



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 WITH REGARDS TO EXPENDITURE IN EXCESS

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 with regards to Expenditure in Excess.

1. Introduction

In accordance with section 106 (2) of the Constitution of St Helena, the Public Accounts Committee (PAC) hereby reports to Legislative Council on the Statement of Expenditure in Excess contained in Sessional Paper 40/2016 and referred to PAC under section 106(1).

The examination of Expenditure in Excess formed part of the order of business for the formal meeting of PAC held on 3rd of October 2016. This special report of PAC covers this specific item of business. A sessional report on the full proceedings of PAC will be laid before Legislative Council in due course.

Membership of the PAC comprises:

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

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

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. Statement of Excess Expenditure 2011 – 2016

In the Sessional Paper 40/2016 St Helena Government (SHG) reported excess expenditure¹ against final appropriation for five financial years commencing in the 2011/12 financial year to the 2015/16 financial year.

- (a) For the financial year 1 April 2011 - 31 March 2012
- (b) For the financial year 1 April 2012 - 31 March 2013
- (c) For the financial year 1 April 2013 - 31 March 2014
- (d) For the financial year 1 April 2014 - 31 March 2015
- (e) For the financial year 1 April 2015 - 31 March 2016

In accordance with the constitution of St Helena, Ascension and Tristan da Cunha, paragraph 106¹, PAC is required to report to LegCo within 6 months of the submission made on the 18th July 2016. In line with the PAC's terms of reference, the Committee invited respective accounting officers to explain the reasons for the excess expenditure.

The following persons attended to answer questions in respect of Excess Expenditure:

Financial Secretary – Mr Dax Richards
Assistant Financial Secretary – Mr Nicholas Yon
Acting Chief of Police – Chief Inspector Steve Riley
Acting Director of ENRD – Mr Derek Henry
Corporate Services Executive Manager – Mrs Carol George
Assistant Chief Secretary (Performance) – Mr Paul McGinnety

The PAC findings in respect of each Head of Expenditure determined to be in Excess are reported in the following tabular summary.

¹ Constitution of St Helena, Ascension and Tristan da Cunha
Excess Expenditure

106. (1) Where at the close of accounts for any financial year it is found that moneys have been expended on any expenditure vote in excess of the amount appropriated for it or for a purpose for which no moneys have been appropriated, the amount of the excess expended, or not appropriated, as the case may be, shall be included in a statement of expenditure in excess which shall be laid before the Legislative Council and referred to the Public Accounts Committee.

(2) The Public Accounts Committee shall report to the Legislative Council on a statement of expenditure in excess referred to it under subsection (1) within six months after the statement is referred to it.

(3) On receiving any report of the Public Accounts Committee issued under subsection (2) the Legislative Council may, by resolution, allow the excess or the amount expended but not appropriated to stand charged to public funds.

(a) For the financial year 1 April 2011 - 31 March 2012

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Expenditure in Excess £ | Details of the Excess Expenditure |
|-----------------------|--------------------------|-----------------------|----------------------|-------------------------|--|
| 11: Governor | 155,192 | 160,860 | 170,321 | 9,461 | Additional transport costs and an increase in electricity usage and uplift in tariff for Plantation House. |
| 12: Secretariat | 788,889 | 789,329 | 798,611 | 9,282 | Additional Supreme Court session requiring further visit of the Chief Justice and subsequent increase in legal fees. |
| 19: Tourism | 198,629 | 198,629 | 222,788 | 24,159 | Leave salary paid for staff who resigned that was not anticipated. A higher level of maintenance required to Chief Secretary Houses during 2011/12. Tourism was previously responsible for the allocation of Chief Secretary houses; that changed in the 2012/2013 financial year and now sits in the Housing Trading Account. |
| 21: Access & Shipping | 4,900,404 | 4,757,404 | 4,797,681 | 40,277 | Provision required for redundancy costs for the officers and crew when the RMS St Helena is withdrawn from service. |

(b) For the financial year 1 April 2012 - 31 March 2013

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Excess Expenditure £ | Details of Expenditure in Excess |
|---------------------|--------------------------|-----------------------|----------------------|----------------------|---|
| 11: Governor | 158,148 | 181,497 | 190,471 | 8,974 | Vacancy saving built into the budget was not achieved. Increase in leave liability. |

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Excess Expenditure £ | Details of Expenditure in Excess |
|------------------------------|--------------------------|-----------------------|----------------------|----------------------|---|
| 15: Police | 731,018 | 769,818 | 782,447 | 12,629 | Additional transport costs incurred to assist in special investigations during the financial year. |
| 17: Finance | 2,504,180 | 2,429,131 | 2,551,411 | 122,280 | Capitalisation threshold increased from £1K to £5K in the Financial Regulations therefore computer equipment previously budgeted under capital expenditure was accounted for under recurrent expenditure. |
| 28: Environmental Management | 135,641 | 137,252 | 140,031 | 2,779 | Capitalisation threshold increased from £1K to £5K in the Financial Regulations therefore expenditure previously budgeted under capital expenditure was accounted for under recurrent expenditure. The items in question were a Leckertotal Station and Controller. |

(c) For the financial year 1 April 2013 - 31 March 2014

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Expenditure in Excess £ | Details of Expenditure in Excess |
|---------------------|--------------------------|-----------------------|----------------------|-------------------------|---|
| 11: Governor | 155,956 | 169,223 | 170,417 | 1,194 | Increase in electricity usage due to the need to use dehumidifiers and heaters to prevent dampness causing damage to Plantation House and its contents. |
| 15: Police | 760,554 | 996,307 | 1,037,923 | 41,616 | Additional costs associated with a prisoner sent to UK for medical treatment over and above the Special Warrant that was approved. The total spend on this specific item was £212,214. These costs only relate to |

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Expenditure in Excess £ | Details of Expenditure in Excess |
|---------------------|-----------------------------|--------------------------|-------------------------|----------------------------|--|
| | | | | | accompanying the prisoner to and from St Helena and bed watch and escort costs while in the UK. Medical treatment costs were covered separately. |

(d) For the financial year 1 April 2014 - 31 March 2015

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Expenditure in Excess £ | Details of Expenditure in Excess |
|----------------------------|-----------------------------|--------------------------|-------------------------|----------------------------|--|
| 11: Governor | 158,000 | 164,000 | 169,224 | 5,224 | Vacancy saving built into the budget was not achieved. |
| 14: Attorney General | 52,000 | 53,000 | 61,761 | 8,761 | Market Forces Supplement and online subscription fees for legal advice not included in the original budget. |
| 18: ENRD - PMU | 28,000 | 31,000 | 31,288 | 288 | Increase in salary not included in the original budget. |
| 22: Education & Employment | 2,647,000 | 2,739,000 | 2,797,783 | 58,783 | Shropshire expenditure for scholarship fees and UK Support Officer fees were not factored into the recurrent budget and had been anticipated to be covered from an alternative funding source. |

(e) For the financial year 1 April 2014 - 31 March 2015

| Head of Expenditure | Original Appropriation £ | Final Appropriation £ | Actual Expenditure £ | Expenditure in Excess £ | Details of Expenditure in Excess |
|--|-----------------------------|--------------------------|-------------------------|----------------------------|--|
| 15: Police | 1,199,000 | 1,237,000 | 1,257,465 | 20,465 | Increase in IT recharges resulting from the recruitment of specialist staff. Costs associated with ongoing special investigations. Additional transport costs resulting from Airport training requirements. Increase in leave liability not anticipated. |
| 17: Corporate Services - Corporate Finance | 3,785,000 | 3,880,203 | 3,955,008 | 74,805 | Professional legal fees and travel expenses incurred for Supreme Court sitting in 2014/15 unforeseen during the supplementary appropriation process. Other professional fees unforeseen in relation to a Coroner's investigation. Additional costs under the Bus Service contract were not anticipated during the budget setting process. |
| 29: Safeguarding | 2,615,000 | 2,754,000 | 2,914,577 | 160,577 | Additional staff employed by the directorate that was not budgeted. Medical and material supplies for the Community Care Complex purchased during the year were not budgeted. Full budget provision for Better Life Allowance was not made. Professional legal fees for family and child care cases for the Supreme Court sittings in 2015/16. Child car seats purchased late in the financial year. |

3. Conclusion

PAC noted that Excess Expenditure was being looked at as far back as the 2011/12 financial year. Going forward after clearance of this legacy statement PAC will expect that a Statement of Expenditure in Excess will be laid for examination soonest after the completion of each financial year end.

Given the historical nature of some of these issues, accounting officers have changed and some have left therefore PAC acknowledged that there might be a loss of institutional memory in this regard. As SHG is becoming more current in its financial reporting, more up to date questions will be asked to accounting officers who will be expected to provide comprehensive explanations.

PAC enquired as to the reasons for the Excess Expenditure from officials from the respective Accounting Officer of the various Heads of Expenditure. *Officials explained the reasons for the expenditure in excess, which have been documented in the tables above.*

PAC further probed as to why Supplementary Appropriations² or Special Warrants³ were not utilised in instances where it met the requirements. *Officials provided the following explanations of why these two alternatives were not utilised:*

- (a) Timing of the occurrence of the expenses would not allow SHG to request for a Supplementary Estimate as it would be after 31 March of that year.*
- (b) Some expenses did not meet the requirements of a Special Warrant, and thus it was not used.*
- (c) Special Warrants and Supplementary Estimate were requested in other instances but the costs for the transactions were underestimated leading to excess.*

PAC considered explanations provided by management and considered them to be reasonable.

² *Supplementary Estimates*

104. (1) *The Governor, acting on the recommendation of the Financial Secretary and after consulting the Executive Council, if satisfied that financial exigencies so require, may issue a Withdrawal Warrant authorising the limitation or suspension of appropriated expenditure, to the extent specified in the warrant.*

(2) *Notification of every Withdrawal Warrant shall be laid before the Legislative Council by the Financial Secretary on the first sitting day not less than ten days after the date of its issue.*

³ *Special Warrants*

103. (1) *The Governor, acting on the recommendation of the Financial Secretary and after consulting the Executive Council, if satisfied that there is an urgent and unforeseen need for expenditure for which no other provision exists, may issue a Special Warrant authorising the Financial Secretary to make payments to meet that expenditure out of the Consolidated Fund, up to the amount specified in the warrant; and such warrant shall constitute an appropriation of that amount.*

(2) *Notification of every Special Warrant shall be laid before the Legislative Council by the by the Financial Secretary on the first sitting day not less than ten days after the date of its issue.*

4. Recommendations

Arising from its examination of Expenditure in Excess, PAC recommends that:

- Legislative Council by resolution allow the Excess Expenditure set out in sessional paper 40/2016 being the amount expended but not appropriated to stand charged to public funds as the explanations provided seem reasonable.
- SHG schedule a Legislative Council meeting in late February in each year so that the Financial Secretary can make reasonable assessment of the actual expenditure against the final appropriation and request a Supplementary Appropriation to minimise the occurrence of Excess Expenditure in future.
- The Financial Secretary prepares a statement of Expenditure in Excess soonest after the closure of the relevant financial year end and presents that statement annually to Legislative Council in accordance with section 106.
- The Financial Secretary issues regular communiques to all accounting officers to remind them of their responsibilities with regards to budgetary control, expenditure spending and monitoring.

5. Concluding Remarks

The PAC acknowledges the work of the Chief Auditor, staff of the St Helena Audit Service and attending officers of SHG in assisting with this sessional report.

This report on PAC proceedings is hereby authorised for issue to Legislative Council.



Cyril Gunnell
Chairman

29th November 2016