decision was taken to use this funding to link with the SAEX system which was to run from Cape Town to Brazil but ultimately funding wasn't secured by SAEX to implement that project. Thereafter, Google was approached to bring a branch from the Equiano Cable to St. Helena Island. The Financial Secretary also underscored that at the time the capacity and bandwidth limitations on the satellite system was a significant deterrent for economic development and investment in St Helena and by bringing a fibre optic cable to the Island, the Island could look at a number of options including attracting satellite ground stations. The Committee however later determined, on a balance of the evidence provided to it, that SHG will most likely not derive a direct revenue stream from the construction of the first satellite ground station constructed on the Island.

Officials went on to confirm that the agreement with Google was entered into in December 2020 with an initial project delivery date of December 2022. Against this initial project delivery date officials confirmed that the Cable Landing Station was ultimately commissioned in late June 2023 with the project timelines being impacted by the COVID-19 pandemic.

SHG officials provided the Committee with the context of the high-level Key Performance Indicators that were included in the EU programming document. The Committee heard that the aspiration was to provide 95% of households on Island with internet connectivity with a desired minimum speed. When questioned on the precise nature of the broadband speeds, officials informed the Committee that the existence of the copper network on Island provided a limitation to this aspiration as it could only achieve speeds of 18 megabits per second. SHG officials later confirmed that a remit has been given to the newly formed Telecommunications Group to revisit the KPI's and devise a set of new KPIs to take the Island forward. The Committee was dissatisfied with the outdated copper network's limitations and updated KPI's to drive meaningful improvements in the island-wide internet connectivity.

From the testimony provided the Committee was unable to determine why the contract with Maestro, the service provider contracted to build the on-Island fibre network to provide fibre to households on-Island, had been terminated nor could it be determined when this phase of the project would be completed. The Chief Secretary added that Ministers have requested that they would want to see a regulatory framework in place before discussions are held around the next steps regarding the fibre-to-home project. SHG officials were of the opinion that the selection of the technical solution going forward was a policy decision that the Government would have to make. SHG officials also confirmed that the regulatory framework to be put in place included the appointment of a telecommunications regulator. Additionally, the Financial Secretary indicated his preference to defer discussions on the termination of the Maestro contract to the formal hearing on the Fibre Optic Cable Performance Audit report, which was yet to take place.

SHG officials confirmed that further funding sources will need to be secured to complete the fibre to home project and in the absence of the proposed technical solution they don't know how much funding is required to complete this project. In this regards the Financial Secretary also confirmed that the funding under the EDF 11 programme had been exhausted and the current reserves of SHG are not at a point where they were two and a half years ago. SHG officials later confirmed that current broadband speeds being obtained are close to the limits on the existing copper infrastructure and that via the use of VDSL technology faster speeds, to households, could be obtained but it would be very expensive to build. Officials questioned whether the current service provider would be willing to make this investment in light of their current license expiring in December 2025. SHG officials went on to later confirm that VDSL would only be a stepping stone as VDSL technology will not deliver the kind of broadband speeds that are classed as international and confirmed that fibre to the premise (FTTP) is the ultimate technical solution. The Committee was not satisfied by the characterisation of VDSL technology being seen as only a stepping stone.

When questioned as to whether SHG is encouraging Directorates to maximise the current benefits available to them from the fibre optic cable, officials pointed to a piece of consultancy work currently underway to revamp the ICT strategy and formulate a new Digital Strategy as being key to unlocking these benefits. Officials further clarified that without these critical frameworks in place SHG will not have a sense of where they want to be and confirmed that these pieces of work should hopefully be completed in six months. The Committee was also pleased to hear that current IT equipment is not preventing SHG from accessing the benefits flowing from the arrival of the fibre optic cable. The Committee was also able to determine that under the current MOU with SURE South Atlantic Ltd (SURE), SHG has been allocated with one gigabit that is being shared amongst various directorates.

The PAC was pleased to hear that redundancy procedures are in place should the submarine cable be damaged. The Committee heard that officials were of the view that the biggest risk is that a ship will drop an anchor on the cable in Rupert's Bay. It was further confirmed that should the cable be damaged, SHG has a contract with Google to repair the submarine cable but SHG is liable for the costs associated with this repair. In this scenario officials stated that SURE will revert to obtaining internet services via satellite technology and it is anticipated that the repair of the submarine cable may take up to two weeks to complete. Furthermore, officials have not calculated what the cost to the private sector would be in the event of an interruption of internet services should the Equiano submarine cable be damaged. The Committee also heard that should there be degradation in the fibre pairs owned by SHG, there is an opportunity to approach Google to use their designated fibre pairs but there was likely to be a cost to SHG in this scenario.

SHG officials confirmed that the cost of running the Cable Landing Station amounted to £600,000 per annum and revenues equal to that amount need to be generated to keep the station running. The Financial Secretary confirmed to the

Committee that the expected reduction in Service Tax had been factored into the 2024/25 budget which had been reduced by £150,000 on this revenue line. The Committee also heard that SHG was anticipating an increase in Service Tax from the activities with OneWeb which are due to commence shortly. The Financial Secretary also pointed to the possibility of receiving fees from Google, via licensing processes, should Google wish to utilise the fibre pairs which have been set aside for their exclusive use under the current contract with them. With regards to the reasoning as to why two fibre pairs were being assigned for the exclusive use of Google, officials characterised it as a “take it or leave it” deal being the terms under which the Island would gain the benefit of accessing the main Equiano Cable System.

The PAC was concerned to hear that SHG was not benefitting directly from the contract with OneWeb. From testimony provided in the formal session, the PAC was able to conclude that SHG would be receiving an indirect benefit to the OneWeb contract, in the form of increased service tax revenue, as opposed to receiving revenue directly from OneWeb which was the Committee’s expectation. It was also confirmed that SURE would be providing services to OneWeb. The Chief Digital Officer (CDO) did state that two additional satellite stations might be constructed on the Island. Should these contracts be concluded, the PAC wishes to reiterate that there is an expectation that SHG would be the primary beneficiary of these projects.

The PAC was concerned to hear testimony that confirmed that the recent increases in electricity tariffs had a significant impact on costs to be transferred to Directorates. The Chief Digital Officer confirmed that previously the quarterly electricity charge at Carnarvon Court amounted to £22,000 but it had now increased to approximately £30,000 since the increase in the electricity tariff had been implemented. The Financial Secretary provided further context by providing that the increase in the electricity tariff from 41p to 61p was costing SHG an additional £189,000 per year. The CDO also confirmed that trading accounts had been created for both the Cable Landing Station (CLS) and general IT Infrastructure as a means to collect all costs and recharge these costs to Directorates.

The Committee also registered its concern upon hearing that SHG had not approved the business case put forward to purchase a backup generator for critical IT infrastructure housed at Carnarvon Court. The PAC also heard that although the backup batteries supplied a theoretical 12 hours of backup electricity supply for the servers, the air conditioners at Carnarvon Court were only connected to the electricity mains. As a result, the servers need to be shut down within 2 hours of an interruption in the electricity supply to Carnarvon Court. In response to a supplementary question on the 23rd January 2025, the Financial Secretary confirmed that the IT Manager had put forward a bid to Ministers for approval but this was not approved at the time however it may be approved at some point in the future.

The PAC was concerned to hear that no progress had been made towards disposing of the Ground Based Augmentation System (GBAS). The Financial Secretary confirmed that an aviation consultant is exploring the opportunities to

dispose of the GBAS at airports across the world. From the Financial Secretary's testimony, it was determined that the GBAS is currently stored at the airport within a container and his opinion was that SHG would not recover the full £1.035 million cost of the asset during the disposal process. Whilst acknowledging his technical limitations in this area, the Financial Secretary said that his understanding was that studies had concluded that the GBAS was not the best solution for St Helena Island. The Financial Secretary and Vice Chair to the PAC both stated that in order for the GBAS to work, aircraft need to have specialist equipment fitted and therefore not many airports use this system.

From testimony provided, the Committee accepted that the COVID-19 pandemic rendered the Renewable Energy Contract, concluded through Connect Saint Helena Ltd (Connect), unworkable. The Chief Executive Officer for Connect stated that the pandemic had increased the cost of materials which were originally included in PASH's proposal. Despite a lengthy period of negotiation, Connect was unable to reach agreement with PASH on the way forward and the contract was terminated by PASH. Negotiations with the reserve bidder included in the procurement process also encountered the same logistical and financial difficulties created by the pandemic. Ultimately, Connect was not able to negotiate a contract with the runner up in the procurement process either. In the context of the previous aspiration to transition the Island's energy needs to 100% generation through Renewable Energy sources, Connect's representatives stated that the new aspiration contained in their energy delivery plan was to generate 80% of the Island's energy needs via Renewable Energy sources by 2027/28. They further confirmed that the funding source to meet this aspiration has not yet been identified nor has the cost of not transitioning to Renewable Energy been quantified to date.

From testimony heard, the negotiations with the Business Rescue Practitioners for Basil Read resulted in a £500,000 payment to them by SHG. The PAC noted during the course of questioning that it was expected, from prior communications heard during formal PAC hearings, that Basil Read would be the party settling in SHG's favor. The PAC was comforted to hear that the airport project's project managers had submitted all the necessary claims on SHG's behalf. It was stated during this part of the questioning that the Basil Read assets left on Island were transferred to SHG as part of the settlement process and now had either been disposed of, or absorbed into the SHG fleet.

The Financial Secretary provided the PAC with the context to the write-off of the receivable due from Penspen to the amount of £94,133 which formed the basis of a qualification to the Chief Auditor's report in that this write-off did not conform to the requirements of Section 16 of the Public Finance Ordinance. In the light of the delayed commissioning of the new BFI, SHG's contract with Penspen had been modified to reflect that it would only manage aviation fuel. However, SHG believed the contract with Penspen was an expensive fuel management contract and opted not to renew their contract in 2020. It was later clarified that Penspen's staffing model is what made the contract expensive because they included a lot of offshore resources in their staffing mix. At this point Penspen had already received

£144,000 for various activities, including insurances. After negotiating with Penspen, SHG managed to recover £50,000 in respect of the insurance expenditure that had been disbursed to them. The Financial Secretary established that SHG had not yet written to the Secretary of State to obtain the required authorisation to write off the Penspen receivable as required by Section 16 of the Public Finance Ordinance. The Financial Secretary stated that he thought that the contract with the new fuel management contractor, Puma, was in place for a period of two years. When questioned why the contract had not been awarded to Solomons for the benefit of the local economy, the Financial Secretary conveyed that Solomons didn't believe they had the required expertise to manage a contract of this nature.

The PAC concluded that the outcomes associated with the refurbishment of the fish processing facility, of which £331,000 had been spent as of 31 March 2022, and the outcomes of the agreement with the investor were currently not being achieved. However, PAC was pleased to hear that no further subsidies had been paid to operate the facility by SHG besides the initial capital expenditure to refurbish the facility to European Union standards. The PAC was concerned to hear that delays in the refurbishment of critical infrastructure, by SHG, was a factor preventing the export of fish. The Portfolio Director for Environment Natural Resources and Planning (ENRP) stated that the intended outcome of the refurbishment of the fish processing facility was to have a viable fishing sector for St Helena in conjunction with facilitating an investor who would conduct exploratory fishing which would inform improved decision making and capacity. The Portfolio Director further elaborated on this business arrangement by stating that at the time the decision was made, there was a clear decision that there would be no further subsidy paid to the facility from SHG and that Saints Tuna Corporation (STC) had been appointed as the local entity to run the fish processing facility.

The Portfolio Director also stated that the current facility is able to export fish, not to just South Africa but also the European Union, and later pointed to a dependency that is preventing this, being a defect in the culvert which is preventing access to the facility, to enable reach stackers to be able to transport the containers away for export. The Portfolio Director quantified the opportunity cost of this arrangement by pointing out that 333 containers of fish could have been exported since the facility had completed its refurbishment but only one container had been exported so far. The PAC did question SHG's decision to not reinforce the culvert until STC provided a vessel and questioned why the landlord of the fish processing facility (SHG) was delaying the repairs until the tenant (STC) completed a separate action. The Portfolio Director did however provide the PAC with some assurance by stating that various options for the reinforcement works had been costed at between £40,000 to £160,000 and are awaiting approval to take the works forward when a vessel is provided by STC.

In response to the above commentary on the defect identified with the culvert, the PAC voiced the following concerns and disappointment:

- The PAC questioned why wasn't the dependency related to the culvert identified during the planning application for the refurbishment and the greater piece of work being conducted on the Rupert's Port development. In the light of this the PAC questioned whether this was another project failure.
- The delay in refurbishing the culvert is not only penalising the tenant but also the local fishing industry in that exports are not happening and the required applications to ICAT to increase the Island's fishing quota has not occurred.

In response to these concerns, the Portfolio Director referred to receiving a steer from Ministers directing that a vessel be first procured and registered in St Helena to demonstrate the investor's commitment to develop the local fishing industry as part of the Fisheries Operations Agreement, before proceeding with rectifying the culvert.

The portfolio Director also highlighted the challenge STC had in registering a vessel locally and spoke of current attempts to charter a vessel from Namibia, but that this would require the vessel to be deregistered in Namibia in order to be registered locally.

The PAC also highlighted their concern that there had been a write down of loans and receivables due from the Saint Helena Fisheries Corporation amounting to £82,939 for which SHG had not obtained the statutory authorisation as required by the Public Finance Ordinance.

Upon enquiry of the outcomes associated with the Rockfall Mitigation Project the PAC was content to conclude that these had been achieved. Officials provided the PAC with the context that this project was funded through the Economic Development Infrastructure Program (EDIP) and provided rockfall protection, with a particular emphasis on the port working area and the fish processing facility. They further confirmed that the expected lifespan of the nets was 20 to 25 years but that no specific cost had been budgeted for the maintenance of the nets, although there was a general budget in place for the Port's portfolio and the Rock Guards to perform inspections on the nets. Officials also stated that there was to be a significant increase in the amount requested from the Foreign Commonwealth and Development Office (FCDO) for maintenance in the new financial year. The PAC also heard that consideration for an external visit would be given in approximately 5 years' time.

The PAC concluded that SHG's investment in various subsidiaries covered diverse strategic outcomes which was not always aligned to an objective of obtaining a financial return on investment by SHG. The Financial Secretary provided context to the question as to whether SHG was receiving a fair return, in the form of dividends, from its investment in various subsidiaries by stating that not all entities have a desire to return a profit to SHG as their primary objective. He highlighted that some entities like the Bank of St Helena return a dividend to SHG whilst other entities receive subsidies. As examples to this disparity, he mentioned

that Connect St Helena Limited receives a subsidy of £1.6 million and the Saint Helena Hotel Development Limited (SHHDL) also receives a yearly subsidy to the amount of £200,000. When speaking to the dividend received from the Bank of St Helena Limited (BOSH) of £157,000 in 2020/21, the Financial Secretary stated a dividend policy is in place with BOSH from which it is expected that dividends will be received by SHG to the amount of 25% of the profits in a given year. He further clarified that as SHG does not own 100% of the shares in Solomons, it was not possible to implement a similar dividend policy with them. In response to the question on the progress SHG had made towards disposing of its interest in Solomons, the Financial Secretary said that there was to be a further evaluation of the value of the SHG holdings in the Company and that the tender exercise to perform this exercise would be performed in the new calendar year. As an outcome of this exercise, it would be expected that transaction advisers would be appointed to provide advisory services to SHG. These advisers would also be valuing SHG's interest in both BOSH and SHHDL.

From testimony heard, the PAC was reassured to hear that the operating agreement with the Saint Helena Airport Limited (SHAL) was being extended by a further 5 years to 2031, but noted the uncertainty over the £1 million guarantee issued by SHG in respect of SHHDL. The Portfolio Director for Economic Development elaborated further that SHAL's contract was to be extended on virtually the same terms with some minor changes to the agreement. The Portfolio Director however could not confirm whether the guarantee issued by SHG in favour of SHHDL, amounting to £1m, was to be extended past 01 November 2026. It was further elaborated that an options paper had been put before the Minister to address the guarantee issue. The transaction advisers (referred to in the commentary above on BOSH,) would also be advising SHG on options in respect of SHG exiting its position in SHHDL. The Portfolio Director however also referred to the value for money audit wherein there was a recommendation that SHG not exit this investment until the hotel breaks even at earnings before interest, taxes, depreciation and amortisation (EBITDA), but acknowledged that things have moved on since then.

The PAC was reasonably content with the level of scrutiny that SHG was applying to the operations of SHHDL before a subsidy is released to them. When asked what measures have been put in place to reduce reliance on a subsidy from SHG, officials pointed to difficulties in the first 12 months since the hotel opened post the pandemic. There was an attempt to recruit staff from the local market which didn't work and service standards weren't what they were before the pandemic. In response to feedback the Board took the decision to bring out a task force to do a review of all aspects of the business. Although officials noted that as an outcome of this intervention the hotel is now working well, and bookings are looking good for the upcoming season, it is expected that there will be a need for SHG to provide the hotel with a subsidy in the new financial year. Officials also confirmed that quarterly reports were being received from SHHDL which were also sent to BOSH. These reports were being scrutinised by Treasury, the relevant Minister and Executive Council before the subsidy was released. Added to this, the

shareholder meetings are held with the Board of Directors of SHHDL on a quarterly basis. The Financial Secretary also pointed to the renewal of the management agreement with Mantis, providing an opportunity to make sure all parties do a better job of managing the hotel. It was confirmed that this agreement is up for renewal in 2027.

The PAC concluded that the terms under which the interim shipping contract with Meihuizen International (Pty) Ltd was concluded left SHG with little room to negotiate a good outcome for the Island. Officials informed the PAC that the previous shipping contractor had provided SHG with short notice that they would not be renewing the contract and SHG had to make interim shipping arrangements until such time a full blown procurement process could be undertaken. During the tender for the interim period, two applicants withdrew their bids leaving only one applicant remaining. Under these circumstances it was difficult for SHG to negotiate a good deal for the Island and officials acknowledged the difficulties that arose during this interim period particularly as it related to delays in arriving, given that the vessel was not dedicated to the needs of the Island. Officials confirmed that the current contract has a longer notice period and has a 10-year duration with an option to break the contract at 5 years.

The PAC was disappointed at SHG's slow response to the need for government landlord housing although it was noted that 2 housing units were completed in the 2020/21 financial year at the Bottom Woods Comprehensive Development Area (CDA). Officials confirmed that six months prior to the formal hearing, 31 people were in need of government landlord housing. It was stated that SHG is no longer going ahead with the building of flats at the Bottom Woods CDA but would rather build four two-bedroom bungalows. Officials mentioned that an expression of interest would be published in the new year for design work to commence for the construction of the bungalows. When asked why there had been such a delay in spending the funds included in the special fund associated with Government Landlord Housing, the Financial Secretary mentioned that this was related to a political decision that needed to be made. It was concerning to PAC that the size of the flats and bungalows was constantly changing over the years.

The PAC were reassured to hear that SHG had capacitated their financial reporting team with a qualified accountant and going forward it was expected that financial statements would be prepared within the deadlines. The Financial Secretary provided commentary to the point raised in the Chief Auditor's management letter around the non-inclusion of the financial statements of subsidiaries in the 2020/21 accounts of SHG. He also stated that the slight delays in the finalisation of the previous year's financial statements (2019/20) had a knock-on effect on the submission of the 2020/21 set. Furthermore, there were a number of resource gaps within Treasury at the time, but confirmed with the recent addition of a financial reporting manager that the reporting function was back on track. The Deputy Financial Secretary provided further commentary that suggested that outsourcing the production of the financial statements would not be feasible as the preparer would need to have some knowledge of the workings of SHG. The Financial

Secretary pointed to legal challenges that contributed to the delay in producing the accounts of Enterprise Saint Helena, together with appointing a resource to complete the accounts following the cessation of the activities of ESH on the 31st March 2021. The legal challenges were later confirmed by the PAC to be related to the payment of redundancy packages.

The Financial Secretary pointed to the GCSE curriculum no longer incorporating accounting and business studies as being a barrier to promoting the accounting profession on Island, and admitted that there isn't a person in-house who is striving to be a professional accountant. He further highlighted that a lack of professional resources on Island was presenting a challenge to SHG especially in light of their aspiration to move into the financial services sector. Mitigating these risks, the Financial Secretary spoke of the on-the-job training that was occurring and the aspiration to get more staff into a professional training program, but this was likely a long term aspiration. Further discussion with officials and the PAC highlighted the general labour shortage that was being experienced on Island presently. The PAC was reassured to hear from officials that the ongoing Education Review is going to consider all aspects of education delivery, at all levels, to ensure that learners are equipped to fill the labour market when they leave school. It was further elaborated that the Education Review was a phased review with various phases needing political endorsement.

The PAC was concerned to hear of the circumstances wherein SHG was unable to secure a three-year aid settlement MOU with FCDO. The Financial Secretary highlighted that in the past there had been periods where there was no three-year MOU in place with DFID/FCDO. He further elaborated that during the period that was highlighted (2020/21 and 2021/22 financial years), the UK was experiencing a different financial climate. The PAC was somewhat reassured to hear that a three-year settlement might be entertained by the FCDO for the next planning cycle being 2026 to 2029. The Financial Secretary and Chief Secretary further highlighted the uncertainty and short-term thinking that a one-year aid settlement creates. The Financial Secretary also provided information important to the financial aid mission by stating that these visits are not negotiations, but rather that visiting officials obtain the evidence to support their case for financial aid settlement to their Minister and this is made in the context of competing Official Development Assistance (ODA) bids.

When questioning the arrangements and controls in place to ensure the completeness of customs revenue, the Financial Secretary provided a compelling case for this revenue to be materially correct. The Financial Secretary provided the PAC with high level details of SHG's risk-based approach which targets the majority of the revenue being collected through merchants, the use of the ASYCUDA customs system and inspections carried out by customs officials. The Financial Secretary also pointed to an increase in customs revenue post the 2021/22 financial year end. The Financial Secretary did highlight that more could be done with post clearance audit work at customs and he would like more audits to be done in this area in the future.

It was also confirmed with the PAC that in the worst case scenario where customs revenue doesn't meet the economists' forecasts, and other sources of revenue can't be found, then a request would be made to the Legislative Council to draw down on the General Reserves. When questioned on the completeness of tax revenues generally, the Financial Secretary admitted that SHG does not have a tax compliance team within the tax office and that the tax system relies heavily on self-assessments. The Financial Secretary however highlighted that there is a planned 2024/25 project to review the tax administration function with hopefully some support from His Majesty's Revenue and Customs (HRMC).

The PAC concluded that SHG budgets for pension payments were on a three-year rolling cycle as opposed to taking the long term Defined Benefit Pension Scheme (DBPS) into account. The Deputy Financial Secretary provided context by stating these budgeted payments include accounting for staff who are close to retirement. He also provided context to the large drop in the DBPS liability as being attributable to the drop in the discount rate used to provide the present value of future benefits to be paid. The Deputy Financial Secretary confirmed that the DBPS peak liability will be calculated during the upcoming pensions review, but couldn't commit to when the work would be completed. This pensions review would also be looking at the private pension schemes that are available on Island.

The PAC appreciated the detailed overview of the Fit For The Future (FFTF) Programme that was provided to them by the Chief Secretary. The Chief Secretary provided context to the origin of the programme being a number of challenges existing in the Public Service, including a reduction in funding, the new political governance structure, change in demands for services, a shrinking labour workforce, and the need to be efficient in the processes of government. The programme began with a series of seven reviews which included how SHG delivered strategic projects and project management, customs and immigrations services, works services and maintenance activities, first responders, skills and employment, administration services, human resources and a review of how SHG delivers sustainable economic development activities. The Chief Secretary also confirmed that the divestment of the non-core functions of SHG would not be specifically addressed in Phase 2 of FFTF. The PAC was pleased to hear the creation of the Project Management Office was attributed to the implementation of the FFTF programme. From the examples provided by the Chief Secretary and the Deputy Financial Secretary, PAC concluded that the programme had been extensive. Over and above the efficiencies described, the Chief Secretary pointed to various cost savings across Directorates as a result of the FFTF programme.

The PAC however noted their concern when officials acknowledged that the Sustainable Development Team, developed from an initiative on the FFTF programme, was not strategically placed to deliver the same level of business support that Enterprise Saint Helena had previously provided.

The PAC was pleased to hear of the benefits that the BBB Investment Grading provides the Island. The Financial Secretary mentioned that these included making St

Helena more attractive for international investors and assisting in making St Helena an attractive place to live, work and invest.

Recommendations

In relation to its scrutiny of the St Helena Government (SHG) Financial Statements and Audit Management Letters for the two Financial Years 2020-21 and 2021-22, **PAC recommends that:**

1. With reference to PAC recommendation 122 raised in SP 30/17, SHG clarifies timelines for the quantification of BFI decommissioning costs and source of funding in ensuring public accountability and fuel security.
2. SHG develops a robust strategy to avoid catastrophic failure of the old BFI.
3. SHG develops a timeline for establishing formal mechanisms to monitor and follow up on outstanding loans transferred from ESH, potentially including their transfer to BOSH through debt factoring.
4. SHG considers selling the Bremach Fire Tenders if no alternative beneficial use can be identified.
5. SHG establishes clear timelines for Bradley's Camp modifications, ensure hospital modules are protected from migrant-related adaptations, and undertake comprehensive cost-benefit analyses to optimise the facility's long-term value.
6. With reference to PAC recommendation 235 raised in SP 38/20, SHG sets a timeline for the expedient evaluation of medical malpractice insurance policies.
7. SHG prioritises the resolution of the donor-funded airport project claims and follow the legislative procedures that may become necessary.
8. SHG develops and publishes clear guidance for the public on processes to address and settle outstanding government debts.
9. The Treasury strengthens its debt recognition and recovery procedures and ensure consistent communication of these processes across all departments.
10. A Telecommunications Regulator should be established to regulate the telecommunications industry in St Helena, with clearly defined roles and responsibilities to ensure effective governance.
11. The Telecommunications Regulator should set internet KPI's in liaison with the internet service provider and SHG, and publish these for public transparency. These KPIs should be reviewed annually to account for effected changes in internet transmission technologies.
12. SHG should ensure the development of a comprehensive contingency plan and actively monitor its implementation, assessing the associated cost implications to prepare for a potential catastrophic failure of the Fibre Optic Cable.
13. SHG should establish clear withdrawal and transfer limits for all its trading accounts to ensure effective financial management and oversight of each special fund.

14. SHG should implement energy conservation measures to mitigate the financial impact of the increased electricity tariffs, and regularly monitor and report on these.
15. SHG should explore alternative routes to market for the disposal of the Ground Based Augmentation System (GBAS) to maximise recovery value. This could include continuing to engage with a broader range of aviation stakeholders or considering secondary markets more suited to specialist equipment.
16. SHG should establish a clear and strategic roadmap for transitioning to renewable energy, define a realistic timeline for achieving key milestones, and prepare a detailed assessment of the expected costs.
17. SHG should provide a comprehensive inventory of all assets transferred by Basil Read to SHG under the settlement agreement, including their current usage and condition.
18. SHG should incorporate provisions in contracts requiring service providers to upskill local personnel, ensuring project continuity beyond the contract's termination.
19. SHG should submit all requests for the statutory authorisation of all write offs and write downs of loans, receivables and physical assets within the defined thresholds, before the end of the 2025/26 financial year.
20. SHG should schedule an external expert inspection of the rockfall mitigation nets within five years and assess the feasibility of expanding the evaluation to encompass all rockfall mitigation works.
21. SHG should prioritise pursuing the exit strategy recommended in SP35/20 Performance Audit Report: The 1,2,3 Main Street Hotel Development.
22. As the shareholder, SHG should review the renewed management agreement with Mantis to ensure it includes provisions that limit liability.
23. SHG should consider the inclusion of dedicated services to the Island as a requirement in its future shipping contract tender.
24. SHG should prioritise implementation of previous PAC recommendation relating to the urgent utilisation of Government Landlord Housing capital funds, as raised in SP41/19.
25. SHG should ensure that the Education Review gives due cognisance to the need for accounting and business studies subjects on the Island and provide a clear outline of course offerings to the public.
26. SHG should develop robust business advisory mechanisms to better support the private sector, fostering an environment that promotes economic growth and entrepreneurship.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Chief Auditor and staff at Audit St Helena in assisting with the production of this Sessional Report to Legislative Council. The Committee also thanks the attending officials of St Helena Government and Connect Saint Helena Ltd for providing evidence in response to lines of inquiry.

The Sessional Report on PAC proceedings held on Monday, 9th, Thursday, 12th December 2024 and 23rd January 2025 is hereby authorised for issue to Legislative Council pursuant to Section 69(8) of the Constitution of St Helena, Ascension and Tristan da Cunha.



Mark Yon
Chairman
St Helena Public Accounts Committee

30th June 2025

