

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on the 15th and 26th of January 2018.

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 Formal Session of the Committee, held on the 15th of January, 26th of January and the 14th of May 2018.

Membership of the Committee comprised:

Chairman:	Mr Cyril (Ferdie) Gunnell
Vice Chairman:	Mr Mark Yon
Members:	Hon Dr. Corinda Essex
	Hon Clint Beard
	Hon Brian Isaac

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

A transcript of these proceedings can be found on the SHG website and a copy is held in the Public Library.

2. Order Paper

PAC held formal meetings on the 15th of January, 26th of January and the 14th of May 2018 where the following matters regarding Expenditure in Excess, 2016/17, were discussed:

- I.** Chairman's Address
- II.** Corporate Finance
- III.** Health Directorate
- IV.** Corporate Support
- V.** Environmental and Natural Resources Directorate

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); thanks were also extended to South Atlantic Media Services (SAMS) for broadcasting the formal hearing.

The Chairman highlighted that this was the first formal session of PAC for 2018; 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 April 2017, he advised there had been a change in membership due to the General Election being held. Councillors' Wilson (Tony) Duncan and Cyril George had been members of the PAC and he thanked them sincerely for their service and contribution to the PAC. Her Excellency, Governor Lisa Phillips, after consultation with Elected Members, re-appointed Mr Cyril Gunnell and Mr Mark Yon as the independent members holding the positions of Chairman and Vice Chairman respectively.

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

For the benefit of first time listeners, the Chairman explained that PAC is a Select Committee of Legislative Council 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 the power to call any Government official to give evidence orally.

The scrutiny role of PAC is seen as a mainstay of good governance in terms of holding government to account. He further highlighted that the UK Foreign and Commonwealth Office (FCO) is currently sponsoring a programme of institutional development across the British Overseas Territories and he was pleased to attend the launch of this initiative in early March 2017. This was followed up by a visit of the PAC and its Clerk in November & December 2017, to the Isle of Man and Westminster, to take part in activities around skills based training, including questioning techniques and building the Committee's capacity to monitor the implementation of its recommendations. Alongside the St Helena Audit Service this practical experience will hugely benefit the PAC's work.

The Chairman moved on to start the scrutiny of Expenditure in Excess by highlighting the applicable section of the Constitution, being section 106 – “Where at the close of accounts for any financial year it is found that monies have been expended on any expenditure vote in excess of the amount appropriated for it or for a purpose for which no monies 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”.

Accordingly, Sessional Paper 40/17 - Statements of Expenditure in Excess, Financial Year 2016/2017 was laid before the Legislative Council on 19th December 2017. The purpose of this session was therefore to examine this statement of expenditure in excess relating to the Health Directorate, Environment & Natural Resources Directorate and Corporate Support. The responsible officers were invited to the table during the proceedings.

II. Corporate Finance

The following persons attended to answer questions in respect of Corporate Finance:

- Acting Financial Secretary (AFS) – Mr Nicholas Yon

PAC enquired on the process followed before budget amounts are approved and disclosed in the budget column of the Estimates of Recurrent Revenue, Expenditure and Capital Expenditure. *The AFS highlighted that SHG operates on a Medium Term Expenditure Framework (MTEF), which is a process where strategic plans and budgets are linked so that they have a medium term view of SHG expenditure, which at this moment in time is three years. Directorates on an annual basis will prepare strategic plans in accordance with the overarching planning document, which is currently the Ten Year Plan and draft budgets are prepared to deliver those strategic plans, which are discussed at Council Committee level and then with Legislative Council. It goes through that process to be able to identify what policy areas there are and the budget allocations for those policy areas; it is then referred on to formal Legislative Council for approval.* PAC further enquired as to when the Councillors are involved in the budget setting process. *The AFS highlighted that Councillors are involved throughout the process at various stages and at different levels. The process involves the setting of initial budget ceilings based on what they estimate revenues to be in the forward plan of revenues. Those initial budget ceilings are discussed with Elected Members and agreed and then given out to Directorates who prepare their budgets and strategic plans based on those ceilings; it then comes back to Council Committees and at that level, Councillors are able to input into that process however they cannot approve budgets at that point but it's the opportunity for them to endorse the budget to enable it to move on in the process. It is then discussed at Legislative Council level and also at Executive Council level, so Councillors do have the opportunity from the beginning of that process all the way to the final approval at formal Legislative Council.*

PAC enquired as to how long after the start of the new financial year was the approved appropriations/budgets loaded onto Access Dimensions. *The AFS highlighted that once the budget has been approved by Legislative Council then this would be uploaded shortly afterwards.* PAC enquired on who checks if budget is still available before payments are made to the service providers. *The AFS advised the PAC that under the Financial Regulations, it is the responsibility of officers who, in the various Directorates, ensure that before any expenditure is incurred or any expenditure is committed there is sufficient budget to be able to meet that expenditure. He also explained the responsible officers in terms of the Financial Regulations, being the Accounting Officer who*

is overall responsible, but under the Regulations it is also incumbent upon all officers, if they are involved in a transaction, to make sure that there is sufficient budget before any expenditure is incurred. PAC further enquired as to the subsequent action that is taken if the budget amount is exhausted. The AFS explained that if during a year there is need for expenditure beyond the budget, at a sectional level, then one can go to the Accounting Officer and ask if there is any way within the overall budget, for that head, where this expenditure can be funded, but if it is at a Directorate level then it has to go through a Supplementary Appropriation process, or, if it is urgent and unforeseen it would need to be a Special Warrant approved by the Governor in Council, but only in exceptional cases.

PAC enquired if Access Dimensions have inbuilt limit controls in place to prevent payments from line items being without budget or insufficient budget, to which the AFS responded that they currently do not have those control mechanisms in place. The AFS however explained that there is a new piece of the system that has been added for SHG and the plan is to implement a system with those kinds of controls in the coming new financial year, subject to the necessary training and development of procedure manuals. The addition to the system is a piece of software called Focal Point, which is a purchase processing module which requires that any expenditure has an electronic purchase order through the system and before there's approval, a process throughout the system checks budget and authority to spend and the only way one can get through all of the different processes on the ledger is by having those parameters in place thus only certain people can approve and up to certain levels of budget. So this will mean a different way of processing expenditure and ordering through the system therefore it will require quite detailed training with all members of staff, both in Corporate Finance and also at Directorate level, also individual officers who are involved in procurement in the different teams. The AFS added it will require some level of assistance from their Service Provider to be able to deliver this training to all of the different team members throughout SHG. In terms of financial implications, SHG had already purchased that module and it would not cost anymore in terms of being able to provide training to staff in each of the Directorates, other than resource implications in being able to allow staff to come to the training days.

PAC then requested the AFS to explain expenditure in excess, to which the AFS explained that it is where expenditure has been incurred and is over and above the budget that has been appropriated either by Legislative Council through the Appropriation process or not covered by a Special Warrant.

PAC stated that on the 10th February 2014, the Public Accounts Committee laid a Paper to Legislative Council that recommended the Financial Secretary should

continue with plans to introduce accruals based budgeting in time for the 2016/17 budget process. SHG has adopted International Public Sector Accounting Standards, which is accruals based since 2011, which method is being applied on the budget side. *The AFS responded that SHG operates on accruals accounting for their financial reporting but from a budgeting perspective operate on a cash basis at this present time. SHG had plans to introduce accruals based budgeting but due to resource constraints were unable to implement accruals budgeting as it very complex and would need to do it in full rather than piece meal. Corporate Finance has now appointed a Management Accountant and one of the requirements of his terms of reference is to lead the way for accruals budgeting to take place.* PAC further enquired on the advantages of both the budgeting and financial reporting being on accruals system compared to the current status quo. *The AFS highlighted that at the present time with accruals accounting and operating cash budgets, they always have to reconcile one with the next, making sure that all the transactions that are included as part of accruals accounting, are able to be married with the cash budget, so that Finance can understand what is the true expenditure against budget. It is a task that requires resources but having accruals budgeting and accruals accounting it will be easier to be able to make that comparison of budget against actual; it will also not be as resource consuming carrying out that comparison process, although it will require extra resources to be able to produce accruals budgets.* PAC enquired on the timeline of the implementation of accruals based budgeting and the AFS highlighted that they will be unable to implement in the 2018/19 year but will endeavour to implement by the time the 2019/20 financial year commences.

PAC enquired why it has taken so long to be implemented given that the process started nearly five years ago. *The AFS highlighted that the priority initially was to deal with the SHG's backlog on financial statements, as the resource available would not have allowed both projects to take place at the same time. So now that SHG has caught up with the financial statement backlog, they have appointed a Management Accountant to assist with the accruals based budgeting issue.* PAC enquired on the nature of the resource constraint that was being faced, if it was human, capital or financial in nature. *AFS highlighted that the constraints being faced cover both the issues raised by PAC. For SHG to appoint any staff there has to be sufficient finances and this project would require that everyone be sufficiently knowledgeable with the system, even the applicable staff at directorates; to provide this kind of training requires financial resources. Furthermore Elected Members of Legislative Council will have to be sufficiently fluent in understanding how the cash budget will be different to an accruals budget, so there is an element there as well of being able to make sure that everybody involved in the budget process is aware of what those implications are.*

PAC stated that on the 9th of December 2016, they laid a Paper in Legislative Council recommending that the Financial Secretary issue regular communiqués to all Accounting Officers, to remind them of their responsibilities with regards to budgetary controls, expenditure spending and monitoring. PAC then enquired if these communiqués were issued to Accounting Officers. *The AFS highlighted that he had not brought dates when such communication was transmitted but this communication was being sent to all directorates through the budget forecasts required in preparation for Supplementary Appropriations.* PAC enquired on the frequency of these communications (e.g. monthly, quarterly, etc) *and the AFS advised that the communication is ad hoc and not necessarily done monthly.*

Recommendations

In relation to its scrutiny of the Corporate Finance Services' Expenditure in Excess for the year ended 31 March 2017, **PAC recommends that:**

- Corporate Finance implements Focal Point into Access Dimensions to ensure that there are automated controls in place to eliminate issues that are causing expenditure in excess. Training must be provided to all finance personnel to ensure that they are adequate for practical operating purposes.
- Financial Secretary ensures that the PAC recommendation stating that he issues regular communiqués to all Accounting Officers to remind them of their responsibilities with regards to budgetary controls, expenditure spending and monitoring, is being implemented
- Corporate Finance develops a roadmap for the implementation of accruals based budgeting to ensure that all stakeholders are covered and ensures that all necessary stakeholders receive the necessary training with regards to accruals budgeting.
- Corporate Finance prepare due diligence papers complete with business plans and risk management to support withdrawal warrants in future so as to avoid the directorate having expenditure in excess after giving up funds.
- Corporate Finance provides financial training to non-financial managers (Accounting Officers and their Executive Officers providing accounting support) to enhance their understanding of finance related matters and improve the management of Directorates financial position.

III. Health Directorate

The following persons attended to answer questions in respect of the Health Directorate:

- Director of Health – Dr Akeem Ali
- Assistant Financial Secretary (AFS) – Mr Nicholas Yon
- Financial Secretary (FS) – Mr Dax Richards

PAC highlighted that Sessional Paper 12/18, Head 23 – Health, had incurred Expenditure in Excess of which Recurrent Expenditure was £110,996 and Capital Expenditure was £72,821. PAC then enquired as to the reasons why the Health Directorate incurred the Expenditure in Excess of the approved budget. *Management highlighted that with regards to the recurrent budget, the line that caused the expenditure in excess was the overseas treatment, in total during the financial year there were 160 people (10 existing cases and 150 new cases) who had been referred for medical treatment overseas. The average cost for medical treatment overseas per person in the 2015/16 year was £7,584 and this had increased approximately to £11,500 in 2016/17, which represents a cost increase of £4,000 per person. Overseas medical referrals in a forecasting game had anticipated that in March 2017 only two people would go away but ended up with eleven patients referred for overseas treatment. Management also explained that a withdrawal warrant of £500,000 was executed against the Health directorate, had this amount not been withdrawn then no expenditure in excess would have been incurred. Management then highlighted that with regards to the Capital budget, SHG's appropriation for the Mammogram machine was £43,000 of which an additional £20,000 was made available from donations made by the public, and that donation was then appropriated into the Consolidated Fund. The donated amount of £20,000 was not appropriated to Health and therefore it did not reflect as a part of the expenditure for the Mammogram, so in a way Health was spent below the budget that was available. Unfortunately due to the accounting errors this was only put against the SHG element of appropriated funds rather than the full amount including the donation that was made by the public. The AFS confirmed that it was a genuine error that was made by SHG during the budgeting process. PAC highlighted that after the error had been realised/identified, a supplementary appropriation should have been raised and the AFS concurred. The directorate further highlighted that they identified Capital Expenditure amounting to £56,021 which had been incorrectly charged to recurrent expenditure during the year-end audit process. This was then correctly reclassified to capital expenditure. This error was a result of a combination of the assets being of a technical nature and human judgement by the staff who captured and approved the transactions.*

PAC enquired whether they had received any communiqués from the Financial Secretary or his office, with regards to guidance on budgetary control, expenditure and monitoring. *Management highlighted that the directorate receives communication from Corporate Finance with regards to budgetary control, expenditure and monitoring especially after September of each year. New Accounting Officers receive induction and training on how the financial management of directorates works.*

PAC enquired as to when and how Health directorate management identified that there was expenditure in excess. *Management highlighted that this was identified in March 2017 and it was through continuous monitoring of the budget and expenditure.* PAC further enquired as to the controls in place within the directorate to ensure that they do not overspend. *Management highlighted that they rely on the ledger system (Access Dimensions), there is also a monthly return to the Financial Secretary about spend, which is expenditure checked by budget holders, up to, sign off by the Director.* PAC enquired if those forecasts undertaken by Health indicate a likely overspend and *the AFS highlighted that they did not indicate such up to February 2017.* PAC enquired if the controls in place within the directorate failed or were overridden. *Management highlighted that they are of the view that the controls had not failed nor were they overridden. Management also highlighted that had £500,000 not been withdrawn through a warrant they would have been below the appropriated budget and it had actually happened in the very last month of the financial year, which was for cases that were urgent and non-avoidable. The AFS further reiterated that the Overseas Treatment line that was overspent is demand led and cannot easily be estimated as it is dependent upon the number of patients on medical referral.*

PAC enquired why the expenditure was not part of the supplementary appropriation that was laid in Legislative Council in March 2017 and *the AFS responded that due to the process that needs to be complied with before it is laid, these had already been done in February 2017, in anticipation for the March meeting. It then became a timing issue why it had not have been laid as a Supplementary Appropriation.* PAC further inquired why it had not been laid as a Special Warrant and if there is a cut off point for this. *The AFS highlighted that it would have been possible to submit a special warrant if the issue had been identified in early March, it could have been submitted to the Governor in Council in sufficient time.* PAC enquired as to how often the directorate receives overseas supplier's invoices for processing. *Management highlighted that they receive their invoices monthly through Medical Services Organisation (MSO).* PAC further enquired if the invoices submitted were actually validated for accuracy and completeness. *Management highlighted that it's a three way matching process where MSO confirms the invoices submitted by the various*

service providers and when the invoices arrive on island the Senior Medical Officer or the respective Medical Officer checks the invoices for authenticity as well.

PAC enquired on the medical base of the MSO contract, asserted for confirmation of duration of the contract (being from 1st July 2016, with initial expiry date being 30th June 2021) and asserted the total value of the contract for confirmation (being £1,111,500m over 5 years). *Management highlighted that Cape Town was the main base for seeking medical attention and agreed with the duration and contract value stated.* PAC further enquired as to what services SHG is getting from the MSO contract. *Management highlighted that the purposes of MSO is to arrange adequate medical care for medical referrals that are sent to South Africa, such as identifying appropriate medical facilities if the ones available are not able to deal with the issues; also manage costs to ensure that SHG gets the best value for money in all medical decisions, for example inflation was 8% and generally caused an increment of costs from 4% to 11% across the board but MSO was able to negotiate that none of St Helena's costs increased. MSO is also SHG's focal point of contact for the patients when they are in South Africa, so they at least can have an overview of what is happening to the patients, whilst they are receiving care.* PAC enquired if there was been any cost savings from the previous service provider who used to facilitate medical referrals. *Management responded by stating that as far as they are aware there was never a service organisation that provided this kind of service but rather individuals and none of those who did this were medically qualified persons or a medical service organisation.* PAC further enquired if there has been any savings with the move to MSO. *Management highlighted that they were not aware the questioning would lead to the MSO contract and did not have hard facts, also did not wish to mislead the Committee. Management committed to provide a spreadsheet comprising all costings pertaining to the awarding of the MSO contract, circulated through the Secretary of the PAC.*

PAC stated that the profit and loss statements highlight an overspend of £846,483 under the budget line Overseas Medical Treatment and this overspend has been offset with the underspend of £696,840 under Medical Evacuations. PAC then enquired if Medical Evacuations is a ring-fenced expense and therefore cannot be used to offset the other overspends. Did SHG seek or get approval from DfID to do this? *Management highlighted that the MOU between SHG and the UK Government states that SHG ring-fences the budget for Overseas Medical Referrals. Overseas Medical Referrals is thus made up of two budget lines and that is Overseas Medical Treatment and the Aeromedical Evacuation, which are ring-fenced. Permission was sought and granted to utilise the ring-fenced amounts by DfID.*

PAC enquired if in compliance with the Public Finance Ordinance, the Financial Secretary was notified of the potential expenditure in excess. *Management highlighted that the FS was notified on the 1st September 2016.* PAC further enquired whether the Financial Secretary was made aware of this issue in March 2017 when it became clear that expenditure in excess would be incurred. *Management highlighted that the FS was kept informed at all stages and the AFS confirmed this during the meeting.*

PAC enquired if the contract with MSO would be subject to review as it has been in operation for the past two years. *Management highlighted that the contract has been in place for just over one financial year and have every intention to review it after the end of the financial year to see what cost efficiencies they can achieve.*

Recommendations

In relation to its scrutiny of the Health Directorate's Expenditure in Excess for the year ended 31 March 2017, **PAC recommends that:**

- The Health Directorate carry out a contract performance evaluation on the Medical Services Organisation (MSO) contract after the first 12 to 18 months of operation.
- The Health Directorate develop an estimation model that will ensure that their budget is adequate for the entire financial year.
- The Health Directorate prepare due diligence papers to support withdrawal warrants in future so as to avoid the directorate having expenditure in excess.
- The excess expenditure on Head 23, Health, for Recurrent Expenditure of £110,996 and Capital Expenditure of £72,821 for the 2016/17 financial year is recommended to be allowed to stand charged to public funds.

IV. Corporate Support

The following persons attended to answer questions in respect of Corporate Support:

- Assistant Chief Secretary (Support) – Mrs Gillian Francis
- Assistant Secretary (Administration) – Mrs Connie Johnson
- Acting Financial Secretary – Mr Nicholas Yon

PAC highlighted that the Corporate Support Policy and Planning budget for the 2016/17 financial year has expenditure in excess amounting to £22,161. PAC enquired as to the reason for the expenditure in excess. *Management highlighted that expenditure in excess was a result of an unplanned Supreme Court sitting.*

PAC enquired as to when Corporate Support identified they would likely have expenditure in excess and why it was not part of the Third Supplementary Appropriation. *Management highlighted that the budget forecast as was reported to Corporate Finance on 10 February 2017, for the Judicial cost centre and the Attorney General Chambers cost centre, showed a projected overspend but at this time should have been offset by projected savings or underspends in the overall Head 12 which was £6,373. Management further highlighted that on the 20th February 2017, they reported that the overall projected spend in Head 12 had reduced to £1,635 and this position remained as such until Third Supplementary Bill was approved by Executive Council on 24 February 2017, where they agreed that the Supplementary Bill would be adopted as Government Business, for presentation to the formal Legislative Council meeting on 14 March 2017. The projected underspends or savings in the overall Head 12 did not materialise, unfortunately, as monies they were expecting to recoup to be credited to Head 12 were in fact paid to the Prepayments Account. There was also an increase in the projected cost for the court sittings because of the jury trials. All of this came to light and was reported after the Third Supplementary Appropriation Ordinance had been enacted on the 14th March 2017. With the overspend on Judicial and Attorney General Chambers cost centres no longer being able to be offset by the underspends, they reported this to Corporate Finance and requested that a Special Warrant be prepared but were informed that the need for the additional funding was neither urgent or unforeseen so as to meet the criteria of a Special Warrant.*

PAC enquired as to how the credits from the UK Representative were supposed to reduce the overspend. *Management explained that monies are paid in advance to the UK Representative's account so that payments in the UK can be made on behalf of other SHG directorates, for instance paying medical bills for*

patients in the UK, overseas training, and student's expenses. Payments are made in advance to the UK Representative's account and management were expecting that the reimbursements would come back into the cost centre that is managed by Corporate Support however that did not materialise as it was allocated to the Prepayments account under the Accruals budget accounting system. This therefore resulted in less money than was expected in that particular budget line. Earlier on, as late as February 2017 management were expecting that with the return of these monies, they would have been able to offset the projected overspend on the Judicial and Attorney General Chambers' cost centre. The confusion or misunderstanding on the part of Corporate Support as to how prepayments and credits have to be accounted for caused the expenditure in excess however this has been resolved going forward.

Recommendations

In relation to its scrutiny of the Corporate Support Expenditure in Excess for the year ended 31 March 2017, **PAC recommends that:**

- The excess expenditure on Head 12, Corporate Support Services, for Recurrent Expenditure of £22,161 for the 2016/17 financial year is recommended to be allowed to stand charged to public funds.
- Corporate Support develops documented manuals/processes/procedures to outline their relationship and accounting treatment of transactions with other units, for which they manage budgets on their behalf (e.g. Attorney General's Chambers, UK Representative's office etc.)

V. Environment and Natural Resources Directorate (ENRD)

The following persons attended to answer questions in respect of the ENRD:

- Director of ENRD – Mr Derek Henry
- Acting Financial Secretary – Mr Nicholas Yon

PAC stated that Head 26, Environment and Natural Resources had incurred expenditure in excess amounting to £133,555 for the 2016/17 financial year and enquired from the Director of ENRD, why the directorate incurred this expenditure in excess. *Management highlighted that the cause of the expenditure in excess was due to a number of line items within the directorate being:*

- *Airport Meteorological Forecasting Services* £20,000.00

- *Employee costs – Roads sections for Connect* £20,000.00
- *Upgrade works at the Wharf* £20,000.00
- *Purchase of Tools & Machinery* £34,000.00
- *Provision of animal feed during the drought* £13,000.00
- *Travel costs for the civil engineer* £7,000.00
- *Upgrade of Sewer line* £9,000.00
- *Specialist equipment for GIS and rock guard ops* £7,000.00
- *Purchase of replacement reefer container* £3000.00

Management elaborated that the Airport Meteorological forecasting services over-expenditure was due to additional flights coming to St. Helena especially on Sundays and therefore workers are paid overtime at a double rate. PAC enquired if the costs related to these aircrafts landing on Sundays was being recovered through the landing. AFS explained that SHG charges landing fees for all the aircrafts that are landed at the airport. These fees go to the consolidated fund as they are revenue and in a way is not an overspend as the money is recovered.

Management explained that the expenditure in excess on employee costs was due to road works undertaken on behalf of Connect Saint Helena Ltd. Work that is performed for and on behalf of Connect is actually charged and monies are paid into the Consolidated Fund. The expense related to this was supposed to be charged through a Supplementary Appropriation but was not prepared as required, due to an oversight, which would have legalised the expenses incurred.

Management explained that the upgrade work at the Wharf was due to unexpected work as a result of damage to the sewer lines at the lower Wharf, so concrete had to be dug up and the sewer line from the ladies toilets to the septic tank had to be replaced. The fall of the sewer lines was also corrected as there was insufficient fall, plus additional manholes had to be installed.

PAC enquired on the controls in place to ensure that the directorate does not overspend on budgeted expense lines. Management explained that they check regularly, monthly, on the profit and loss accounts when they are available to ensure that spending is according to budget but some of the costs were not anticipated and unbudgeted for in the first instance.

PAC enquired if the Directorate received communiques from the Financial Secretary or his office, with regards to budgetary control, expenditure spending and monitoring. Management highlighted that they receive communication with regards to budgeting and forecasts.

PAC stated that there is a provision for animal feed that was given during the drought period to farmers and that amounted to some £13k. PAC enquired as to the risk the investment of this grant was to SHG and if there were any measurement of success in terms of its contribution to farmers. *Management highlighted that they assisted farmers with feed during the drought period that St Helena experienced. The investment paid off, the initiative was able to prevent cattle from dying as a result of the drought. No measure of the success in terms of its contribution to farmers had been developed, so was unable to determine this at this point.*

PAC enquired as to why the purchase of a replacement reefer was necessary. *Management explained that the previous reefer was damaged during a rock fall in June 2016 and a new one was acquired. They tried to repair the old one but the electrical wiring was beyond repair.* PAC then inquired on the excess relating to £7,000.00 paid for a Civil Engineer's relocation to the island. *Management explained that this was an unusual case and these were the costs for the Civil Engineer's relocation to join SHG on a local contract.*

Recommendations

In relation to its scrutiny of the Environmental and Natural Resources Directorate's Expenditure in Excess for the year ended 31 March 2017, **PAC recommends that:**

- The excess expenditure on Head 26, Environmental and Natural Resources Directorate, for Recurrent Expenditure of £133,555 for the 2016/17 financial year is recommended to be allowed to stand charged to public funds.
- SHG should consider setting up ENRD Technical Services as a trading account especially when rechargeable works are being provided.
- SHG should consider capturing the Airport Operations within a special fund to match the expenditures on these operations with the revenues generated through fees and charges.

3. Concluding Remarks

The PAC acknowledges the attending officers of SHG, in giving evidence in response to lines of enquiry, and the assistance of the Chief Auditor, the Clerk and the Head of Audit Services, in the production of this sessional report.

This report on PAC scrutiny of Expenditure in Excess for 2016/17 is hereby authorised for issue to Legislative Council pursuant to section 106(2) of the Constitution of St Helena.

Cyril Gunnell
Chairman

16th July 2018