



**St Helena
Government**

**REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON THE 29TH JULY, 5TH AUGUST AND
12TH AUGUST 2019**

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on the 29th July, 5th August and 12th August 2019

1. Introduction

In accordance with section 69 (6) of the Constitution of St Helena the Public Accounts Committee (PAC) hereby reports to Legislative Council on the Formal Session of the Committee, held on the 29th July, 5th August and 12th August 2019.

Membership of the Committee comprises:

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

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

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

2. Order Paper – Second Session 2019

29th July 2019

- I. Chairman's Address
- II. St Helena National Trust 2017/18 Audited Annual Financial Statements

5th August 2019

- III. Chairman's Address
- IV. St Helena Government 2017/18 Audited Annual Financial Statements
- V. St Helena Currency Fund 2017/18 Audited Annual Financial Statements
- VI. Enterprise St Helena 2017/18 Audited Annual Financial Statements

12th August 2019

- VII. Chairman's Address
- VIII. St Helena Fisheries Corporation 2017/18 Audited Annual Financial Statements
- IX. Equality and Human Rights Commission 2016/17 and 2017/18 Audited Annual Financial Statements

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. Thanks were also extended to the South Atlantic Media Services (SAMS) for broadcasting the formal hearing. The Chairman informed listeners the second session of PAC would be held over three sittings.

For the benefit of first time listeners, the Chairman explained that PAC is established by section 69 of the Constitution and operates under Standing Order 23 of Legislative Council; its primary function is to objectively scrutinise the Government's stewardship of the public purse. He added, PAC is protected to act independently and is not subject to the direction or control of the Governor, the Executive Council, or any other body or authority. It has power to call any person to give evidence orally and reports its findings to Legislative Council. Through these statutory provisions the scrutiny role of PAC serves as a mainstay of good governance, holding Government and other public bodies to account.

The importance of PAC in ensuring openness and transparency in public financial management has been recognised by the UK Territories Joint Ministerial Council in partnership with the Foreign & Commonwealth Office and as mentioned in his introduction during the first session, the Chairman informed the public that in March 2019, Vice Chairman Mark Yon and Clerk Anita Legg attended the second UK Overseas Territories PAC forum, in Miami, organised by the UK CPA. A comprehensive report on the visit has been published on the PAC website, which he encouraged the public to read.

The composition of the Committee was highlighted with the following five permanent members:

Chairman	Mr Cyril Gunnell
Vice Chairman	Mr Mark Yon
Member	Hon Dr Corinda Essex
Member	Hon Brian Isaac
Member	Hon Clint Beard

However to ensure the Committee operated independently and free from any bias or conflict of interest, arrangements had been made for temporary members to cover for members conflicted by the item of business under scrutiny. For this purpose the following temporary members were invited to serve on the Committee at specific points in the proceedings:

- 29th July 2019: temporary independent member, Mr Anthony Leo sat in place of the Vice Chairman, Mr Mark Yon, on the St Helena National Trust Accounts
- 5th August 2019: temporary Elected Member Hon Gavin Ellick sat in place of Hon Dr Corinda Essex, on the Enterprise St Helena Accounts
- 12th August 2019: temporary Elected Member Hon Cyril Leo sat in place of Hon Dr Corinda Essex, on the St Helena Fisheries Corporation Accounts
- 12th August 2019: temporary Elected Member Hon Gavin Ellick sat in place of Hon Brian Isaac, on the Equality and Human Rights Commission Accounts and temporary independent member Mr Anthony Leo substituted for Mr Cyril Gunnell on a question associated with the Prison, on the same Accounts

Assisting in the business of the PAC were: the Chief Auditor, Phil Sharman who is the PAC advisor, supported by the Acting Head of Audit, Mrs Vimbai Chikwenhere and Clerk, Miss Anita Legg who provides Committee support.

The public were reminded that during the first session in 2019, PAC focused upon the scrutiny of the Government Statement of Expenditure in Excess for 2017/18 and the resultant report was published as SP 01/2019. This report was laid at Legislative Council on 8th March 2019 where a resolution was passed to allow excess expenditure by Government during 2017/18, to stand charged to public funds.

This second session would focus upon the accounts of Government and statutory bodies, which are required by law to lay their audited accounts before Legislative Council. These various accounts considered by the PAC over the three separate sittings of the second session, are detailed below.

II. St Helena National Trust (SHNT) 2017/18 Audited Annual Financial Statements

On 29th July 2019 PAC examined the SHNT financial statements for 2017/18 and the following persons attended to answer questions:

- President – Mrs Ethel Yon, OBE
- Director – Mr Jeremy Harris
- Treasurer – Mrs Connie Johnson
- Head of Finance – Mrs Angela Francis

The St Helena National Trust accounts for 2017/18 were audited by the Chief Auditor and laid before Legislative Council on 8th March 2019 as SP 06/2019. The Trust is obliged to bring the audited accounts and annual reports before Legislative Council under sections 15(5) and 18(2) of their Ordinance.

PAC enquired on the following issues from SHNT management:

- How SHNT would ensure “going concern” as the majority of funds is project based from external grants;
- The plans for repayment of the long-term loans;
- The impact of losing the Post Box Walks maintenance contract;
- Whether formal Human Resource policies and procedures were in place;
- Whether formal Procurement policies and procedures were in place;
- The result of the survey on minimising plastics;
- The LEMP operations transferred to SHNT and how the work is coordinated with SHG directorates that have similar responsibilities;
- The SHNT accounting framework and their view on moving towards an accruals based accounting framework;
- The progress with previous PAC recommendations.

PAC received explanations and assurances for the above mentioned enquiries from the SHNT management and these have been recorded in the 29th July 2019 transcript that can be found on SHG’s website (<http://www.sainthelena.gov.sh/public-accounts-committee/>)

Based on the responses provided by SHNT management the main conclusions are drawn below, with recommendations proposed after PAC deliberations.

Main conclusions

- PAC were assured that a handbook of policies approved by the Trust Council is in place for human resources management, which are updated

on a rolling two-year programme. Procurement procedures are contained within the Trust's Financial Control and Security Guidelines, which require formal tender for any services above £5,000. PAC noted there was no pension provision currently for employees however this was on the radar for the SHNT to develop.

- PAC noted the transfer of the LEMP function, with effect from 1st August 2018, had been integrated into the operations of the Trust with oversight from a coordinating steering group comprising SHNT, ENRPD and DFID. Preconditions of the transfer included an internal audit of internal procedures with constructive recommendations made. As this function would wind-up in the near future, PAC were concerned with sustainability.
- PAC were pleased to hear the Trust was working with other entities but were concerned that roles and responsibilities are not entirely clear.
- PAC note the Trust has accepted that the accounts should move to an accruals basis from 2019/20 onwards – this will address the recommendation of the Chief Auditor and will be consistent with the requirement for the Charities Commission in England. A timeline would be reported back to PAC once the new Director was in place.
- PAC are concerned that an audit for 2018/19 has not been commissioned despite the Director's assurances that an appointment was imminent.

Recommendations

In relation to its scrutiny of the St Helena National Trust financial statements for the years ended 31 March 2018, **PAC recommends that:**

1. Governor in Council regulates for the better administration of the new power to appoint an Auditor going forward.
2. In recognising the finite life of the LEMP project, SHNT should plan to ensure remaining works are completed, including the Rupert's Valley and Pipe Ridge areas.
3. The new Director of SHNT should continue to engage with SHG and work on progressing outstanding PAC recommendation No. 60, in maintaining the long term life of the Island's heritage buildings.
4. SHNT identify their role and responsibilities with regards to public heritage sites and structures, including who is responsible for monitoring and actioning works; PAC recommendation No 61 refers.

III. St Helena Government (SHG) 2017/18 Audited Annual Financial Statements and Management Letter.

On 5th August 2019, PAC examined the SHG financial statements for 2017/18 and the following persons attended to answer questions:

- Chief Secretary – Mrs Susan O’Bey
- Financial Secretary – Mr Dax Richards
- Deputy Financial Secretary – Mr Nicholas Yon
- Financial Accountant– Mrs Jessica Harper

The SHG Financial Statements for the year ended 31st March 2018 were audited and finalised on 17th April 2019 and laid before Legislative Council on 26th July 2019 as SP 26/2019. These accounts were referred to PAC under section 69 (6) of the St Helena Constitution.

In addition to the audited financial statements, the Chief Auditor’s Management Letter was also laid before Legislative Council on 26th July 2019 as SP 27/2019. This set out the main findings raised from the audit and areas for attention of the Financial Secretary. The financial statements were qualified by the Chief Auditor meaning there were reservations which affect the fair presentation of the accounts, along with other significant matters, which were drawn to the attention of Legislative Council.

PAC enquired on the following issues from SHG management:

- The Management Letter highlighted there were delays in the production of the financial statements; PAC were interested in what caused these delays and what arrangements are in place going forward to keep on track; PAC also enquired on the delay of the accounts of the subsidiary, St Helena Hotel Development Ltd;
- The accounts were qualified by the Chief Auditor’s audit report on four counts of fair presentation and PAC required explanations on the nature of each of these qualifications i.e. infrastructure valuation, restatement of special funds, valuation of non-current investments, total revenues collected from customs duties;
- The current status of the DFID support and whether grant-in aid had been agreed for a three year period;
- The General Reserve of the Consolidated Fund, which reported a much improved position at almost £3.7m, whether the deficit balance on the Unallocated Stores Trading Account of £119,000 would be written off

and the Government Landlord Housing Capital Fund, with a closing balance of £452,000;

- The reason for the decrease in the trade and other receivable balance from £2.070m to £0.951m and the reason for the increase in the provision for doubtful debts from £321,000 to £359,000;
- PAC enquired about the operations of the St Helena Airport, which are now being captured in the Airport Special Fund Trading Account; whether the Airport Ground Based Augmentation System (GBAS) was fit for purpose, the intended use of the two Bremach Fire tenders and the cause of the non-collection of fees from short-term entry permits following the opening of the Airport;
- Corporate Finance had previously committed to investigate and determine why the withholding tax for 2016/17 was nil; this amount now showed £39,000 and PAC required an explanation;
- PAC asked for an explanation on why six Members of the Legislative Council had not declared their interest by 30th June 2018. The Financial Secretary later corrected an assumption and confirmed that all ex-officio members of Legislative Council, including the Financial Secretary, had returned their forms by this date;
- PAC enquired on the continued cause of the slow progress in clearing the remaining twelve recommendations from prior years Management Letters issued by the Chief Auditor and actions proposed by the Financial Secretary in response to the eight new recommendations raised in the 2017/18 Management Letter.

PAC received explanations and assurances for the above mentioned enquiries from SHG management and these have been recorded in the 5th August 2019 Transcript that can be found on SHG's website (<http://www.sainthelena.gov.sh/public-accounts-committee/>)

Based on the responses provided by management the below main conclusions are drawn, with recommendations proposed after PAC deliberations.

Main conclusions

- Whilst additional resources were in place, accounts preparation was still delayed with slippage in underlying financial routines during the year of account and by the scale of the task in unwinding the errors on special funds.
- The nature of the four audit qualifications was explained with evidence that Corporate Finance are seeking to resolve legacy qualifications particularly on the special funds and customs revenues; however ensuring

audit access to the Bank of St Helena records and valuation of infrastructure remain problematic.

- The revenue support MOU is now signed and DFID grant confirmed for 2019/20 but further steps are required before the capital support MOU is agreed. PAC noted the balance on General Reserve which had become depleted is now restored to an improved position at £3.7m at 31 March 2018. However in-year tax revenues from all sources had declined reflecting the general economic downturn. There appears an improved scrutiny on arrears and ensuring that monies owed to Government are pursued for collection.
- The £0.452m balance on the Government Landlord Housing (GLH) Capital Fund appeared inexplicable given the pressing need for more social housing on the Island. PAC noted that Secretary of State approval has been sought to write-off the deficit balance on the now defunct Unallocated stores trading account.
- PAC were interested in the future use of the GBAS system valued at £1.035m and the Bremach Fire Tenders at the airport. PAC were concerned to learn that revenues from short term entry permits was forgone and will expect these amounts to be formally written off. PAC also expected the Airport Special Fund to capture all airport related costs but were surprised to find the Meteorological Office costs to fall upon ENRD.
- The Financial Secretary is making some progress on the clearance of the Chief Auditor recommendations but with 20 open recommendations these should be prioritised for attention in 2019/20.

Recommendations

In relation to its scrutiny of the St Helena Government financial statements for the year ended 31 March 2018, **PAC recommends that:**

1. SHG should ensure the Government Landlord Housing capital funds are utilised as a matter of priority, to help resolve the present housing crisis.
2. SHG should make a decision at the earliest opportunity as to whether the GBAS will be used or whether it should be returned to the supplier.
3. The Airport Special Fund Trading Account should capture all airport related costs to give a proper account of airport related expenditure.
4. SHG should pursue an effective and reduced expenditure of SHAL by exploring opportunities for a move towards a combined fire service, to include the Sea Rescue service.
5. SHG should recognise the importance of concluding negotiations to enable the valuation of infrastructure to be undertaken.
6. The Financial Secretary should prioritise for action the twenty recommendations, old and new, from the 2017/18 year.

IV. St Helena Currency Fund 2017/18 Audited Annual Financial Statements

On 5th August 2019, PAC examined the Currency Fund financial statements for 2017/18 and the following persons attended to answer questions:

- Commissioner of Currency (Chairperson): Chief Secretary – Mrs Susan O'Bey
- Commissioner of Currency: Financial Secretary – Mr Dax Richards
- Commissioner of Currency: Deputy Financial Secretary – Mr Nicholas Yon

The St Helena Currency Fund accounts for 2017/18 were audited and laid before Legislative Council on 26th July 2019, as SP 28/2019 and referred to PAC under section 69 (6) of the St Helena Constitution.

The Currency Fund is not currently consolidated within the accounts of SHG but is nonetheless significant with assets in excess of £6.7m, currency in circulation at £5.7m, and a General Reserve of just over £1m. The stewardship of the Fund is entrusted to the ex-officio Commissioners of Currency.

PAC enquired on the following issues from the Commissioners of Currency:

- Why the Annual Statement including the Chief Auditor's report was not submitted to the Governor and the Secretary of State within twelve months as required under section 22 (1) Part III of the Currency Fund Ordinance;
- The reason why six months had elapsed between the Commissioners meetings, contrary to the requirements of the Currency Ordinance, part II 5 (3) for the 2017/18 financial year;
- PAC noted there were no purchases of securities during the current financial period. Net realised and unrealised losses on investments of £102k had been recorded in 2017/18 financial period; the last year in which losses were recorded was 2013/14. PAC sought to understand how the investments were monitored;
- An update on outstanding PAC recommendations as detailed in the August 2018 PAC report:

PAC received explanations and assurances for the above mentioned enquiries from the Commissioners of Currency and these have been recorded in the 5th of August 2019 Transcript that can be found on SHG's website (<http://www.sainthelena.gov.sh/public-accounts-committee>)

Based on the responses provided by the Commissioners, the below main conclusions are drawn, with recommendations proposed after PAC deliberations.

Main conclusions

- PAC did not accept that the delay in reporting the audit to the Governor was due to finalisation being close to the year-end as there was ample time following audit completion on 21st March to get these to the Governor's office in the Castle by 31st March.
- Officials accepted that meetings of the Commissioners should be formal notwithstanding the ex-officio role holders maintaining contact on key matters. The Currency Officer should ensure compliance with statutory requirements.
- PAC notes with concern the realised and unrealised losses on investments and Commissioners should, on advice of Crown Agents Investment Management Ltd ensure that the fund is protected from adverse market movements.
- The Financial Secretary reported that a review was completed in 2017 recommending that the St Helena Pound should be retained but PAC could not recall this being published in accordance with their recommendation. PAC remain concerned about the transactional cost to users of maintaining a non-sterling currency in the local economy.
- PAC notes the slow progress in introducing an amendment to the Ordinance regarding treatment of in-year deficit on the Currency Fund.
- PAC remain disappointed there has been a particularly long delay in implementing the international prepaid card and believe the adoption of sterling could be a route by which difficulties could be resolved
- PAC were disappointed that no responses had been forthcoming to recommendations made in the August 2018 PAC report, which had been laid before Legislative Council on 8th March 2019 as SP 5/2019.

Recommendations

In relation to its scrutiny of the St Helena Currency Fund financial statements for the year ended 31 March 2018, **PAC recommends that:**

1. Priority is given in the forward Legislative programme to revising the Currency Fund Ordinance regarding the treatment of a deficit arising, as recommended by the Chief Auditor; PAC recommendation made in August 2018 refers.

2. The Currency Commissioners should ensure compliance with statutory requirements on frequency of meetings by formalising and recording all meetings.
3. The Commissioners should, on advice of Crown Agents Investment Management Ltd ensure that the fund is protected from adverse market movements.
4. Through SHG influence on the BOSH Board, the Bank should be encouraged to implement the international prepaid card as soon as possible; PAC recommendation made in August 2018 refers.
5. The review on the St Helena Pound versus the Sterling Pound be published as a priority, before further costs are incurred in printing notes and coins; PAC recommendation made in August 2018 refers.

v. Enterprise St Helena (ESH) - 2017/18 Audited Annual Financial Statements

On 5th August 2019, PAC examined the ESH financial statements for 2017/18 and the following persons attended to answer questions:

- Director: Resources – Mrs Michielle Yon
- Director: Enterprise – Mr Robert Midwinter
- Director: Investment – Mr Martin George
- Director: Tourism – Mrs Helena Bennett

The Enterprise St Helena financial statements for 2017/18 were audited by the Chief Auditor and laid before Legislative Council on 8th March 2019 as SP 10/2019 which complied with the requirement of section 10 (2) of the ESH Ordinance and referred to PAC under section 69 (6) of the St Helena Constitution. The Annual Report was not laid.

PAC enquired on the following issues from ESH management:

- Why the Annual Report was not transmitted to the Financial Secretary and laid as required under section 10(1)(a) and 10(2) of the ESH Ordinance;
- The DFID phase-2 support to ESH commencing the beginning of the year 2017/18 and the nature of the no-cost extension;
- The processes in relation to the local, diaspora and foreign private sector investors;
- The number and sustainability of tourists arriving on island;
- The investment in the wholly-owned subsidiary Bertrand's Cottage Ltd;
- The non-financial performance indicators presented in the ESH Annual Report 2018/19 and the measure of GDP growth;
- Progress in addressing previous PAC recommendations.

PAC received explanations and assurances for the above mentioned enquiries from ESH management and these have been recorded in the 5th August 2019 Transcript that can be found on SHG's website (<http://www.sainthelena.gov.sh/public-accounts-committee/>).

Based on the responses provided by SHFC management the below main conclusions are drawn, with recommendations proposed after PAC deliberations.

Main conclusions

- PAC were concerned the ESH annual report had not been laid at Legislative Council as required under the Ordinance. Reporting bodies should work with the Clerk of Councils to ensure that accounts and annual reports are laid in accordance with statutory requirements.
- PAC noted that a 15-month no-cost extension had been granted to phase-2 to extend the current project through to 31st March 2021. PAC understood the delayed opening of the airport had accounted significantly for the slippage in the early period of phase-2.
- PAC noted that future investment to the island is guided by the Investment Strategy and the SEDP, in collaboration with SHG and Legislative Council. A Prospectus would be launched in October of this year. Internally there is also a promotion campaign for on-island and off-island.
- PAC were interested to hear tourist numbers had met expectations and would exceed the target of moderate growth this financial year. In 2017/18 the Tourist Office had attended 5 Trade Shows. However there was work to be done to improve the international connections to the Island as this was presenting a barrier to visitors.
- Whilst PAC accept that Bertrand's Cottage was developed by ESH as a training facility and was maintained as such through to June 2019, they will need to adopt a more commercial stance for trading performance after that date. PAC remain concerned about the effectiveness and sustainability of hospitality training given the dependence on off-shore hires to service current vacancies in the sector. The earlier PAC recommendation that an exit strategy is needed for Bertrams Cottage is becoming more pressing.
- PAC noted some improvement in ESH moving from input and activity based reporting to output and outcome reporting. However further progress is required both in terms of DFID log-frame design and subsequent performance reporting by ESH. Getting a hard measure on ESH contribution to growing GDP would be particularly welcome.

Recommendations

In relation to its scrutiny of the Enterprise St Helena financial statements for the year ended 31 March 2018, **PAC recommends that:**

1. Further effort needs to be applied on measuring the success of attendance at Trade Fairs.
2. Based on evidence heard, ESH in collaboration with SHG needs to carry out further work on optimising the routing of flights and improving timings for international connections.

3. Consideration needs to be given as to how skills in the hospitality sector are going to be met in the future.
4. PAC underlines the following previous recommendations:
 - i. No 53 (reported 18/07/2016) - ESH must start to objectively report on its contribution to the economic growth using indicators with the hope of measuring the impact on the Gross Domestic Product (GDP) in future years.
 - ii. No 104 (reported 01/05/2017) - ESH determines its future intentions with regards to its ownership in Bertrand's cottage as a training facility and standalone business and a medium term exit strategy should be developed within the next twelve months.
 - iii. No 107 (reported 01/05/2017) - ESH during its strategic planning phase set KPIs that are based on outputs and/ or outcomes rather than the inputs or activities. Progress against these output/ outcome based KPIs are then expected to be reported in the Annual Report.

VI. St Helena Fisheries Corporation (SHFC) 2017/18 Audited Annual Financial Statements

On 12th August 2019, PAC examined the SHFC financial statements for 2017/18 and the following persons attended to answer questions:

- Chairperson – Ms Christine Scipio
- Director – Mr Neil Foster
- Acting General Manager (Operations Manager) – Miss Terri Clingham
- Acting General Manager (Finance Manager) – Mr Graeme Beckett

The St Helena Fisheries Corporation accounts for 2017/18 were approved by the Board, audited by the Chief Auditor and in accordance with the requirements of section 15(2) laid before Legislative Council on 8th March 2019 as SP 7/2019. The accounts were referred to PAC under section 69 (6) of the St Helena Constitution.

PAC enquired on the following issues from SHFC management:

- How management intended to ensure the entity as a going concern over the current and medium term;
- The extent of continued financial support required from SHG in the medium term and whether this would be sufficient;
- An explanation on the status of the SHG guarantee provided to Connect Saint Helena Ltd;
- Managing the cost of power by the Corporation and progress on improving energy efficiency;
- The status of the Action Plan that SHFC intended to implement to turn around the fortunes of the company e.g. improving efficiencies and increasing export sales;
- Continuity of staff and the position of the General Manager;
- The current composition of the Board and whether it comprised expertise from the industry;
- Whether the Fisheries Ordinance is fit for purpose and progress on reviewing this ordinance;
- An update on previous PAC recommendations.

PAC received explanations and assurances for the above mentioned enquiries from the SHFC management and these have been recorded in the 12th August 2019 transcript that can be found on SHG's website (<http://www.sainthelena.gov.sh/public-accounts-committee/>)

Based on the responses provided by SHFC management the below main conclusions are drawn, with recommendations proposed after PAC deliberations.

Main conclusions

- PAC noted the Chief Auditors qualification on going concern and made enquiries as to the action of management to maintain solvency.
- PAC were concerned the delayed implementation of the management action plan to reduce costs was impacting current performance. PAC noted the downsizing project had been further delayed and were interested in what new timelines had been set.
- PAC noted continued financial support from SHG will be required to maintain operations and whilst £350k has been committed for 2019/20 the support thereafter will require a subsequent budget round. The servicing of the historic and current electricity bill from Connect Saint Helena remained a major concern.
- PAC welcomed the efforts to increase revenues through premium quality tuna and associated exports but noted this is sensitive to the fishing effort and catch.
- The absence of fishing expertise on the Board was seen as worrying but PAC noted an approach had been made to the ENRPD for the Senior Fisheries Officer to attend ex-officio.
- PAC were concerned that Fisheries seemed unaware of the status of previous recommendations made by PAC, which indicates that Boards should liaise more closely with the Financial Secretary in owning and clearing recommendations made.

Recommendations

In relation to its scrutiny of the St Helena Fisheries Corporation financial statements for the year ended 31 March 2018, **PAC recommends that:**

1. A fundamental business review is undertaken and a clear strategy taken forward over the medium term.

VII. Equality and Human Rights Commission (EHRC) 2015/16 and 2017/18 Audited Annual Financial Statements

On 12th August 2019, PAC examined the EHRC financial statements for 2015/17 and 2017/18 and the following persons attended to answer questions:

- Chairperson / Commissioner – Mrs Catherine Cranfield
- Chief Executive Officer / Commissioner – Mrs Catherine Turner
- Executive Manager – Miss Anthea Moyce

The Equality and Human Rights Commission was established under Ordinance in August 2015, with a statutory requirement to prepare an annual report and lay audited accounts before Legislative Council.

Two sets of financial statements were under review:

The first set covered a 20 month period from August 2015 through to March 2017. The audit was completed on 8th August 2018 and the accounts were laid before Legislative Council on 8th March 2019 as SP 8/2019.

The second set covered a 12 month period through to March 2018. The audit was completed on 30th November 2018 and the accounts were laid before Legislative Council on 8th March 2019 as SP 9/2019.

The audit of the Commission's accounts is delivered under delegated arrangements within the Office of the Chief Auditor. In this respect Acting Head of Audit Vimbai Chikwenhere assisted the PAC with their scrutiny.

PAC enquired on the following issues from EHRC management:

- Why the Annual Report was not transmitted to Legislative Council within six months after the end of the financial year as required under Schedule 1 (section 4) clause 9(c) of the Equality & Human Rights Ordinance;
- The Strategic Plan, set for both 2015/17 and 2017/18 financial years;
- The opening Cash Balance of £11k prior to the incorporation of the Equality and Human Rights Ordinance;
- Pay As You Earn tax for 2015/17 and 2017/18 financial years, in relation to a Commissioner's salary;
- Case management matters contained within the Annual Reports;
- The new Prison for St Helena being consistent with international standards on human rights;
- Progress in addressing Housing concerns;

- The role the EHRC has in ensuring the SHG Employee Representative Council (ERC) adequately represents employees;
- Lessons that were learnt, from attending the Overseas Territories Human Rights Conference in September 2016;
- The second period of operations;
- Update on actions in the EHRC Strategic Plan in Annex 2 of the Annual Report.

PAC received explanations and assurances for the above mentioned enquiries from the Commission and these have been recorded in the 12th August 2019 transcript that can be found on SHG's website (<http://www.sainthelena.gov.sh/public-accounts-committee/>)

Based on the responses provided by the Commission the below main conclusions are drawn, with recommendations proposed after PAC deliberations.

Main conclusions

- PAC noted the cause of the lateness of the annual report for 2015/17 but proposed that better efforts can be made to ensure audited accounts and annual reports are laid before Legislative Council. Reporting bodies should work with the Clerk of Councils to ensure that accounts and annual reports are laid in accordance with statutory requirements.
- PAC were particularly concerned about the initial terms of engagement of the Chief Executive under a service contract arrangement when clearly there was an employment relationship and in consequence the failure to deduct income tax on a Pay As You Earn basis, as required under law. PAC also noted the CEO did not have the proper financial expertise and thus should undertake appropriate training.
- A question arises over financial governance and oversight within the Commission when the pecuniary affairs of Commissioners and Senior Management are at issue. The tax matter should be regularised with the Commissioner of Taxation as a matter of urgency.
- PAC noted with disappointment the failure to address a number of areas within the Strategic Plan, which had not been achieved, such as the outreach programme. However PAC welcomed movement towards re-starting this programme.

Recommendation

In relation to its scrutiny of the Equality and Human Rights Commission financial statements for the years ended 31 March 2018, **PAC recommends that:**

1. EHRC should solve any tax issue with the Chief Executive Officer and settle the tax liability with the Income Tax Office, plus any overpayment of salary should be deducted from the employee.
2. EHRC should look to measure progress and report outcomes against the KPI's as set out in the Strategic Plan.
3. SHG should ensure that Service Level Agreements are implemented as speedily as possible for those entities that have not yet had them.
4. EHRC should ensure accountability for the subsidy through the formality of a Service Level Agreement.
5. Adequate and effective financial arrangements need to be in place by ensuring at least one member of the team has the relevant financial training and experience.

3. Concluding Remarks

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

This sessional report on PAC proceedings held during July and August 2019 is hereby authorised for issue to Legislative Council in accordance with section 69(8) of the Constitution of St Helena.

A handwritten signature in black ink, appearing to read 'Gunnell', with a large, stylized initial 'G'.

Cyril Gunnell
Chairman

21st August 2019

