



SAINT HELENA AUDIT SERVICE
External Auditors

Strategic Plan

2019/20 to 2021/22

14/03/2019

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INTRODUCTION

THE STRATEGIC PLAN

This strategic plan for the three-year period 2019/20 to 2021/22 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 2018/19 to 2019/20 laid before LegCo on 23 March 2018 as Sessional Paper 16/18.

MANDATE AND SCOPE OF WORK

The Chief Auditor is the statutory external auditor for St Helena and Ascension and is mandated under the Constitution and applicable law to audit the accounts of government and other statutory bodies in St Helena and Ascension. 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 in St Helena and Ascension.

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, 2013.¹

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.

¹ Legal Notice No. 11 of 2013

KEY DEVELOPMENT PRIORITIES

BACKGROUND

PHASE 1

The strategic plans for the three years 2015/16 to 2017/18 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.

PHASE 2

The strategic plans from 2018/19 onwards are designed to maintain timeliness in reporting of audited financial statements whilst shifting strategic priorities towards 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 and progress made.

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 audit provisions of the Public Finance Ordinance were identified as wanting in a range of respects as highlighted by the 2017 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 Principles². 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 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.

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.

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

A concept paper was prepared in 2018/19 proposing reform of the audit legislation in St Helena. The concept paper received full stakeholder support and has been assigned high priority for development of an audit bill for consultation and implementation. The preferred timetable is to have a new audit law in place by 31 December 2019 but that timetable is looking ambitious given competing demands for legislative reform across Government and capacity constraints in design and development of new audit law in tandem with reforms in both Public Finance and the Public Accounts Committee.

Enquiries have been made as to whether technical assistance is available through the UKOT Public Financial Oversight project to assist with the legislative reforms required to put the good practice guide into lawful effect.

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 was updated during 2018/19 with the introduction of a revised Financial Audit Manual developed through the UKOT audit project and issued in February 2018. The Head of Audit Services led the implementation of the new manual and roll-out training for the audit staff for application to the 2017/18 financial audits.

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. Accordingly, further refinements will be made during 2019/20 as the office reflects on the experience gained in 2017/18 financial audit round and prepares for the 2018/19 audit season.

PERFORMANCE AUDIT

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.

To help build performance audit capability in local audit teams, NAO through the UKOTP has led a guided performance audit across the Overseas Territories. St Helena has participated in this initiative during 2018/19 with the performance audit of the Jamestown Hospital Refurbishment Project together with planning and reporting workshops hosted by NAO.

However, the design and implementation of a Performance Audit Manual for the conduct of value for money audits is required to codify these methodology improvements. A new Performance Audit Manual compliant with INTOSAI standards has been developed through the auspices of the UKOT audit project with an official draft expected to be released in March 2019. The manual should improve the quality of our audits through better scoping, planning, fieldwork and reporting.

The key priority for 2019/20 will be to embed the learning and apply the new approach to the performance audit work.

IMPROVING INFORMATION MANAGEMENT

The Audit Service uses the shared drive to maintain a structured filing system for audit work and office wide document management. Until recently there was 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 the packaged CaseWare audit management system was implemented during 2018.

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

To ensure the project remained manageable the implementation of CaseWare was planned to be introduced on a phased basis commencing with CaseWare Audit to be applied to the 2017/18 financial audits. To integrate with the audit methodology improvements, the implementation was led by the Head of Audit Services supported by the Audit Manager. Provision was made within the budgetary estimates for the recurrent costs of the CaseWare user licence.

The introduction of CaseWare to the financial audits has provided an opportunity for improvement in technical effectiveness through the application of the revised financial audit manual. The learning and experience gained during the audit will be assessed and refinements made before rolling the system forward into the 2018/19 financial audits. The recruitment of a qualified Principal Auditor as CaseWare champion will help embed these improvements and improve work practices across the team.

The CaseWare accounts 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. Discussions will be progressed with the Financial Secretary to apply CaseWare to improve the SHG accounts production process for 2018/19.

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 been made in this regard with further developments applied during 2018/19 which will have full-year effect during 2019/20.

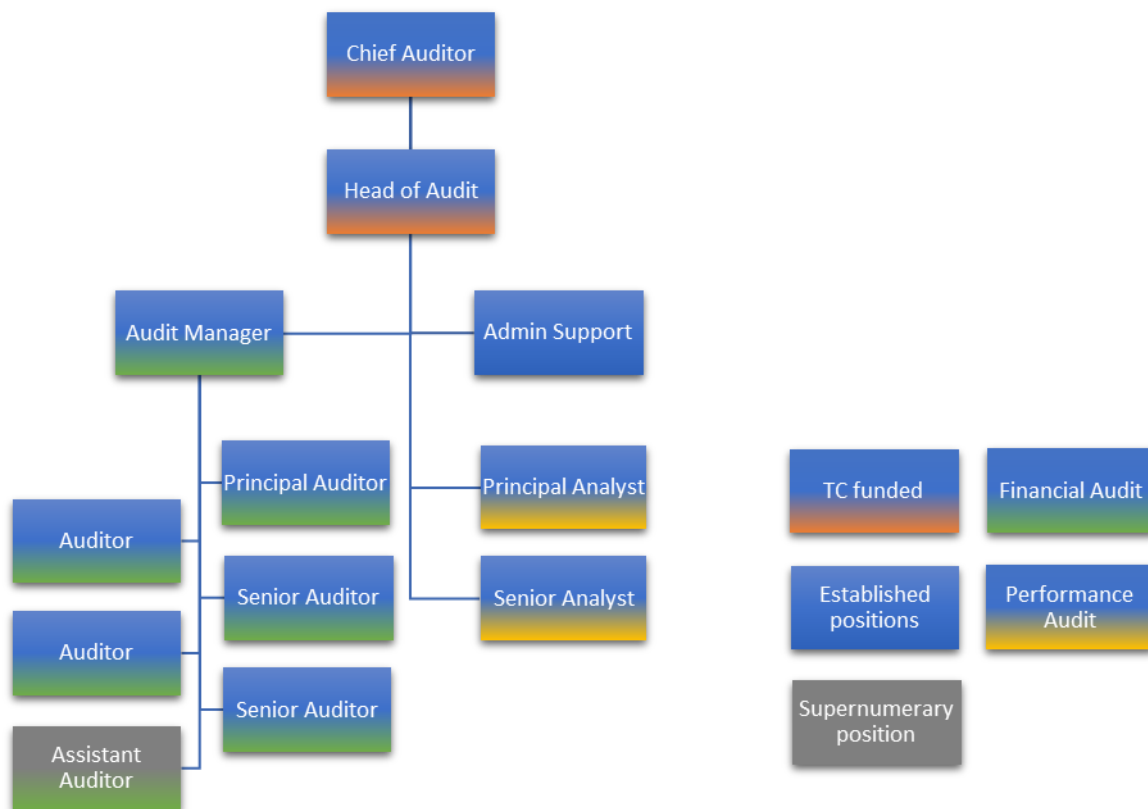
In 2017 the TC funded position of Head of Audit Services was established to manage the operations of the St Helena Audit Service in support of the statutory Chief Auditor. The locally established position of Audit Manager provides dedicated management capacity for the financial audit work stream.

In 2018 further specific organisational developments were introduced 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 the two qualified positions of Principal Auditor and Principal Analyst were successfully recruited on local terms.
- To address the issue of recruitment, retention and remuneration, a professional audit cadre was designed and introduced from June 2018 with a scheme of service geared directly to the achievement of external technical and professional qualifications.

These improvements are underpinned by a continuing emphasis on strengthening our professional and technical capability through staff training and development. The establishment for the Saint Helena Audit Service effective for 2018/19 and continuing into 2019/20 is set out in Figure 2.

FIGURE 2 AUDIT SERVICE TEAM STRUCTURE 2019



TECHNICAL COOPERATION

The Chief Auditor is in year-2 of the second term of appointment under Technical Cooperation terms with the attendant benefit of securing continuity in the strategic development of the statutory audit function in St Helena.

The Head of Audit Services is mid-term of a 3-year TC contract appointment but is anticipated to transfer to SHG in the role of Head of Internal Audit with effect 1 May 2019. The impending vacancy and consequent recruitment process will present a significant risk to operational management, with potential impacts on both financial and performance audit workflow, and accordingly will require a new TC appointment to be secured soonest.

FINANCIAL AUDIT CAPACITY

The hiring of a qualified Principal Auditor and the up-skilling of the audit team members through training and development is expected to have a direct positive impact in reducing demand for short-term contractor resource. The team is at complement other than a Senior Auditor position held vacant pending internal succession and covered by a supernumerary position of Assistant Auditor.

Should additional contractor resource be required then this will be funded through current vacancies and/or additional fees generated from new engagements. Some limited budgetary provision will also be required in the forward estimates for commissioning technical and specialist expertise.

PERFORMANCE AUDIT CAPACITY

The Chief Auditor's responsibilities to assess value for money in the use of public resources has been constrained by the internal capacity available to undertake performance audit work and service the needs of Public Accounts Committee through special audits in response to emergent issues.

The 2018 restructuring established a dedicated two-person sub-team focussed on performance audit work and reporting directly to the Head of Audit Services. The hiring of an experienced Principal Analyst is already having a direct positive impact.

Priority is being placed on building the capabilities of the team, first by developing a solid grounding in performance audit core methods, followed by more specialist training in more advanced research techniques.

In 2019/20 maternity cover will be required at Senior Analyst level to be able to maintain the planned workflow – ideally through inward secondment from the wider public service. Longer term, the team needs to add an Analyst to the complement to help deliver the full range of audits required and provide a sustainable training and development pathway.

DEVELOPING THE AUDIT TEAM

Continued investment in internal training and development is required to reduce reliance on imported resource and to build internal capability to service the professional demands on the Office.

Auditors are being supported in undertaking a structured training programme leading to recognised technical and professional qualifications – attainment is rewarded through the audit scheme of service within the external audit cadre.

Training plans are delivered through a combination of distance learning on-island and classroom-based studies either locally based or overseas in accordance with our professional training policy. In doing so the Training Manager works closely with the ACCA coordinator to maximise use of the educational resources available within the St Helena Community College.

FINANCIAL AUDIT STRATEGY

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
Solomon & Company (St Helena) PLC	Grant Thornton	Retender completed with effect 2017/18 audit
St Helena Line Ltd	Bishop Fleming	Company liquidated in 2018/19
Bank of St Helena Ltd	LFF	Retender completed with effect 2018/19 audit
Connect St Helena Ltd	Scott-Moncrieff	Retender completed with effect 2017/18 audit

Because of their scale and specialist nature, the commercial company audits of Solomon & Company, Bank of St Helena and Connect St Helena are expected to continue with appointed external audit firms in the medium term. However, consistent with the findings in the audit report on the Governance of SHG Group Entities a number of specific legislative changes are required to give SHG improved control over the appointment of external auditors to its group entities. More specifically the following improvements are required:

- Articles of incorporation should be amended to require Financial Secretary approval of the external audit appointment through the Shareholder at the AGM
- The Companies Ordinance should be amended to permit the auditor of a group access to a subsidiary as provided under section 499 of the UK Companies Act 2006.

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 engagements.

Table 2 External audits performed by the Saint Helena Audit Service

Entity	Engagement Type	Mandate
Government of St Helena	Audit	Public Finance Ordinance
Currency Fund	Audit	Currency Fund Ordinance
Bulk Fuel Installation ³	Audit	Management Agreement 2006
Enterprise St Helena	Audit	Enterprise St Helena Ordinance
St Helena Hotel Development Ltd	Audit	Public Finance Ordinance

³ The existing Bulk Fuel Installation operated under the 2006 management agreement is expected to be decommissioned with 2019/20 being the final year of account.

Entity	Engagement Type	Mandate
St Helena Airport Ltd	Audit	Public Finance Ordinance
St Helena Fisheries Corporation	Audit	St Helena Fisheries Ordinance
St Helena National Trust	Examination	National Trust Ordinance
South Atlantic Media Services Ltd ⁴	Examination	Public Finance Ordinance
Equality and Human Rights Commission	Examination	Equalities and Human Rights Ordinance
Ascension Island Government	Audit	Constitution Section 178
Ascension Gratuity Trust Fund	Examination	Constitution Section 178

New to these engagements is the Governor's requirement for the Chief Auditor to audit the public accounts of Ascension Island under section 178 of the Constitution and to be appointed to the newly formed St Helena Airport Company Ltd in the public interest under section 32 of the Public Finance Ordinance.

The Audit Service plans to conduct financial audit work in the period 2019/20 to 2021/22 as shown in the tables below. The opinion deadlines are as set out in statute, where statute sets such a deadline.

FINANCIAL AUDIT ENGAGEMENTS

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 on Auditing 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."*⁵

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

- Engagement Letter
- Independent Auditors Report
- Management Letter

Audit	Opinion Date	2019/20	2020/21	2021/22
Ascension Island Government 2018/19	31-Dec-19	√		
Ascension Island Government 2019/20	31-Dec-20		√	
Ascension Island Government 2020/21	31-Dec-21			√
Saint Helena Government Entity 2018/19	30-Nov-19	√		
Saint Helena Government Entity 2019/20	30-Nov-20		√	
Saint Helena Government Entity 2020/21	30-Nov-21			√

⁴ There is no statutory requirement for the Chief Auditor to audit the financial statements of SAMS Ltd and accordingly it is proposed to withdraw from the engagement after completion of the 2016/17 examination and allow a local auditor to be appointed.

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

Audit	Opinion Date	2019/20	2020/21	2021/22
SHG Currency Fund 2018/19	31-Oct-19	√		
SHG Currency Fund 2019/20	31-Oct-20		√	
SHG Currency Fund 2020/21	31-Oct-21			√
Enterprise Saint Helena 2018/19	31-Oct-19	√		
Enterprise Saint Helena 2019/20	31-Oct-20		√	
Enterprise Saint Helena 2020/21	31-Oct-21			√
Bulk Fuel Installation 2018/19	30-Oct-19	√		
Bulk Fuel Installation 2019/20	30-Oct-20		√	
Saint Helena Hotel Development 2018/19	30-Sep-19	√		
Saint Helena Hotel Development 2019/20	30-Sep-20		√	
Saint Helena Hotel Development 2020/21	30-Sep-21			√
St Helena Airport Ltd 2018/19	30-Sep-19	√		
St Helena Airport Ltd 2019/20	30-Sep-20		√	
St Helena Airport Ltd 2020/21	30-Sep-21			√
Saint Helena Fisheries Corporation 2018/19	30-Sep-19	√		
Saint Helena Fisheries Corporation 2019/20	30-Sep-20		√	
Saint Helena Fisheries Corporation 2020/21	30-Sep-21			√

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	2019/20	2020/21	2021/22
Ascension Island Trust Fund 2018/19	31-Dec-19	√		
Ascension Island Trust Fund 2019/20	31-Dec-20		√	
Ascension Island Trust Fund 2020/21	31-Dec-21			√
Equality & Human Rights Com 2018/19	30-Nov-19	√		
Equality & Human Rights Com 2019/20	30-Nov-20		√	
Equality & Human Rights Com 2021/21	30-Nov-21			√
Saint Helena National Trust 2018/19	30-Sep-19	√		
Saint Helena National Trust 2019/20	30-Sep-20		√	
Saint Helena National Trust 2020/21	30-Sep-21			√

CERTIFICATION ENGAGEMENTS

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	2019/20	2020/21	2021/22
MOU – Enterprise St Helena 2018/19	31-Oct-19	√		
MOU – Enterprise St Helena 2019/20	31-Oct-20		√	
MOU – Enterprise St Helena 2020/21	31-Oct-21			√
MOU – Capital Support 2018/19	31-Nov-19	√		
MOU – Capital Support 2019/20	31-Nov-20		√	
MOU – Capital Support 2020/21	31-Nov-21			√
MOU – Darwin TBC	30-Jun-19	√		
MOU – Darwin TBC	30-Jun-20		√	
MOU – Darwin TBC	30-Jun-21			√

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	Service Date	2019/20	2020/21	2021/22
Connect St Helena Stock Check 2019	30-Apr-19	√		
Connect St Helena Stock Check 2020	30-Apr-20		√	
Connect St Helena Stock Check 2021	30-Apr-21			√

SHAS perform an annual stock verification for the external auditor Scott-Moncrieff LLP as an 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.

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 publication⁶. 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	Service Date	2019/20	2020/21	2021/22
Saint Helena Fisheries Corp 2018/19	31-Jul-19	√		
Saint Helena Fisheries Corp 2019/20	31-Jul-20		√	
Saint Helena Fisheries Corp 2019/20	31-Jul-21			√
St Helena Hotel Development Ltd 2018/19	31-Jul-19	√		
St Helena Hotel Development Ltd 2019/20	31-Jul-20		√	
St Helena Hotel Development Ltd 2020/21	31-Jul-21			√
St Helena Hotel Airport Ltd 2018/19	31-Jul-19	√		
St Helena Hotel Airport Ltd 2019/20	31-Jul-20		√	
St Helena Hotel Airport Ltd 2020/21	31-Jul-21			√

⁶ Public Finance Ordinance 2010 section 35

PERFORMANCE AUDIT STRATEGY

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.⁷

The subject of the performance audits is 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.

This strategy sets out:

- The overall objectives of the performance audit function; and,
- What we are doing to improve our portfolio of value for money work to achieve these stated objectives.

This strategy drives the performance audit operational plan for the rolling three-year period 2019/20 to 2021/22.

STRATEGIC OBJECTIVES

The main objectives of the three year strategy are to make sure our reports are **timely, relevant, and strategic**. Our performance audit reports must also add **value** to our main stakeholders:

- *Saint Helena Government* – our reports need to issue recommendations which initiate change that leads to a more efficient and effective SHG, improved public service delivery, and improved value for money in the construction and management of infrastructure
- *Public Accounts Committee* – our reports need to be responsive to PAC interest where appropriate, deliver clear messages and highlight key VFM risks across government. Our reports need to enable the PAC to effectively hold Government to account
- *People of St Helena* – our reports need to increase transparency and accountability in government, and be an authoritative voice in community debates. They need to establish the facts on the issues that matter most to the community regarding the use of public funds.

Reporting Objective	
Timely	Report published before, during or within 6 months of completion of activity so as to ensure recommendations can be implemented in time to make a change
Strategic	Report examines a high risk, strategic project or policy undertaken by SHG, or seeks to examine well-known areas of inefficiency
Relevant	Report will be of interest to the press and the general public, and establish the facts surrounding public debate
Value adding	Report recommendations will make a quantifiable impact to SHG, via cost savings or otherwise

These strategic objectives will be secured through by improving the quality of our reporting and by increasing the number of reports published each year. To do this the Chief Auditor is working to increase the capacity and capability of the performance audit function, as outlined in the strategic development priorities section above, and specifically:

⁷ Public Finance Ordinance 2010 section 29(2)(a)

- Improving performance audit methodology; and
- Strengthening the performance audit team.

The development of a rolling performance audit plan linked to these strategic objectives is essential to the planning and operational delivery of a balanced programme of performance audits.

PERFORMANCE AUDIT PLAN

The forward operational plan is designed to increase the number of major reports produced annually, as well as ensure there is the opportunity to be reactive to emerging issues and ensure appropriate spread across Governments strategic priorities and areas of activity. The operational performance audit plan also ensures that audits begin to examine in detail the effectiveness of policy, value for money in infrastructure investments and the quality of service delivery, as well as internal management efficiency in Government.

Provision has been made for some 270 productive days of audit resource to be earmarked for the performance audit plan. This will provide for an expanding 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 scope and extent of audits will be determined by the subject matter under review and the resource required to perform the assignment – the various audit sizing options are summarised in the table below:

Performance Audit Sizing	Timescale [months]	Resource [days]	Fee [£]
Major	7	90	20,500
Standard	5	60	13,700
Overview	3	30	6,800
Focussed	1	15	3,400

In combination the fee income anticipated from the performance audits to be charged to SHG will be £61,500 per annum in 2019/20 rising to £75,100 for 2020/21 and 2021/22.

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.

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. The quarterly recharge to SHG for advice and assistance will be £3,900.

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.

	2018/19 Revised Budget £	2019/20 Draft Budget £	2020/21 Draft Budget £	2021/22 Draft Budget £
REVENUE				
Financial Audits – AIG	0	24,500	17,700	17,700
Financial Audits – SHG	66,500	84,500	84,500	89,300
Financial Audits – NGO	92,500	83,400	85,900	73,900
Performance Audits [note 1]	48,800	77,100	90,700	90,700
	207,800	269,500	278,800	271,600
EXPENDITURE				
Employee costs [note 2]	123,100	185,600	196,800	205,600
External contractors [note 3]	64,300	11,700	11,700	11,700
Other operating costs	44,500	49,800	49,500	49,800
	241,900	247,100	258,000	267,100
OPERATING Surplus/(Deficit) [note 4]	(34,100)	22,400	20,800	4,200
Special Fund surplus [b/f]	150,000	115,900	138,300	159,100
Special Fund surplus [c/f]	115,900	138,300	159,100	163,300

Note 1 – combined recharge for performance audits and advice and assistance

Note 2 – employee costs include full-year effect of capacity building developments

Note 3 – limited provision has been retained for expert technical advice and contractor input

Note 4 – revised estimates for 2018/19 reflect impact of contract resource pending internal recruitment and reduced performance audit programme and associated revenues

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 exclude 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 25 February 2019 the Public Accounts Committee:

- Endorsed the Strategic Plan for the Saint Helena Audit Service for the period 2019/20 to 2021/22
- Approved the Audit Service Special Fund budget estimates at Appendix A to form part of the Saint Helena Government Budget Estimates for 2019/20.

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 Plan and Budget Estimates at the March 2019 session of Legislative Council.



Phil Sharman
Chief Auditor
Saint Helena Audit Service

14 March 2019

APPENDIX A

AUDIT SPECIAL FUND BUDGET ESTIMATES

Subhead		Revised	Draft Budget		
		2018/19 £	2019/20 £	2020/21 £	2021/22 £
EMPLOYEE COSTS		123,100	185,600	196,800	205,600
PROPERTY COSTS		10,200	4,100	4,800	4,800
TRANSPORT AND PLANT		1,800	0	0	0
SUPPLIES AND SERVICES		13,500	17,600	17,600	17,600
ADMINISTRATION COSTS		11,300	10,100	10,100	10,100
OTHER EXPENDITURE		10,100	8,300	8,300	8,300
PAYMENTS TO CONTRACTORS		64,300	11,700	11,700	11,700
RECHARGES PAID		7,600	9,700	8,700	9,000
GROSS EXPENDITURE		241,900	247,100	258,000	267,100
FINES & FEES RECEIVED		66,500	107,900	103,600	91,300
Audit Fees - External		66,500	107,900	103,600	91,300
RECHARGES RECEIVED		141,300	161,600	175,200	180,000
Audit Fees - SHG		141,300	161,600	175,200	180,000
TOTAL REVENUE		207,800	269,500	278,800	271,300
SURPLUS/(DEFICIT)		(34,100)	22,400	20,800	4,200
Special Fund Balance	B/F	150,000	115,900	138,300	159,100
Special Fund Balance	C/F	115,900	138,300	159,100	163,300

AUDIT FEE ANALYSIS

AIG FINANCIAL STATEMENTS	9%	0	24,500	17,700	17,700
SHG FINANCIAL STATEMENTS	28%	79,900	74,300	74,300	79,100
CERTIFICATION OF AID FUNDS	4%	12,600	10,200	10,200	10,200
NGO FINANCIAL STATEMENTS	29%	62,200	78,000	80,500	68,200
ACCOUNTING SERVICES	2%	4,300	5,400	5,400	5,400
PERFORMANCE AUDITS	23%	34,000	61,500	75,100	75,100
ADVICE TO PAC	6%	14,800	15,600	15,600	15,600
TOTAL REVENUE		207,800	269,500	278,800	271,300