



ST. HELENA

ST HELENA PUBLIC ACCOUNTS COMMITTEE
REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON 3 OCTOBER 2016

Laid Upon the Table, 9th December 2016

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on the 3rd of October 2016.

1. Introduction

In accordance with section 69 (6) of the Constitution of St Helena the Public Accounts Committee hereby reports to Legislative Council on the Second Formal Session of the Committee, held on 3rd of October 2016.

Membership of the Committee comprises:

Chairman:	Mr Cyril (Ferdie) Gunnell
Vice Chairman:	Mr Stedson Francis
Members:	Hon. Dr Corinda Essex
	Hon. Wilson (Tony) Duncan
	Hon. Cyril George

The Committee is advised by the Chief Auditor, Mr Phil Sharman.

The Committee's Terms of Reference and Reporting Mechanism are available on the SHG website. A transcript of these proceedings can be found on the SHG website and a copy is held in the public library.

The Chairman advised that Hon. Cyril George sent his apologies as he was overseas.

The PAC's Terms of Reference and Reporting Mechanism are available on the SHG website. A transcript of these proceedings can be found on the SHG website and a copy is held in the public library.

2. Order Paper – Second Session 2016/17

- I. Chairman's Address
- II. St Helena Government – SHG 2013/14 and 2014/15 Annual Financial Statements and Management Letters
- III. Managing Grants and Subsidies Value for Money Report
- IV. NAO – Realising the Benefits of the St Helena Airport Project Report
- V. Expenditure in Excess
- VI. SHG Response to PAC Recommendations

I. Chairman's Address

The Chairman opened the meeting and welcomed all in attendance and those listening over the radio, thanking them for their interest in the work of the Public Accounts Committee (PAC) and to South Atlantic Media Services (SAMS) for broadcasting the formal hearing.

The Chairman highlighted that this was the second formal session of the PAC for 2016; and it was being broadcast live from the Council Chamber at the Castle in Jamestown. Since the last formal session of the PAC held on 10th and 11th May 2016, there had been some changes in the membership of the PAC. Mr Nigel Dollery, resigned from the Legislative Council (LegCo) which meant he could no longer be a member of the PAC. Nigel played a vital role in the work of the PAC and was thanked for his contribution. Nigel had been replaced by Councillor Wilson (Tony) Duncan, chosen by the majority of Elected Members.

The Chairman acknowledged the work of the Chief Auditor, Mr Phil Sharman, as the Professional Advisor, Miss Anita Legg, the Committee Secretary and the Performance Audit Manager, Mr Anesu Happyman Makamure.

The Chairman highlighted at the formal meeting in May 2016 that the profile of the PAC needs to be elevated; he still believed this to be the case and along with other members would work towards this goal. He highlighted that it may be necessary to request some positive amendments to the St Helena, Ascension and Tristan da Cunha Constitution to enable the PAC to be more proactive rather than just reactive to be more effective.

For the benefit of first time listeners, the Chairman highlighted that PAC is a Select Committee of LegCo in accordance with section 69 of the Constitution and Standing Order 23, the PAC's function is statutory. Its primary function is to objectively scrutinise how the Government spends the public purse. 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. It has power to call any Government official to give evidence orally.

There was much catching up to do on backlogged accounts but once this meeting had concluded, they would have caught up. This was a positive result and he placed on record PAC's sincere appreciation for the work undertaken to achieve this.

He highlighted that the public hearing would deal with the consideration of the SHG 2013/14 and 2014/15 Annual Financial Statements and Management Letter, Managing Grants and Subsidies report, National Audit Office (NAO)

report on the St Helena Airport, and Statements of Expenditure in Excess (2011-2016).

II. St Helena Government – SHG 2013/14 and 2014/15 Annual Financial Statements and Management Letters

The following persons attended to answer questions in respect of SHG: -

- Financial Secretary – Mr Dax Richards
- Assistant Financial Secretary – Mr Nicholas Yon
- Head of Accounting Services – Miss Connie Stevens

The audit of SHG's financial statements for the years ended 31 March 2014 and 31 March 2015 were signed off on 15 June 2016 and 14 September 2016 respectively by the Chief Auditor. This was the third and fourth year of reporting under the accrual based International Public Sector Accounting Standards (IPSAS).

PAC highlighted that St Helena Government 2013/14 and 2014/15 Audited Financial Statements had been qualified by the Chief Auditor in a range of issues. Three issues affected the fair presentation of the accounts, being classification of the Bulk Fuel Installation Reserve, Airport and Wharf Infrastructure Valuation, and Eligibility of Social Benefits. Three further issues affected the regularity of the accounts, being Statutory Authority for the Bulk Fuel Installation, Expenditure in Excess, and Consolidated Financial Statements. PAC enquired as to what action was being taken to ensure that these qualifications are addressed and therefore do not recur in future audits. *PAC received assurance from management on the processes and timelines of when the qualifications would be resolved and anticipated resolving all issues by 31 March 2018.*

PAC highlighted that as disclosed in the Accounting Policy, SHG is not required to recognise the initial value of property, plant and equipment for up to five years following the date of first adoption of accruals accounting, which took place on 1st April 2011. PAC enquired from the Financial Secretary the plans that are in place to ensure that at the end of the transitional period all assets acquired or built prior to 1st April 2011 would have been valued ready for the 2016/17 accounts. *PAC received assurance from management that a plan has been put in motion to procure the services of experts in the valuation*

of land & buildings; they would initially perform desktop assessments before they travel to perform the work on the island.

PAC enquired as to why SHG waited for the last minute to perform the valuation as the scale of the workload was anticipated to be huge. *Management highlighted that due to the anticipated costs of carrying out such an exercise they have been trying to negotiate with other island based entities so that they could go into a cost sharing agreement in order to derive some value for money from the project.*

PAC further enquired as to the challenges envisaged that SHG would face during the exercise and what mitigation plans had been put in place to ensure that the project objectives were going to be achieved. *Management highlighted that obtaining information from the various other sources for the Valuer might present challenges but were confident that they would have a valuation in the 2016/17 accounts.*

PAC enquired on the nature of the material adjustments required for the 2014/15 accounts during the audit, excluding the consequential adjustments from the conclusion of the 2013/14 accounts in June 2016. *Management highlighted that the major difference was the pension valuation figures and explained their reasons for late inclusion of these figures.*

PAC further probed as to what steps were being taken by the Financial Secretary to ensure that all required information, including the estimates required, to be prepared by experts, took place ahead of the submission of the draft financial statements for audit. *PAC was assured by management that instructions would be issued in a timely manner to the Government Actuaries Department (GAD) to ensure that all financial statements going forward include these numbers.*

PAC highlighted that the audited financial statements have presented the Basic Island Pension (BIP) and Income Related Benefits (IRB) in one line, as one item, when the nature of these two payments to eligible individuals is quite different. BIP is a merit-based pension entitlement and IRB is not merit based, it's a means tested benefit. PAC enquired as to why BIP and IRB are being disclosed in one line item. *PAC was assured by management that it can be separated and disclosed in the notes that accompany the financial statements going forward.*

PAC highlighted that the pension liability disclosed in the statement of financial position had increased by £13.8m, from £34.7m at March 2014 to £48.5m at March 2015. PAC enquired as to the reason for the 40% increase of this liability in the 2014/15 financial year. *Management highlighted that the reason was due to a change in the assumptions used by the Actuary, which mainly relates to the discount factor. The discount rate had decreased from 3.4% down to 2.2% on*

the advice of the Actuary and because of that significant decrease in the discount rate, the liability increased.

PAC enquired as to how SHG is investing or utilising cash at the end of the period, disclosed in the cash flow statement, to ensure that the island gets the best possible returns from this cash holding. *PAC was assured by management that SHG holds all its investments with Crown Agents Management Limited and adopts a fairly low risk strategy in terms of being able to maximise the gains on the actual portfolio which ensures that money is not lost.* PAC further probed whether management think they are getting value for money by having their investments being managed by Crown Agents. *Management highlighted that they have assessed their performance in 2008 and 2012, and the conclusion was that SHG was getting a better return compared with most high-street providers.*

Recommendations

In relation to its scrutiny of the SHG financial statements for the two years ended 31 March 2014 and 31 March 2015, **PAC recommends that:**

- SHG maintain a register of all audit recommendations, action plans and timelines to ensure that all qualifications are resolved by 31 March 2018.
- SHG sets clear project deliverables with timelines to ensure that the asset valuation project meets its objectives and assets are completely disclosed in the 2016/17 Annual Financial Statements. A committee of relevant stakeholders be convened with clear Terms of Reference for the duration of the Asset Valuation project, which could expedite the retrieval of required information.
- SHG ensure that instructions for the valuation of the pension liability is issued timeously to the Government Actuary Department (GAD) to ensure that the movement in the pension liability is recorded as part of the 1st draft Annual Financial Statements, submitted for audit to the Chief Auditor.
- SHG ensure that Basic Island Pension and Income Related Benefits are disclosed separately in the notes to the Annual Financial Statements to enhance the understandability of the Statements by the users.

III. Managing Grants and Subsidies Value for Money Report

The following persons attended to answer questions in respect of SHG: -

- Acting Chief Secretary – Mrs Gillian Francis
- Financial Secretary – Mr Dax Richards
- Assistant Financial Secretary – Mr Nicholas Yon
- Assistant Chief Secretary (Performance) – Mr Paul McGinnety

The audit included an independent evaluation of several grants and subsidies that have been allocated in the 2014/15 financial year in order to gain an understanding of SHG policy in practice. The audit excluded from scope, the shipping subsidy and the grant funding to Enterprise St Helena as these items are quantitatively material and may warrant separate audit attention.

PAC highlighted that the audit identified a lack of Government policy and associated administrative procedures relating to the issuing of Government grants and subsidies. No specific guidance or briefing documents are provided to Legislative Council to explicitly inform decision making about budgetary estimates for grants and subsidies. PAC enquired as to the actions that have been taken to ensure that policy and procedural documentation, relating to the issue of grants and subsidies, have been established and implemented. *PAC was assured by management that guidance is provided to Elected Members through the Chairpersons' Assembly however no policy framework and administrative procedures have been developed.*

PAC highlighted that the audit noted that entities had been awarded subsidies as per their award letters, but no actual targets, or deliverables, or specific conditions were noted to be attained in return for these subsidies. Furthermore the business cases which proposed the 2014/2015 subsidies did not have budgets linked to any targets to be achieved and therefore made it impossible to evaluate if value for money was derived from the subsidy awarded. PAC enquired why no targets were being set for entities and organisations that receive subsidies from SHG. *PAC was assured by management that as from the upcoming financial year 2017/18, targets and deliverables will be set for subsidy receiving entities or organisations, by the signing of Service Level Agreements.*

PAC highlighted that the St Helena Community Development Organisation (CDO) provides smaller grants to voluntary organisations. PAC enquired as to what safeguards had SHG put in place to ensure the CDO has in itself effective governance and stewardship arrangements and the public funds entrusted to them are efficiently administered and properly accounted for. *Management highlighted that there are guidelines in place that regulate the operations for the CDO.* PAC further enquired if there was written performance agreement with the CDO, *for which management confirmed that none exists.* PAC also enquired how SHG manages conflicts of interest with regards to any management involvement with grant recipients. *Management assured PAC that there are safeguards in place with the conflicted person being recused from the decision. Management also highlighted that they are looking at establishing Service Level Agreements (SLA) with CDO, as with larger grant or subsidy receiving organisations.*

PAC highlighted, in the report the issue of no alignment to SDP targets and/or Utilities Regulatory Authority (URA) targets, furthermore there was no condition in the letter of award to Connect which links the funds to any of the targets, in the SDP or URA, regarding utilities provision. PAC enquired how management is ensuring that all the objectives per the laws and regulations have been cascaded to all lower policy documents. *PAC was assured by management that they will be implementing such measures in the 2017/18 year on the award letter.*

PAC enquired further as to how SHG is incentivising Connect to increase its efficiency. *Management highlighted that they do not have a straightforward incentivisation scheme in terms of something that is linked to the subsidy provided. Subsidy is based on the shortfall between tariff income and expenditure in relation to the activities of those key sector areas which is water, electricity and sewerage*

PAC noted that SHG monitors its Key Performances Indicators (KPIs), through a reporting template that is sent to reporting entities/organisations/directorates, completed by the respective responsible individuals and returned to Corporate Services. The audit noted that not all the underlying supporting information/documents were collated for verification by Corporate Services before the information was reported in the Performance Tracker. PAC enquired as to how management is ensuring that the performance information that is being reported on a monthly basis is reliable and validated. *Management assured PAC that Corporate Services is undertaking an internal validation process, where anomalies are identified and returned for correction.*

PAC enquired whether any funding is made available to religious organisations by SHG, and if there is any specific provision for the maintenance and repairs of church buildings. *Management highlighted that SHG do not specifically fund religious organisations, to avoid issues around favouritism but however raised that they have an interest in the heritage assets of the island some of which are church buildings. Management also highlighted that no policy document exists that deals with the funding of religious organisations. A representative of the CDO also highlighted that do not fund religious organisations.*

PAC noted from some of the responses by management that the original timescale that was set out by management, in response to the recommendations made, have slipped. PAC are aware that several responses were due by October 2016, which is why the committee had chosen to examine the report in this session. PAC requested management to advise on the revised timetables for the recommendations. *Management assured PAC that they will review their timelines and where required will make the necessary amendments to the target dates.*

Recommendations

In relation to its scrutiny of the Managing Grants and Subsidies Report, **PAC recommends that:**

- SHG ensure that a Grants & Subsidies policy is developed and implemented as recommended by the Chief Auditor, as a matter of priority to provide a proper framework for decision making and management in these awards.
- SHG ensure that all grant and subsidy receiving entities/organisations sign Service Level Agreements (SLA) with SMART targets and deliverables. (SMART – Specific, Measurable, Attainable, Realistic and Time bound).
- SHG ensure that there is alignment of the Strategic Objectives to targets/key performance indicators in the SLA of grants/subsidy receiving organisations/entities and their business plans.
- SHG ensures that performance reports are independently and objectively validated before they are published for stakeholders.
- SHG provide updated implementation timelines for recommendations in the Managing Grants and Subsidies Report.

IV. National Audit Office (NAO) – Realising the Benefits of the St Helena Airport Project report

The following persons attended to answer questions for the Airport Report by the NAO:-

- Acting Chief Secretary – Mrs Gillian Francis
- Financial Secretary – Mr Dax Richards
- Airport Director – Ms Janet Lawrence
- Chief Executive for Economic Development (ESH): – Dr Niall O’Keeffe

In June 2016, the UK National Audit Office published its report on the St Helena Airport Project. The NAO investigation looked at the key assumptions in the Department for International Development (DFID) analysis to support its £250m investment in the airport. It also considered DFID’s liability or ability in partnership with the St Helena Government to realise the benefits from the airport.

PAC noted the NAO report had affirmed the rationale for the public investment in air access for St Helena with the business case returning a positive net present value albeit based upon a number of high risk assumptions. Given the significance of the airport development to the future of the Island and the aid flows and related infrastructure now represent material figures in the SHG financial statements, the PAC wished to scrutinise the NAO report in the public interest.

PAC highlighted that the NAO report realising the benefits of the St Helena Airport Project makes extremely interesting reading and has been covered in local and international media and reviewed by the PAC. PAC enquired as to what action had been taken by SHG in response to the NAO report. *Management highlighted to the PAC that a press release was issued on the 9th of June 2016 with the report being treated for information purposes only within SHG. Management clarified on further probing that this report was produced for the purposes of DfID, and SHG had no direct involvement in its preparation.*

PAC enquired as to what extent Elected Members had a thorough briefing on the report and the matters raised therein. *Management highlighted that they had chosen not to brief Elected Members on the content since the report was in the public domain and covered through a press release. They also highlighted that the report affirmed conclusions reached earlier in the project, through the original Airport Business Case, which Elected Members would have been briefed on at that time.*

Whilst PAC partially accepted that position, they remained somewhat surprised by the decision not to brief Elected Members in detail considering the importance of air access to the island and the role of Elected Members in that process. PAC also noted that SHG is taking no direct action in response to the various issues raised in the report, and is for DFID to act on those issues. *Management highlighted that various bodies of work had been commenced in advance of this report one example being DFID funding a consultant to assess the investor climate; other consultants would follow as well to perform necessary follow ups.*

PAC enquired that based on SHG's available data, were the assumptions used as the basis of the report accurate, such as number of tourists projected, number of tourist beds on St Helena in 2016, and how feasible it was that by 2043 the island would no longer be relying on DFID funds. *Management highlighted that the assumptions represented best possible estimates at the time however this situation could have changed due to Air Access to the island not commencing as forecasted. Management confirmed that 76 rooms are currently available on the island as compared with 150 beds cited in the report at 2016.*

PAC noted that the NAO report summary point 12 highlights the potential future liabilities because of delays of the opening of the airport. The RMS service had been extended until July 2017 and commercial flights to St Helena had not started as scheduled. PAC enquired as to the estimated financial impacts of the extension of the RMS and delay in the commencement of air services. *Management highlighted to the PAC that the estimated impacts of the delay of the RMS St Helena were envisaged to be £1,000,000.00 (one million pounds) or just over for up to the end of March 2017, but is dependent on issues such as fuel price. Management further advised there are no compensation payments due to the air service provider for the delayed start. However the cost of not implementing the new freight service contract is estimated to be \$2,000 per day.*

PAC highlighted that summary point 12 of the NAO report indicates that SHG are currently considering options for addressing the impact of the difficult wind conditions on landing aircraft safely. PAC enquired if sufficient consideration had been given to the difficult wind conditions during the design of the airport. PAC further enquired whether the orientation of the runway altered from that initially proposed at the design stage. *Management were unable to respond to these matters raised by the PAC.*

PAC highlighted that the airport contract is Design, Build and Operate (DBO), however the PAC probed if there were any performance obligations that fell upon the contractor, when the design does not meet the requirements to safely land the required passenger aircraft (Boeing 737). *Management highlighted that implementation flight by Comair was able to land in April 2016 however conditions of severe wind shear were noted and thus more data had to be collected to ensure flight safety.*

PAC highlighted that summary point 14 of the report, states that DFID is underwriting the cost of the air service for the first three years of its operation and their potential liability for the first year is £1.9m. PAC enquired whether the first year of operation had commenced. *Management highlighted that the operations Phase 2 had not yet commenced and was unsure as to when it would commence.* PAC further enquired when SHG would contractually take ownership of a complete and functioning airport as envisaged under Phase 1 of the contract. *Management explained that taking over of the airport was currently underway as they were going through snagging and de-snagging. SHG would then backdate the taking over to 10th May 2016, being the date on which it was ASSI certified.*

PAC highlighted that summary point 10 states that SHG's ability to attract investment to support a growth in tourism has to date been limited due to, among others, not having a proven track record of attracting tourists. PAC enquired on the specific initiatives that SHG had implemented to mitigate the risk that had been identified in the report. *Management highlighted that they concurred with the report in that they did not have a track record however they were involved in several initiatives abroad to market St Helena more visibly and this was generating significant interest.* PAC also enquired if these risks had been updated on the St Helena Government's Strategic Risk Register so that they could be continuously monitored. *PAC was assured that the Risk Registers had been updated with the risks identified in the report.*

Recommendations

In relation to its scrutiny of NAO Airport report, **PAC recommends:**

- SHG provide responses to questions that were asked during the formal session that officials could not furnish the public, with appropriate responses.
- SHG update its Strategic Risk Register with risks that have been raised in the NAO Airport report so that they can be monitored.
- SHG brief Elected Members on any significant public report that pertains to the business of St Helena Government irrespective of responsibility or authorship.
- SHG ensures that the public are informed timely on matters that affect their livelihood.

v. Expenditure in Excess

As part of the public session on 3 October 2016, PAC considered the Statement of Expenditure in Excess for the five year period 2010/11 to 2015/16. Evidence was taken by the PAC on this Statement under section 106 of the Constitution and accordingly the PAC findings are provided to Legislative Council as a separate Sessional Paper No 44/2016.

VI. SHG response to PAC recommendations

The Sessional Paper 41/2016, SHG response to PAC recommendations was laid at Legislative Council meeting on 18th July 2016 by the Financial Secretary as the responsible member of Executive Council. The report of Government was referred to PAC for their review and disposal of responses on behalf of Legislative Council.

There were two PAC reports containing the recommendations to which Government were responding for the first time:

- Sessional Paper 2/16 PAC report on the review of the 2012/13 Government Accounts and Chief Auditors Management Letter
- Sessional Paper 3/16 PAC report on the formal session held on 11 November 2015

In addition the paper provided a progress update to PAC on other open recommendations remaining from previous reports.

PAC noted the Government response in SP 41/2016 did not meet the timeframe required by section 69(9) – the response should have been presented to the 18 May 2016 Legislative Council meeting but was overlooked and hence was not laid until 18 July 2016.

Furthermore the Government response in sessional paper 41/16 was not prepared in sufficient time to enable PAC input, prior to its laying before the House, as has been established convention. Accordingly PAC were unable to consider the adequacy of the Government response until after the paper was formally laid.

PAC have now considered the Government response and find that of the 40 recommendations in the report, 17 have been closed since the February 2016 Legislative Council meeting, a further 6 may be regarded as closed after the July 2016 Legislative Council meeting and 26 recommendations therefore remain open. Of those open recommendations 20 have tangible action in progress but 6 remain pending substantive action – details are summarised as follows.

Area under review	Recommendation open – substantive action pending	Recommendation open – action in progress	Recommendation closed – action completed
ESH 2012/13	0	3	0
SHCF 2012/2013	0	0	2
BFI 2012/13	0	2	0
SHFC 2013/14	0	1	2
SNHT 2013/2014	0	1	1
SHG 2011/12	0	4	1
SHG VFM DGO	0	2	0
SHG Airport	4	0	0
SHG Shipping	1	2	0
SHG 2012/13	1	4	0
SHG Governance	0	1	0
Total	6	20	6

When reviewing the register contained in SP 41/16 it was evident to PAC that recommendations were being marked as completed when an action had commenced rather than the recommended outcome achieved. In a significant number of cases PAC required that recommendations marked as completed in SP 41/16 remain open. The register attached to this report now reflects that updated position.

Whilst PAC are encouraged by work in progress, management attention is also required on areas where substantive action remains pending, to close through the issues identified and demonstrate tangible improvements required in both public financial management and administration.

PAC also highlight that 3 new recommendations in respect of Air Access were not addressed within sessional paper 41/2016. No explanation was provided as to why these responses were not provided as required by legislation and PAC is concerned by this omission.

Recommendations

In relation to its scrutiny of the Government response to its previous sessional reports to LegCo, the **PAC recommends that:**

- The Financial Secretary as the responsible member of ExCo must ensure completeness and timeliness of the Government response being laid under section 69(10).
- The Government response to the PAC recommendations made in respect of the Airport Review remain outstanding and should be laid at the next opportunity to regularise this omission.
- Recommendations marked as closed may now be transferred to the closed register maintained by the Financial Secretary.

- Recommendations should remain open in the register until the activity being taken by management has realised the tangible outcome expected.
- Progress on recommendations remaining open should continue to be reported to PAC at intervals of six-months so that progress may be monitored and reported to Legislative Council where action proves inadequate.

VII. Concluding Remarks

On behalf of Legislative Council, PAC would like to thank Nigel Dollery for his sterling service to the Committee during his time on Council and wish him well in his retirement. PAC also acknowledges the work of the Chief Auditor and staff of the St Helena Audit Service and attending officers of St Helena Government in assisting with this sessional report.

This sessional report on PAC proceedings held 3 October 2016 is hereby authorised for issue to Legislative Council.



Cyril (Ferdie) Gunnell
Chairman

Open Register as at 18/07/2016

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
1	7/10/2014	ESH	ESH should place more emphasis on output and outcome measures both in strategic plans and in non-financial performance reporting.	Chief Executive for Economic Development	<p>ESH as a new organisation is continually developing procedures and policies to ensure that our outcomes are measurable and in line with our refocus. We have also in the past year registered with the Institute of Economic Development (IED) in the UK and currently working towards achieving "excellence in economic development".</p> <p>This will be placed on the internal audit programme once the Internal Auditor is in place.</p>	<p>No remains open.</p> <p>Need to evaluate non-financial performance reporting in 2015/16 annual report.</p>
2	7/10/2014	ESH	ESH will need to develop management information systems to capture timely and accurate information for internal management and external performance reporting to stakeholders.	Chief Executive for Economic Development	<p>ESH has implemented systems and processes to ensure that reporting is accurate and received in a timely manner in order to report accurately to all our stakeholders. We have also implemented a new post; Quality Standards and Information Manager to ensure that this process is done. This will be placed on the internal audit programme once the Internal Auditor is in place.</p>	<p>No remains open.</p> <p>Need to evaluate non-financial performance reporting in 2015/16 annual report.</p>

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
3	7/10/2014	ESH	ESH should use the commissioning relationship with provider organisations to require data returns, which measure not only inputs but also outputs and measures of impact.	Chief Executive for Economic Development	ESH is continually developing procedures and policies with the various organisations to ensure that data is returned timely and accurately in order to show the impact of the investment to that organisation. Achieving excellence in economic development will assist this process. This will be placed on the internal audit programme once the Internal Audit is in place.	No remains open. Need to evaluate non-financial performance reporting in 2015/16 annual report.
4	Closed					
5	Closed					
6	Closed					
7	Closed					
8	Closed					
9	Closed					
10	Closed					
11	Closed					
12	Closed					
13	Closed					

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
14	7/10/2014	St Helena Currency Fund	Legislative Council amends the Currency Fund Ordinance to require the audited accounts to be laid before Legislative Council.	LEGO	Now approved by LEGCO.	[Yes] [Closed] Response verified and accepted, can be closed after next LegCo meeting.
15	7/10/2014	St Helena Currency Fund	The Currency Commissioners review the investment strategy to ensure it is designed to secure the optimum return whilst maintaining security of investment holdings.	Financial Secretary, SHG	Discussed and approved by the Currency Commissioners.	[Yes] [Closed] Response verified and accepted, can be closed after next LegCo meeting.
16	Closed					
17	Closed					
18	Closed					
19	29/4/2015	Bulk Fuel Installation	The 2003 Bulk Fuel Agency Ordinance is reviewed to determine whether it is relevant to the operations of the new BFI and either applied for that purpose or repealed.	Financial Secretary	Ordinance is not deemed to be necessary – current BFI now set up as a Special Fund. Ordinance not required for the new BFI.	No remains open as Ordinance needs to be repealed first before it can be closed.
20	Closed					
21	Closed					

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
22	29/4/2015	Bulk Fuel Installation	For accounting and asset management purposes infrastructure assets are tested for impairment annually and revalued at intervals not exceeding 5-years.	Financial Secretary	BFI is due to close during 2016/17. We have no plans to revalue assets or carry out an impairment review during that period. The cost of such an exercise is disproportionate to any benefit. New BFI Five yearly review will apply to the new BFI as will an annually impairment review.	No remains open for monitoring of implementation.
23	Closed					
24	Closed					
25	29/4/2015	St Helena Fisheries Corporation	The subsidiaries of any public body should through the articles of incorporation be made subject to audit review and PAC scrutiny for the purposes of openness and transparency.	Management Board – SHFC	Although not currently a requirement under the articles, it was always intended that the annual accounts of Saint Marine Resources Limited would be audited, and then presented to the Shareholders (ESH and SHFC Boards) at an Annual General Meeting in accordance with requirements under the Companies Ordinance. This has been actioned. Agreed that PAC scrutiny is required in the public interest whenever SHG is a shareholder.	[Yes] [Closed] SMRL has closed down and can be closed after next LegCo meeting.

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
28	29/4/2015	St Helena Fisheries Corporation	The Boards of ESH and the Fisheries Corporation should review the Directors appointed to SMRL and at the very least seek to place industry expertise on the SMRL Board through the fourth appointed Director.	SMRL Shareholders	Under the distribution of shareholding in SMRL, the SHFC Board is able to appoint up to 3 No. Board members and the ESH Board is able to appoint 1 No. Board member. There is an existing vacancy in relation to SHFC representation, following the resignation of a Board member on 4 th July 2014, and discussion has taken place with the SHFC Board in relation to this, however Members were of the view that such an appointment should not be made until current matters relating to the MFV Extractor have been concluded. One of the current Directors has 30+ years associated with the fishing industry. This will be reviewed further by the Shareholders at the Annual General Meeting when accounts have been audited and are ready for presentation. SMRL now divested.	[Yes] [Closed] SMRL divested and can be closed after next LegCo meeting.
29	29/4/2015	St Helena Fisheries Corporation	Internal management capacity remains a concern and the appointment of a counterpart General Manager will be required if the Corporation is to continue going forward.	SHFC Management Board	In light of the Argos decision to withdraw from their Cold Store Operation on the island by November 2015, the future of the Corporation and the Fishing Industry will likely see a new operational structure being put in place by SHG which will probably have such a management structure. Recruitment taking place for Business Manager.	Open – action in progress

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
30	Closed					
31	29/4/2015	St Helena National Trust	The Trust plans to report audited accounts within six-months of the financial year end and requests a standing extension from the Governor until such time as section 18(1) of the Ordinance may be amended.	Trust Director & President	The Trust President and Director are currently reviewing the Ordinance with a view to suggesting amendment to section 18(1) along with a number of other amendments.	Open – action in progress
32	Closed					
33	29/4/2015	St Helena National Trust	The Trust reviews requirements for reporting on individual donor funded projects, to ensure that specific conditions are met in respect of any project completion audits, required by donors, in addition to the Trust financial statements.	Trust Director	This is being done and has been actioned.	No - Remains open for monitoring of implementation.
34	Closed					
35	Closed					
36	29/4/2015	St Helena Government	The MTEF process is maintained with the objective of establishing a 3-year financial budget for SHG	Financial Secretary	MTEF approach now in its fifth year and is embedded in SHG's processes. Directors pulled together budgets for a three year period as was the case in 2015/16. DFID have stated that they are looking for a three year budget settlement in the future. But was not approved in 2016/17 which resulted in a one year settlement.	Open – action in progress Response accepted but remains open until 3-year budget is confirmed.
37	29/4/2015	St Helena Government	The Chief Secretary provides a written statement of progress against recommendations and the Chief Auditor performs a substantive follow-up review on the progress made, in six-nine months and report his findings to PAC in due course.	Chief Secretary	Chief Secretary to provide a written statement. Chief Auditor to follow up in six-nine months.	Open – action in progress

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
38	11/11/2015	St Helena Government	Consistent with the report recommendations Earned Value (EV) calculations on the airport project are commissioned by SHG for the years ended 31 March 2015 and 31 March 2016 so as to ensure that the valuation is available for the SHG annual financial statements.	Financial Secretary	Valuation carried out for SHG Financial Statements, but further detailed work is required.	Open – action in progress
39	11/11/2015	St Helena Government	SHG must ensure that a risk management strategy is developed for the Airport Project Phase 2 and it must conform to risk management standards and best practice. The red risks (major risks) on the Airport Project should be tracked and mitigated to ensure that it do not affect the achievement of goals/objectives of the project.		No response provided.	Open
40	11/11/2015	St Helena Government	Airport Management must implement the 8 recommendations contained in the audit report on the Airport project. The recommendations that have been provided by audit should be used by management to develop control mechanisms for Phase 2 so as to transfer the learning from Airport Project Phase 1.		No response provided.	Open
41	11/11/2015	St Helena Government	Management must develop an integrated assurance and approval plan for Phase 2 of the Airport Project Operations. Management must also determine areas where they require assurance so that its internal and external assurance providers can assist in that regard.		No response provided.	Open

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
42	11/11/2015	St Helena Government	<p>A Project Board is established as a matter of urgency with an elected member and the SHG shipping officer amongst its membership to advise Executive Council and oversee the disposal process of the RMS St Helena and ensure that the following is in place:</p> <ul style="list-style-type: none"> • Management engages the services of reputable independent expert to determine the value of the RMS St Helena and also advise on the disposal options based on the condition of the ship and current trends in the industry. • Management prepare a report on the disposal options for the RMS St Helena for consideration by the Project Board and Executive Council decision. • Ensure that a list of assets (inventory/heritage assets/fixed assets/movable assets) is maintained, currently up to date and a copy held by SHG. In addition an asset verification should be performed by the Audit Service. 	Shipping Officer	<p>As stated previously a professional broker has been appointed for this purpose.</p> <p>The decision on the sale of the RMS St Helena will be on financial grounds and recommendations made to EXCO as part of EXCO process will be through an EXCO Memorandum submitted to EXCO providing the relevant information for EXCO to make an informed decision.</p> <p>AWS have prepared a list of all assets and this has been provided to SHG. The auditors of AWS will carry out final verification audits as part of the decommissioning of the vessel.</p>	Open – action in progress

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
43	11/11/2015	St Helena Government	In view of the uncertainty of the withdrawal date of the RMS St Helena, Executive Council makes appropriate budgetary provisions in the event that the service is extended.	Financial Secretary	<p>RMS St Helena subsidy is funded through DFID and the 2016/17 budget includes an agreed settlement with DFID on the subsidy required. This is agreed with DFID as part of BAM discussions. This has been the case for over 20 years and is no different in the final year of the RMS.</p> <p>When setting budgets we use the most up to date information and data, budgets must be based on facts and likelihood of expenditure being incurred. We do not set aside reserves as part of the budget process for unlikely expenditure.</p> <p>Budget set for the RMS St Helena is deemed to be appropriate and was agreed by LEGCO in March 2016. Matter is now closed.</p>	No – The ship has been extended therefore will remain open pending a supplementary appropriation and subsequent budget appropriations.
44	11/11/2015	St Helena Government	SHG ensures that interested stakeholders and the public at large are kept informed on both the proposals for the provision of a cargo shipping service and the decommissioning of the RMS St Helena.	Shipping Officer	<p>This is the case and has always been the case, the public are informed and timely announcements are made.</p> <p>We will continue with the agreed approach</p>	No – To be monitored for implementation.
45	11/11/2015	St Helena Government	SHG must ensure that a Deputy Shipping Officer be appointed to ensure there is no disruption of services in the absence of the Shipping Officer.	Financial Secretary	<p>We disagree with the recommendation, there has been no disruption of services in the absence of the Shipping Officer and we see no need for a deputy.</p> <p>Recommendation not accepted and will not be implemented. Matter is now closed</p>	<p>Disputed – To remain open</p> <p>Disagreement noted but management should provide an alternative action that will mitigate the identified risk.</p>

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
46	11/11/2015	St Helena Government	SHG confirm the adequacy of the resources within Corporate Finance for maintaining both normal business and statutory reporting responsibilities after the arrears recovery programme is complete.	Financial Secretary	I can confirm that adequate resources are in place once we have caught up with the Financial Statements. This will form part of normal day to day management of the service through budgets and planning. Recommendation agreed – NFA	No – To be monitored for implementation.
47	04/02/2016	St Helena Government	SHG set out a technical proposition with resource assessment and timeline for the preparation of the financial statements of Government on a consolidated basis in accordance with IPSAS 6.	Financial Secretary	SHG currently consolidating in line with IPSAS 6 for 2015/16 accounts. This will not include Solomons accounts as this time.	No – To remain open for action to monitor.
48	04/02/2016	St Helena Government	SHG give some priority to validating historic social benefit cases to assess the level of financial exposure with a realistic timeline for completion.	Financial Secretary	Action Plan in place and progress in line with this.	No – To remain open for action to monitor
49	04/02/2016	St Helena Government	SHG advises the steps proposed, to obtain fixed asset valuations before expiry of the transitional provisions for asset recognition under IPSAS 17.	Financial Secretary	TOR issued for full valuation by qualified RICS assessor – waiting bids for work 29/6/2016. Work to be completed by March 2017. Steps have been confirmed.	No – To remain open for action to monitor.
50	04/02/2016	St Helena Government	SHG advise PAC what action is being taken in respect of those matters raised by the Chief Auditor in his Final Accounts Memorandum.	Financial Secretary	All issues have been addressed and actioned.	No – To remain open for action to monitor.
51	04/02/2016	St Helena Government	SHG maintain active interest in the FCO sponsored governance review and take all necessary steps to apply the model framework proposed for the Overseas Territories to strengthen financial governance, audit and parliamentary scrutiny in St Helena.	Chief Secretary	Can confirm this to be the case.	No – Remains open until the report has been finalised and issued to Territories.

Previous Recommendations before new monitoring scheme introduced

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
1PR	10/2/2014 Updated 7/10/14	SHG Financial Statements 2011/12	The Financial Secretary should improve the timeliness of accounts preparation. Legislative Council should amend the Public Finance Ordinance to require the Financial Secretary to present financial statements to the Chief Auditor for audit within 4 months of year end consistent with the PEFA report of February 2014.	Financial Secretary	Once the backlog of Financial Statements has been addressed we will aim to produce the Financial Statements within four months of the year end for audit by the SHAS. The aim will be for Financial Statements to be signed off (i.e. Opinion given by the Chief Auditor) by the end of December each year.	No Open – action in progress
2PR	10/2/2014	SHG Financial Statements 2011/12	The Financial Secretary should continue with plans to introduce accruals based budgeting in time for the 2016/17 budget process.	Financial Secretary	We agree with the recommendation but not the timeline and we are aiming to introduce for the 2017/18 financial year.	No Open – action in progress
3PR	10/2/2014	SHG Financial Statements 2011/12	The Financial Secretary should prepare an analysis of the costs of consolidating subsidiary bodies in the Financial statements, to allow Executive Council to assess whether the costs outweigh the benefits of accurate reporting of the Government's financial position.	Financial Secretary	The decision to consolidate subsidiary bodies is that of the Financial Secretary. Further consideration has been given to this matter and as it currently stands SHG do not have the resources to implement a full consolidation. We have procured an additional three people to address the backlog of the Financial Statements as it currently stands. The additional resources are being focused on the backlog, in line with the agreed working plan with the SHAS. Further consideration will be given to consolidation of the Financial Statements in 2016 for the 2016/17 financial year.	No Open – action in progress
4PR	10/2/2014	SHG Financial Statements	Legislative Council should amend the Social Security Ordinance to ensure that sufficient evidence is obtained and retained as part of the evaluation of claims.	Financial Secretary	We have decided in agreement with the AG that it would not be appropriate to legislate for this. Further work is being done on the balance of probability and evidence	[Yes] [Closed] Issue to be tracked under

No	Date Reported to LEGCO	Body	Recommendation	Responsibility	Response	Transfer To Closed Recommendations
		2011/12			requirements for this. An evidence matrix will be developed for inclusion in the BIP and IRB Guidelines. This will spell out clearly what is required and what weighting is given to each piece of evidence. This will be retained on file. The Social Protection working group is taking this forward. Evidence requirements will be published so that applicants will know what evidence they need to present with their application.	recommendaation 48 as it pertains to the same issue.
5PR	10/2/2014	SHG Financial Statements 2011/12	The Financial Secretary should prepare a phased programme of valuation of Government land and buildings to ensure that all land and buildings are valued by 31 March 2017.	Financial Secretary	This is progressing and a joint procurement exercise with Solomons (to save cost) is being progressed with an appointment likely later in the year to carry out the valuation of assets by March 2017.	No Open – action in progress
6PR	Closed					
7PR	Closed					
8PR	Closed					

