



**St Helena  
Government**

**ST HELENA GOVERNMENT**

**SAINT HELENA AUDIT SERVICE  
STRATEGIC PLAN 2018/2019 TO 2020/2021**

*Laid on the table 23rd March 2018*

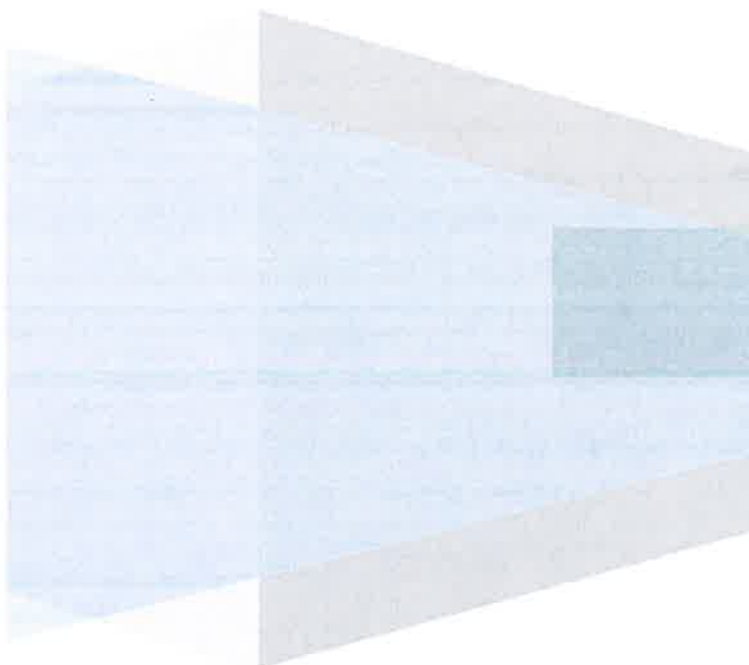




**SAINT HELENA AUDIT SERVICE**  
External Auditors

# **Strategic Plan**

**2018/19 to 2020/21**



**28/02/2018**

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## INTRODUCTION

### THE STRATEGIC PLAN

This strategic plan for the three-year period 2018/19 to 2020/21 sets out the organisational developments proposed for the public audit function in St Helena, the work that the Chief Auditor plans to perform in accordance with statutory mandate, the resources expected to be used in carrying out that work, and the resultant income that will be earned through audit fees. The plan rolls-forward and updates the previous strategic plan for the three-year period 2017/18 to 2019/20 laid before LegCo on 14 March 2017 as Sessional Paper 6/17.

### MANDATE AND SCOPE OF WORK

The Chief Auditor is the statutory external auditor for St Helena and is mandated under the Constitution and the Public Finance Ordinance to audit the accounts of government and other statutory bodies in St Helena. These audits are undertaken as professional engagements in accordance with auditing standards in various forms:

- Financial Audit
- Independent Examinations
- Grant Certification
- Agreed upon Procedures
- Performance Audit

The Chief Auditor is able to perform this work through staff employed within the Saint Helena Audit Service (SHAS) or may engage qualified accountants to perform work on his behalf. The Chief Auditor may also provide audit or accountancy services either to government or to persons outside government provided that work will not interfere with his statutory duties.

The Chief Auditor will also discharge other statutory functions including providing advice to the Public Accounts Committee and generally promoting accountability in the public administration of St Helena.

### FINANCIAL PROVISIONS

Whilst the constitution provides that the remuneration of the Chief Auditor shall be charged upon the Consolidated Fund the operating costs of the Audit Service are managed through the St Helena Audit Service Trading Account as set up by the Special Fund (St Helena Audit Service Trading Account) Order, 2013.<sup>1</sup>

The Special Fund captures the operating expenditure of the Saint Helena Audit Service and the income arising from fees charged for audit work. Accordingly, the Audit Service does not require direct appropriations from the Saint Helena Government Consolidated Fund. Governance oversight is provided by the Public Accounts Committee which approves the Audit Service annual budget estimates.

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<sup>1</sup> Legal Notice No. 11 of 2013

## KEY DEVELOPMENT PRIORITIES

### BACKGROUND

The strategic plans for the previous three years were prioritised towards the clearance of significant arrears in the reporting of the public accounts in St Helena whilst ensuring the professional competence of the audit function in delivering technically sound reporting. This deliberate focus on restoring the timeliness of public financial reporting through technical cooperation and resource supplementation from qualified contractors achieved the desired outcome and set a stable baseline for the sustainable development of the external audit function in St Helena.

The strategic plan for the next three years can now focus upon institutional development and capacity building which will establish the Audit Office in good stead for the medium term. The desired development priorities align well with the FCO sponsored project to strengthen audit and parliamentary oversight across the UK Overseas Territories. The following sections highlight these strategic development priorities.

### STRENGTHENING PUBLIC FINANCIAL OVERSIGHT

The Overseas Territories Department (OTD) of the Foreign and Commonwealth Office (FCO), through the Conflict Stability and Security Fund (CSSF), are currently sponsoring an initiative designed to strengthen audit and parliamentary oversight across the Overseas Territories. The publication of the Good Practice Guidance for Public Financial Oversight in February 2017 is underpinned with a programme of technical assistance focused on implementation in three key areas:

1. Public Accounts Committees (PAC) – lead partner the Commonwealth Parliamentary Association (CPA).
2. External Audit – expert partner the National Audit Office (NAO).
3. Internal Audit – expert partner the Government Internal Audit Agency (GIAA).

This OTD wide initiative will support the institutional development of these oversight functions in St Helena and the next phase of development of the statutory audit function as outlined in this strategy is aligned directly with this CSSF project and continuing technical cooperation funded through the Department for International Development (DFID) bilateral aid programme.

### UPDATING AUDIT LEGISLATION

Section 111 of the Constitution and Part VIII of the Public Audit Ordinance 2010 set out the statutory framework for the public audit function in St Helena. The provisions of the Public Finance Ordinance appear somewhat dated in a range of respects as highlighted by the recent NAO review of audit legislation undertaken under the OTD Public Financial Oversight Project.

The NAO review benchmarked the statutory provisions against the International Supreme Audit Institutions (INTOSAI) Founding Principles<sup>2</sup>. The review identified 4 amber areas – where some provision existed but did not meet the requirement in the principles and 3 green areas where the existing provisions met the expected requirement. The red area 1 red area – where provisions were absent or seriously deficient, relates to resource autonomy and is mitigated in part through the Audit Service Special Fund. The headlines from the review are summarised in Figure 1.

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<sup>2</sup> The INTOSAI Founding Principles – otherwise known as the Lima Declaration define the auditing precepts necessary for an independent statutory audit function in each country.

FIGURE 1 ASSESSMENT AGAINST INTOSAI PRINCIPLES [RAG RATED]



To update the current audit legislation to meet the INTOSAI Level-1 Founding Principles will require the repeal of section VIII of the Public Finance Ordinance and introduction of a dedicated Public Audit Ordinance for approval by Legislative Council. The development of an Ordinance, drawing upon drafting support from the Attorney General's Chambers, will be consistent with the INTOSAI principles and best practice across the UK Territories. Consequential amendments to the statutory audit provisions in the Constitution will also be prepared. The required amendment to the Interpretation Ordinance regarding the definition of an audit and the reference to the International Standards on Auditing (ISAs) can also be addressed during this legislative update process.

There will be opportunity to introduce related reforms to the Public Finance Ordinance at the same time. Importantly this can address the timeliness of the financial statements production and specifically the declared intention to require accounts preparation within 4-months of year-end and audit completion within 5-months of receipt. This amendment will give statutory force to reporting of audited Financial Statements of Government within 9-months of the financial year-end being 31 December. The feasibility of further advancing the reporting timetable will be explored in the context of the OTD Good Practice Guidance which advocates reporting within six-months of the financial year-end.

## UPDATING AUDIT METHODOLOGY

### FINANCIAL AUDIT

SHAS conducts Financial Audits and Review Engagements using an approach codified in a Financial Audit Manual. The development and introduction of an ISA compliant financial audit manual in 2014 marked a significant professional milestone for the Office.

With the introduction of the new ISAs and industry-wide improvements in technical audit effectiveness the current methodology will be updated during 2018/19 with the introduction of a revised Financial Audit Manual developed through the UKOT audit project. The Head of Audit Services will lead the implementation of the new manual and roll-out training for the audit staff. To ensure operational compliance, realise the technical benefits of the new approach, and enable optimum audit efficiency sustained investment will be required to support the team and embed the new approach.

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## PERFORMANCE AUDIT

The design and implementation of a Performance Audit Manual for the conduct of value for money audits remains a significant pending requirement for the Audit Service. The development of a Performance Audit Manual compliant with INTOSAI standards has been requested through the auspices of the UKOT audit project. In the interim the NAO is to lead a guided performance audit during 2018 across the Overseas Territories as a means of building performance audit capability in local audit teams. The Saint Helena Audit Service will participate in this guided audit during 2018/19.

## IMPROVING INFORMATION MANAGEMENT

The Audit Service uses the shared drive to maintain a structured filing system for audit work and office wide document management. There is no audit management system in use for documenting audit procedures along with supporting audit evidence and instead individual audit working papers are stored in the structured folders in Word Excel and PDF format.

To better meet the requirement of ISAs in terms of compliance with the audit methodology and ensuring sufficient appropriate documentation of audit work and evidencing of quality review processes an audit management system is now required. An evaluation of proprietary audit management systems was performed in 2016 and CaseWare was identified as suitable for local application.

The CaseWare system includes integrated functionality which supports both statutory accounts production and associated audit procedures:

- CaseWare Accounts – will generate statutory financial statements directly from a mapped ledger or extended trial balance and will track audit journals through to final statements
- CaseWare Audit – will maintain audit documentation including individual procedures and supporting working papers and provide management information on the progress of individual audit projects

The introduction of CaseWare provides an opportunity for improvement in technical effectiveness and audit compliance when introducing the revised audit methodologies in financial and performance audit.

The system also provides potential for improved efficiency and error checking in the accounts production process. This may include the statutory accounts production for smaller entities through the accounting services provided by SHAS or the case of SHG where the statutory statements would be prepared by Corporate Finance mapping CaseWare with their Access Dimensions accounting system.

To ensure the project remains manageable the implementation of CaseWare will be introduced on a phased basis commencing with CaseWare Audit in 2018/19 and moving to CaseWare Accounts in 2019/20. The project will be led by the Head of Audit Services supported by the Audit Manager with a time bound implementation plan developed for approval and sign-off by the Chief Auditor. Provision will be made within the budgetary estimates for the recurrent costs of the CaseWare user licence.



## BUILDING CAPACITY AND CAPABILITY

Previous strategic plans identified that the staff resource available to the Chief Auditor through the St Helena Audit Service needed to be rebuilt and developed to provide a professional and sustainable public audit service. Some significant progress has already been made in this regard and some further developments are scheduled for this forward strategic period.

In 2015 technical assistance was secured at audit manager level to give specific focus to the financial and performance audit priorities and the increased complexity of the audit function and skills required to achieve compliance with international standards on auditing. Alongside associated improvements in skill mix within the established team, short term contract supplementation was secured to assist with the reporting backlog and peak operational workload.

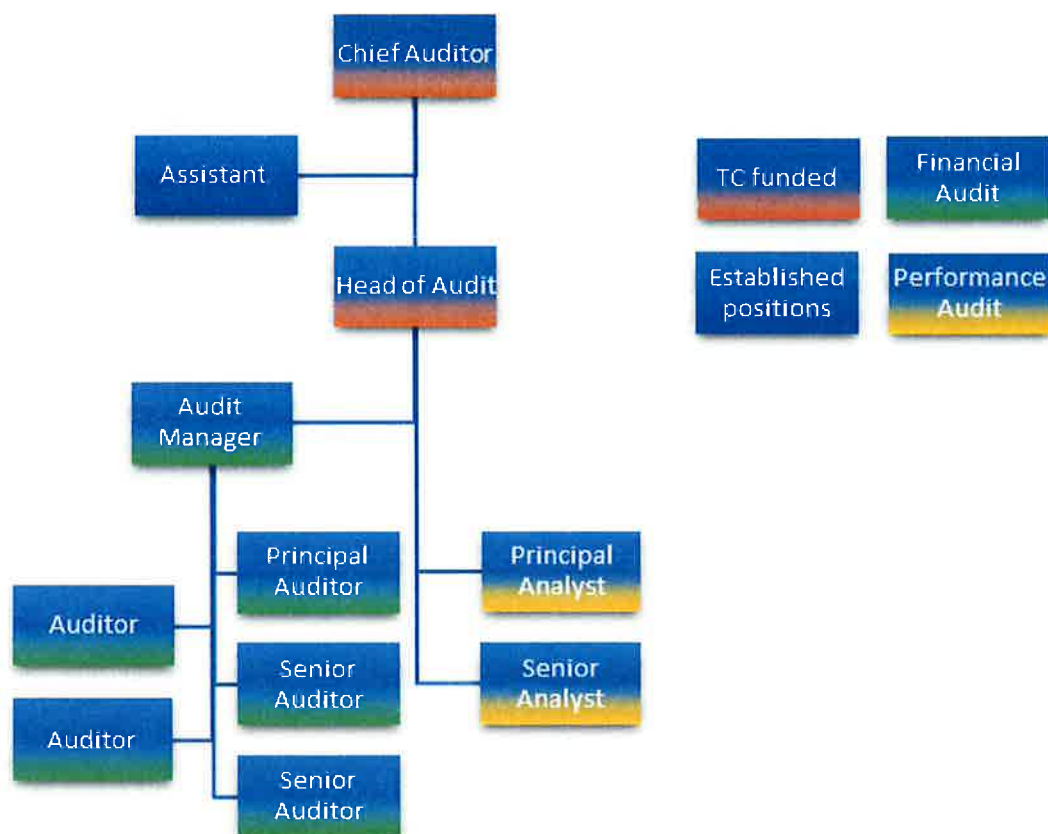
In 2017, with the financial audit backlog cleared, a further restructuring was applied to create a new operational role as Head of Audit Services reporting to the Chief Auditor and enable internal succession with a consequent reduction in the overall TC funded complement. The TC funded position of Head of Audit Services has lead responsibility for delivery of operational audit plans, serves as engagement manager for the audit of Financial Statements of Government, manages the performance audit programme and assists the Chief Auditor in professional advice to the PAC. The locally established position of Audit Manager provides team support and serves as engagement manager for the various non-government financial audits.

In 2018 specific organisational developments are designed to build team capacity and capability necessary for sustainability in the public audit function:

- To better service both financial and performance audit work streams and reduce reliance on external contract supplementation for peak workload;
- To address the issue of retention and remuneration through introducing an audit cadre;

These changes will be underpinned by a continuing emphasis on strengthening our professional and technical capability through staff training and development. The team structure for the Saint Helena Audit Service effective for 2018 is set out in Figure 2.

FIGURE 2 AUDIT SERVICE TEAM STRUCTURE 2018



## REDUCING RELIANCE ON CONTRACTORS

The audit workload for financial audit increases significantly in the six-month period June to November which has proven difficult to service from the fixed staffing establishment. During the previous three years, and particularly through the backlog clearance project, qualified resources were seconded-in to the Audit Service from commercial accounting firms for variable durations of between three and six months to coincide with the peak loading. This resource supplementation has been essential for meeting statutory timelines but relatively expensive when compared to established resources.

The sustainable solution for 2018 is to convert the recurrent budget used for seconded contractor support into an established addition to the staff complement. The equivalent sum expended for five-months contractor support will be used to fund a qualified Principal Auditor hired on local terms. The extra position will be available to service the peak financial audit workload and wider team performance during the other months.

Since the total workload will be in balance with the available productive capacity no budgetary provision will be made for contract supplementation in the forward estimates other than for commissioning technical and specialist expertise. Should additional contractor resource be required then this will be funded through current vacancies and/or additional fees generated from new engagements.

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## RESOURCING PERFORMANCE AUDIT

The Chief Auditor's responsibilities to assess whether value for money has been achieved in the use of public resources are serviced through the performance audit work stream. Some tangible progress has been achieved over the previous three years in terms of published value for money audits. But there has been inadequate internal capacity to undertake the reviews envisaged in the performance audit plan and service the needs of Public Accounts Committee through special audits commissioned by the Chief Auditor in response to emergent issues.

To ensure the statutory duty under section 29(2) is better serviced the performance audit plan will be resourced through a dedicated two-person sub-team reporting directly to the Head of Audit Services. The budgetary estimates include provision for the designation of an existing Senior Auditor position as Senior Analyst and the establishment of a new position as Principal Analyst. This change is achieved largely within existing resources alongside a modest increase in the value for money recharge.

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## INTRODUCING AN EXTERNAL AUDIT CADRE

Members of the Chief Auditor's staff in the Saint Helena Audit Service are employed under the same administrative rules and conditions of service as apply generally to any public officer. Technician level accounting staff (CAT qualified) are in high demand across government and the commercial sector. Professionally qualified accountants (CCAB qualified) capable of issuing financial statements as responsible preparers and reporting upon them as appointed auditors are scarce. Accordingly, the recruitment and retention of qualified auditors on general terms has proved problematic.

Market forces supplements have been used with some success to recognise qualifications and experience. However, to properly address the issue of recruitment, retention and remuneration the development of a professional cadre and scheme of service for external auditors remains the desired way forward with remuneration linked explicitly to qualifications and experience. The progression of this item slipped during 2017/18 strategic plan but has been restored as a priority for 2018/19.

The Financial Secretary employs the majority staff engaged in accounting technician roles and is progressing a scheme of service for financial services. The Chief Auditor in consultation with Human Resources will develop a parallel scheme for the external audit cadre which will cover both financial audit and performance audit disciplines. The review will apply as appropriate the principles from the pay and grading review for the wider public service and the developing financial services cadre.

The trading account financial estimates include budgetary provision for the expected implementation of the external audit cadre review and resultant scheme of service.

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## DEVELOPING THE AUDIT TEAM

The demands of the new accounting and auditing standards have changed the nature of the audit work from transaction based routines to more complex procedures involving analysis evaluation interpretation and judgement. The shift from clerical to technical and professional is marked with the new standards and this is driving an upskilling in the configuration of the external audit team. Continued investment in internal training and development is required to reduce reliance on imported resource and to build internal capability to service these demands.

Auditors are being supported in undertaking a structured training programme leading to recognised technical and professional qualifications. Local team members deployed on financial audits are enrolled on the Foundations in Accounting (FIA) programme leading to Certified Accounting Technician (CAT) status. The FIA provides an access route to the Association of Chartered Certified Accountants (ACCA) study programme. Completion of the ACCA programme gives qualified accountant status.

Those team members delivering the performance audit work stream require an economics master's degree or equivalent and will study for the Certified Government Performance Auditor (CGPA) or the Certified Internal Auditor (CIA) qualifications from the IIA.

The extended time periods required to study for these qualifications by distance learning have proven a practical barrier to internal succession and organisational development. Accordingly accelerated training plans supported through a combination of distance learning on-island and classroom-based studies either locally based or overseas will be supported through our professional training policy. In doing so we will work closely with the ACCA coordinator and maximise use of the educational resources available within the St Helena Community College.

## PLANNED WORK PROGRAMME

### AUDITS PERFORMED BY PROFESSIONAL FIRMS

Through the combination of existing arrangements and a periodic procurement the audits of certain statutory bodies and controlled entities are undertaken by professional firms appointed by the Boards of these entities. Table 1 details these public entities and their respective external auditors.

**Table 1 External audits performed by professional firms**

Entity	External Auditor	Notes
<b>Solomon &amp; Company (St Helena) PLC</b>	Grant Thornton	Retender completed and auditors retained for 2017/18 onward
<b>St Helena Line Ltd</b>	Bishop Fleming	Subject to continuation of the RMS St Helena
<b>Bank of St Helena Ltd</b>	Moore Stephens	Currently subject to retender with effect 2017/18 audit
<b>Connect St Helena Ltd</b>	Moore Stephens	Proposed to move to SHAS for 2018/19 audit

Because of their scale and specialist nature the commercial company audits of Solomon & Company and the Bank of St Helena are expected to continue with appointed audit firms in the medium term. However, the audit of Connect St Helena, subject to shareholder agreement, will be performed by the Saint Helena Audit Service with effect from 2018/19 to allow a managed transition from the current external auditors.

### AUDITS PERFORMED BY SHAS

The financial audits of Government and other public bodies required to be performed by the Chief Auditor are serviced through the Saint Helena Audit Service. Table 2 summarises these Audit Service engagements.

**Table 2 External audits performed by the Saint Helena Audit Service**

Entity	Engagement Type	Mandate
<b>Government of St Helena</b>	Audit	Public Finance Ordinance
<b>Currency Fund</b>	Audit	Currency Fund Ordinance
<b>Bulk Fuel Installation <sup>3</sup></b>	Audit	Management Agreement 2006
<b>Enterprise St Helena <sup>4</sup></b>	Audit	Enterprise St Helena Ordinance
<b>St Helena Hotel Development Ltd</b>	Audit	Public Finance Ordinance
<b>St Helena Fisheries Corporation</b>	Audit	St Helena Fisheries Ordinance
<b>St Helena National Trust</b>	Examination	National Trust Ordinance
<b>South Atlantic Media Services Ltd</b>	Examination	Public Finance Ordinance

<sup>3</sup> The existing Bulk Fuel Installation operated under the 2006 management agreement is expected to be decommissioned with 2018/19 being the final year of account.

<sup>4</sup> The ESH audit previously outsourced during the arrears recovery project has returned to SHAS for the 2017/18 financial audit onwards.

Entity	Engagement Type	Mandate
<b>Equality and Human Rights Commission</b>	Examination	Equalities and Human Rights Ordinance

The Audit Service plans to conduct financial audit work in the period 2018/19 to 2020/21 as shown in the tables below. The opinion deadlines are as set out in statute, where statute sets such a deadline.

## FINANCIAL AUDIT

A financial audit is an independent examination of financial statements resulting in an audit opinion and a management letter. It is carried out under International Standards of Audit known as ISAs. The Interpretations Ordinance defines an audit as:

*"an independent examination of financial statements resulting in a report, which, where it relates to an entity whose gross income exceeds £500,000, or whose gross income exceeds £250,000 and gross assets exceed £3.26 million, shall comply with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board."*<sup>5</sup>

Each financial audit will include the following outputs being reported to the audited entity:

- Engagement Letter
- Independent Auditors Report
- Management Letter

Audit	Opinion Date	2018/19	2019/20	2020/21
Saint Helena Government Entity 2017/18	30-Nov-18	√		
Saint Helena Government Entity 2018/19	30-Nov-19		√	
Saint Helena Government Entity 2019/20	30-Nov-20			√
Saint Helena Government Group 2018/19	31-Mar-20		√	
Saint Helena Government Group 2019/20	31-Mar-21			√
SHG Currency Fund 2017/18	30-Sep-18	√		
SHG Currency Fund 2018/19	30-Sep-19		√	
SHG Currency Fund 2019/20	30-Sep-20			√
Bulk Fuel Installation 2017/18	31-Oct-18	√		
Bulk Fuel Installation 2018/19	30-Sep-19		√	
Enterprise Saint Helena 2017/18	30-Sep-18	√		
Enterprise Saint Helena 2018/19	31-Sep-19		√	
Enterprise Saint Helena 2019/20	31-Sep-20			√
Saint Helena Hotel Development 2017/18	30-Oct-18	√		
Saint Helena Hotel Development 2018/19	30-Oct-19		√	
Saint Helena Hotel Development 2019/20	30-Oct-20			√
Connect Saint Helena Ltd 2018/19	31-Sep-19		√	
Connect Saint Helena Ltd 2019/20	31-Sep-20			√
Saint Helena Fisheries Corporation 2017/18	30-Oct-18	√		
Saint Helena Fisheries Corporation 2018/19	30-Oct-19		√	
Saint Helena Fisheries Corporation 2019/20	30-Oct-20			√

<sup>5</sup> Interpretation (Amendment) Ordinance 2014 NB changes were made to the ISAs effective for accounting periods on or after 17 June 2016 and a consequential citation amendment will be required to the Interpretation Ordinance.



## INDEPENDENT EXAMINATION

An independent examination is an assurance service provided to a body which does not meet the requirement for an ISA compliant audit. Such an examination provides a lower level of assurance, and is conducted in accordance with best practice as set out in *International Standard on Review Engagements (ISRE) 2400 (Revised)*, *Engagements to Review Historical Financial Statements* and other relevant guidance such as the *Charity Commission's Independent examination of Charity Accounts: Examiner's Guide*.

Each independent examination will include the following outputs being reported:

- Engagement Letter
- Independent Examiners Report
- Management Letter where necessary

Examination	Opinion Date	2018/19	2019/20	2020/21
South Atlantic Media Services 2016/17	30-Jun-18	√		
South Atlantic Media Services 2017/18	30-Nov-18	√		
South Atlantic Media Services 2018/19	30-Nov-19		√	
South Atlantic Media Services 2019/20	30-Nov-20			√
Saint Helena National Trust 2017/18	30-Oct-18	√		
Saint Helena National Trust 2018/19	30-Oct-19		√	
Saint Helena National Trust 2019/20	30-Oct-20			√
Equality & Human Rights Com 2017/18	30-Oct-18	√		
Equality & Human Rights Com 2018/19	30-Oct-19		√	
Equality & Human Rights Com 2019/20	30-Oct-20			√

## CERTIFICATION

Certification is the provision of services to the level described in a certificate which the Chief Auditor is requested to sign. Depending on the nature of the certification, such work may be conducted in accordance with an appropriate assurance framework but normally as a *Review Engagement under ISRE 2400*. Most of the work in this area relates to the certification of aid fund statements on behalf of donor organisations including DFID.

Each certification will include a Certificate issued upon the Aid Fund Statement in accordance with the Memorandum of Understanding between SHG and the grant funding body.

Certification	Opinion Date	2018/19	2019/20	2020/21
MOU – Enterprise St Helena 2017/18	31-Oct-18	√		
MOU – Enterprise St Helena 2018/19	31-Oct-19		√	
MOU – Enterprise St Helena 2019/20	31-Oct-20			√
MOU – Infrastructure 2017/18	31-Nov-18	√		
MOU – Infrastructure 2018/19	31-Nov-19		√	
MOU – Infrastructure 2019/20	31-Nov-20			√
MOU – Darwin Cloud Forest	30-Jun-18	√		
MOU – Darwin Mapping	30-Jun-18	√		

There may be other certification requirements arising from specific development aid projects which will be accommodated as required.

## AGREED UPON PROCEDURES

Agreed upon Procedures are procedures that are carried out on behalf of others so that they may interpret the results themselves. When carrying out agreed upon procedures, the Audit Service reports the results of the procedures but does not provide any assurance. Agreed upon Procedures are conducted in accordance with International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

Each agreed upon procedures will include:

- Engagement Letter
- Agreed upon Procedures Report

Procedure	Opinion Date	2018/19	2019/20	2020/21
Connect St Helena Stock Check 2018	31-May-18	√		
TBC	31-May-19		√	
TBC	31-May-20			√

Currently SHAS perform an annual stock verification for the external auditor Moore Stephens LLP this will be integrated within the external audit performed by SHAS for the financial year 2018/19 onwards rather than as a separate agreed-upon-procedure. There may be other agreed-upon-procedures to be performed on behalf of other bodies and these will be accommodated as required on a fee earning basis – these are marked TBC in the above table.

## ACCOUNTING SERVICES

The availability of professional accounting services in St Helena is limited. The Chief Auditor may use the St Helena Audit Service to provide discretionary accounting services to non-governmental organisations for a fee where it may assist those entities to prepare statutory financial statements for external publication<sup>6</sup>. The provision of such accounting services will be designed to meet the requirement of the Ethical Standard 5 on the provision of non-audit services.

The maintenance of accounting records and the preparation of financial statements are the responsibility of the management of the audited body. Accordingly, in any engagement to provide accounting services the Audit Service will not initiate any transactions or take decisions or make any judgements which are properly the responsibility of management.

The accounting service is aimed at the smaller non-governmental bodies and can provide assistance with the preparation of financial statements where management take decisions on issues requiring the exercise of judgement and has prepared the underlying accounting records. The accounting services will be designed to complement the work required for the independent examination so that the combined solution represents good value for the entity.

Accounting Service	Opinion Date	2018/19	2019/20	2020/21
Saint Helena Fisheries Corp 2017/18	30-Sep-18	√		
Saint Helena Fisheries Corp 2018/19	30-Sep-19		√	
Saint Helena Fisheries Corp 2019/20	30-Sep-20			√
South Atlantic Media Services 2017/18	30-Nov-18	√		
South Atlantic Media Services 2018/19	30-Nov-19		√	
South Atlantic Media Services 2019/20	30-Nov-20			√

<sup>6</sup> Public Finance Ordinance 2010 section 35



## PERFORMANCE AUDIT

A Performance Audit (often known as Value for Money audit) is an examination into one or more of the economy, efficiency and effectiveness with which government's resources have been used. The Chief Auditor is required to make such enquiries and investigations on behalf of the Legislative Council as he considers necessary or appropriate to determine whether resources have been used with proper regard to economy, efficiency and effectiveness.<sup>7</sup>

Performance Audits are conducted in accordance with the International Standards for Supreme Organisations ISSAI series 300 and 3000 published by INTOSAI which provide principles and guidance.

Each performance audit will include:

- Terms of Reference
- Audit Report

The subject of the performance audits will be determined annually by the Chief Auditor after consultation with stakeholders and the PAC. The programme may be adjusted in response to any emergent issues identified in the year requiring a fast-track review. The scope and extent of the audit will be determined by the subject matter under review and the resource required to perform the assignment – the various sizing options are summarised in the table below.

Performance Audit Sizing	Timescale [months]	Resource [days]	Fee [£]
Major	7	80	19,700
Standard	5	50	12,500
Overview	3	30	7,600
Focussed	1	15	3,900

Provision has initially been made for some 260 productive days of audit resource to be earmarked for the performance audit programme. This will provide for a modest range of performance audit reviews to be undertaken serving the requirements of the Chief Auditor to make an assessment of whether value for money has been secured in the use of resources. Some capacity is also earmarked for focussed audits in response to emergent risks identified in year including special reviews arising from concerns raised by PAC and other stakeholders.

The delivery of performance audits will be profiled to balance workload through the year between financial audit work which is tied to particular statutory reporting dates and performance audit work where the workflow can be more flexible. In combination the fee income anticipated from the performance audits to be charged to SHG will be £65,200 per annum.

## ADVICE TO THE PAC

The Public Accounts Committee (PAC) established under section 69 of the Constitution provides the means for Legislative Council to maintain parliamentary oversight of the financial stewardship and performance of Government. The PAC is empowered under the Constitution and through Standing Orders to take evidence make enquiries and report with or without recommendations.

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<sup>7</sup> Public Finance Ordinance 2010 section 29(2)(a)

The subject matter for the PAC is principally the external audit reports prepared by the Chief Auditor and laid before Legislative Council. The Chief Auditor also serves as adviser to the PAC under section 111 of the Constitution. Through the resources of the Saint Helena Audit Service the Chief Auditor is able to assist PAC in making an effective contribution to good governance and public financial oversight in St Helena.

Separate provision has therefore also been made for on-going support and advice to the PAC. This provision will also cover the production of PAC briefing papers on published audit reports and any matters of importance identified by the Chief Auditor.

## SPECIAL FUND ESTIMATES

The budgeted cost of operating the Saint Helena Audit Service is shown in the table below and summarised from the estimates set out in Appendix A. Subject to PAC approval these estimates will form the approved financial estimates for the operation of the Audit Service Special Fund.

	2017/18 Approved Budget £	2018/19 Draft Budget £	2019/20 Draft Budget £	2020/21 Draft Budget £
<b>REVENUE</b>				
Financial Audits – SHG	89,400	86,500	93,500	95,600
Financial Audits – NGO	53,100	69,600	81,100	70,400
Performance Audits [note 1]	55,600	75,200	75,200	75,200
	<b>198,100</b>	<b>231,300</b>	<b>249,800</b>	<b>241,200</b>
<b>EXPENDITURE</b>				
Employee costs [note 2]	114,500	159,900	164,400	169,100
External contractors [note 3]	26,000	10,500	3,000	3,000
Property costs	8,000	8,000	8,900	9,000
Other operating costs	34,500	39,000	39,200	37,400
	<b>183,100</b>	<b>216,500</b>	<b>217,200</b>	<b>218,500</b>
<b>OPERATING SURPLUS [note 4]</b>	<b>15,000</b>	<b>14,800</b>	<b>32,600</b>	<b>22,700</b>
Special Fund surplus [b/f]	106,000	121,000	135,800	168,400
<b>Special Fund surplus [c/f]</b>	<b>121,000</b>	<b>135,800</b>	<b>168,400</b>	<b>191,100</b>

**Note 1** – revenue estimates recognise the planned increase in performance audit work

**Note 2** – employee costs include provision for the proposed capacity building developments

**Note 3** – limited provision has been retained for expert technical advice and IT audit support

**Note 4** – operating surplus due to income earned on TC funded resource

The budgetary estimates enable the Chief Auditor to meet the statutory obligation to examine economy efficiency and effectiveness in accordance with section 29(2)(a) of the Public Finance Ordinance, provide high quality professional advice to the PAC and generally promote good governance and accountability in the public administration of St Helena. Consistent with prior years SHG will meet the recharged cost of the mandatory work-stream as a line item within Corporate Finance rather than seeking to recover the costs from the individual areas subject to review.

Financial planning and budget guidelines estimates no longer include the local equivalent salary for those established positions funded through Technical Cooperation. In accordance with section 110(10) of the Constitution the Chief Auditor is charged upon the Consolidated Fund. The audit fees continue to reflect the local economic rate so there is no untargeted subsidy to those bodies that receive audit services.

In accordance with the Public Finance Ordinance 2010, any money which is surplus to that required to meet the liabilities of the Special Fund may be transferred to the Consolidated Fund. Such distributions may be made in due course and for the purpose of these estimates the balance on the Special Fund is shown to be carried forward.

## APPROVAL

Estimates of revenue and expenditure for Special Funds, as trading activities, are not required to be appropriated under the Public Finance Ordinance. However, by convention of Legislative Council the forward plans of the Saint Helena Audit Service and the associated Special Fund budget estimates are reviewed by the Public Accounts Committee.

At its meeting on 26 February 2018 the Public Accounts Committee resolved to:

- Endorse the Strategic Audit Plan for the Saint Helena Audit Service for the period 2018/19 to 2020/21
- Approve the Audit Service Special Fund budget estimates at Appendix A to form part of the Saint Helena Government Budget Estimates for 2018/19.

With the agreement of the Chief Auditor, and consistent with the previous practice, the PAC determined in the interests of openness and transparency to lay the Strategic Audit Plan and Estimates before the March 2018 session of Legislative Council.



Phil Sharman  
Chief Auditor  
Saint Helena Audit Service

28 February 2018

## APPENDIX A

## AUDIT SPECIAL FUND BUDGET ESTIMATES

### BUDGET SUMMARY

Subhead	Budget 2017/18 £	New Budget		
		2018/19 £	2019/20 £	2020/21 £
EMPLOYEE COSTS	114,500	159,900	164,400	169,100
PROPERTY COSTS	6,400	6,400	7,300	7,400
TRANSPORT AND PLANT	200	0	0	0
SUPPLIES AND SERVICES	12,000	9,900	12,900	11,800
ADMINISTRATION COSTS	9,500	10,900	10,900	10,900
OTHER EXPENDITURE	8,000	12,000	11,600	9,000
PAYMENTS TO CONTRACTORS	27,600	12,100	4,600	4,600
RECHARGES PAID	4,900	5,300	5,500	5,700
<b>GROSS EXPENDITURE</b>	<b>183,100</b>	<b>216,500</b>	<b>217,200</b>	<b>218,500</b>
<b>FINES &amp; FEES RECEIVED</b>	<b>53,100</b>	<b>69,600</b>	<b>81,100</b>	<b>70,400</b>
Audit Fees - External	53,100	69,600	81,100	70,400
<b>RECHARGES RECEIVED</b>	<b>145,000</b>	<b>161,700</b>	<b>168,700</b>	<b>170,800</b>
Audit Fees - SHG	145,000	161,700	168,700	170,800
<b>TOTAL REVENUE</b>	<b>198,100</b>	<b>231,300</b>	<b>249,800</b>	<b>241,200</b>
<b>SURPLUS/(DEFICIT)</b>	<b>15,000</b>	<b>14,800</b>	<b>32,600</b>	<b>22,700</b>
Special Fund Balance	B/F	106,000	121,000	135,800
Special Fund Balance	C/F	121,000	135,800	168,400

### AUDIT FEE ANALYSIS

SHG FINANCIAL STATEMENTS	33%	78,600	76,900	85,400	87,500
CERTIFICATION OF AID FUNDS	4%	10,800	9,600	8,100	8,100
NGO FINANCIAL STATEMENTS	28%	47,700	65,800	77,300	66,600
ACCOUNTING SERVICES	2%	5,400	3,800	3,800	3,800
PERFORMANCE AUDITS	28%	46,000	65,200	65,200	65,200
ADVICE TO PAC	4%	9,600	10,000	10,000	10,000
<b>TOTAL REVENUE</b>		<b>198,100</b>	<b>231,300</b>	<b>249,800</b>	<b>241,200</b>





