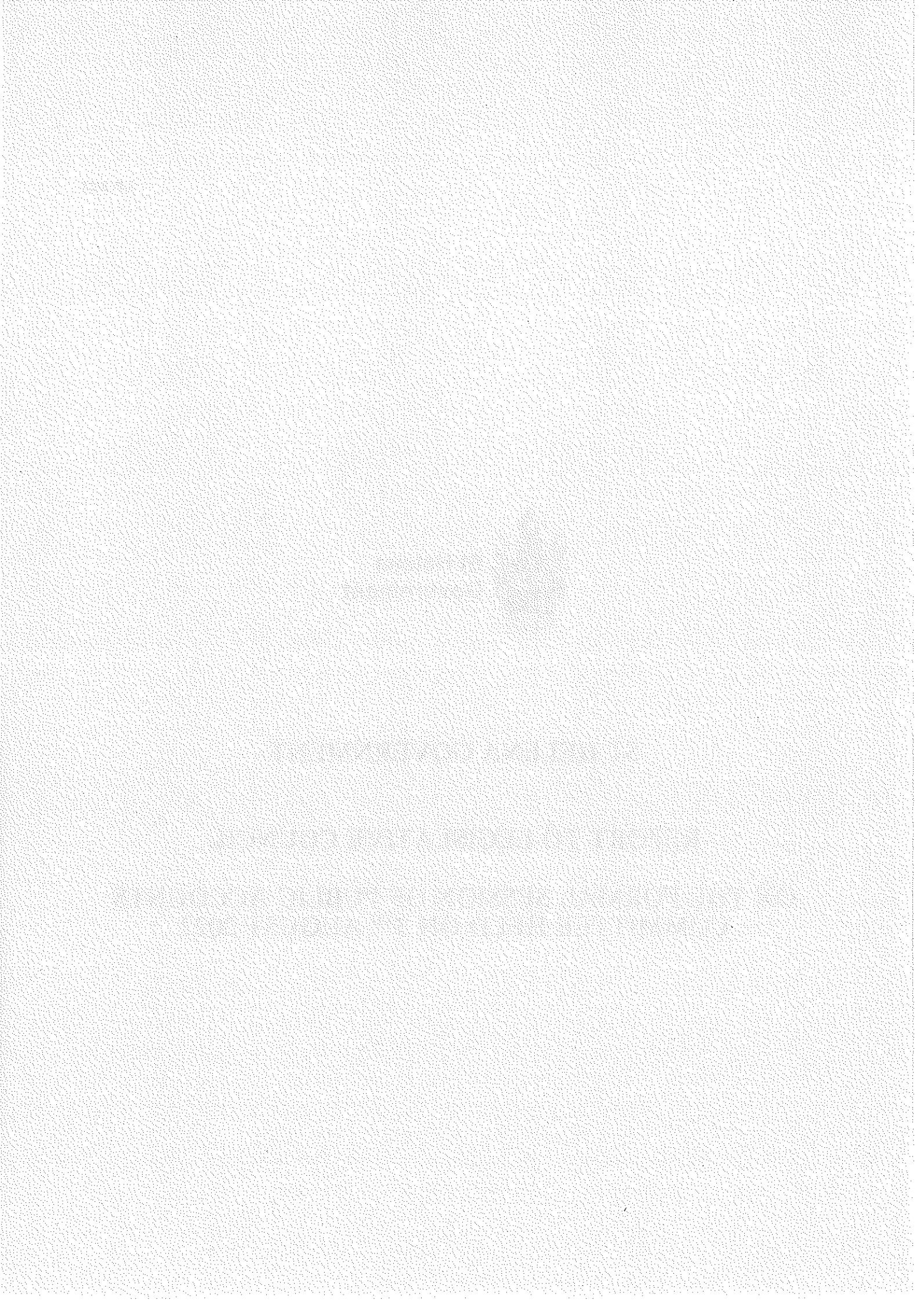




ST HELENA GOVERNMENT

REPORT TO LEGISLATIVE COUNCIL

**ON THE FORMAL SESSION OF PUBLIC ACCOUNTS
COMMITTEE HELD ON 3RD AUGUST 2022**



St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of Public Accounts Committee held on 3rd August 2022

1. Introduction

In accordance with section 69 (6) of the Constitution of St Helena, Ascension and Tristan da Cunha, the Public Accounts Committee (PAC) hereby reports to Legislative Council on the Formal Session of the Committee, held on 3rd August 2022.

Membership of the Committee comprises:

Chairman:	Mr Mark Yon
Vice Chairman:	Mr James Kellett
Members:	Hon Dr Corinda Essex Hon Gillian Brooks Hon Karl Thrower

The Committee is advised professionally by the Chief Auditor, Mr Brendon Hunt.

A transcript of these proceedings will be made available on the St Helena Government (SHG) website at:
<https://www.sainthelena.gov.sh/government/legislative-council/councils/public-accounts-committee/> and in the Public Library.

2. Order Paper

- i. Chairman's Address
- ii. Saint Helena National Trust Financial Statements for the Year Ended 31 March 2020 and 31 March 2021
- iii. Equality & Human Rights Commission Annual Report & Financial Statements for the Year Ended 31 March 2020 and 31 March 2021

1. Chairman's Address

The Chairman opened the meeting and welcomed all.

For the benefit of first-time listeners, the Chairman explained PAC is established under section 69 of the Constitution and operates under Standing Order 23. The Committee's primary function is to objectively scrutinise the Government's stewardship of the public purse and has the power to call any person to give evidence orally. 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. 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 composition of the Committee was then highlighted.

Mr Cyril George had been appointed a temporary, independent Member of PAC to ensure the Committee operated independently and free from any bias or conflict of interest. The Chairman was recused as he provided IT support services to the Saint Helena National Trust and Councillor Gillian Brooks was also recused having been a Member of the Trust Council from April 2019 to January 2020.

The Chairman then announced that PAC had been invited to participate in a Mission to Westminster, London and the Senedd in Cardiff, departing St Helena on 11th September and returning on 24th September. The programme was organised by the Commonwealth Parliamentary Association (CPA) UK Branch and was expected to benefit both newly appointed and long-serving members.

This was the third formal session of the PAC in 2022, focusing on the Saint Helena National Trust Financial Statements and the Equality & Human Rights Commission Financial Statements and Annual Report for the Years Ended 31 March 2020 and 31 March 2021.

The evidence taken on 3rd August 2022 in respect of both bodies is summarised below.

II. Saint Helena National Trust Financial Statements for the years Ended 31 March 2020 and 31 March 2021

PAC examined the Saint Helena National Trust (SHNT) Financial Statements for 2019/20 and 2020/21 and the following persons attended to answer questions:

- Director, SHNT – Mrs Helena Bennett
- Finance Manager, SHNT – Mrs Angela Francis
- Head of Infrastructure, SHG – Mr Derek Henry (for theme no. 7 only)

The Chairman offered his condolences to the family, Director, Staff and Trust Council on the sad passing of their Vice President, Mr Nicholas Thorpe before handing over Chairmanship to the Vice Chairman, Mr James Kellett. Mr Cyril George filled in as Vice Chairman for this item.

The Saint Helena National Trust financial statements for years 2019/2020 and 2020/2021 were examined independently in accordance with Section 15(4) of the St Helena National Trust Ordinance 2001, as opposed to an audit, since the turnover of the Trust did not exceed £500k.

The Trust remains obliged to bring the audited accounts before Legislative Council under sections 15(5) of their Ordinance. The 2019/20 and 2020/21 financial statements were laid at Legislative Council as Sessional Paper 1/21 on 15th January 2021 and Sessional Paper 54/21 on 10th December 2021 respectively. These papers were then referred for PAC scrutiny under section 69 of the Constitution and Standing Order 23.

PAC enquired on the following key issues from officials:

1. The benefits realised and challenges faced in transitioning from International Public Sector Accounting Standards (IPSAS) cash basis to IPSAS accrual basis;
2. The basis for the closure of SHNT Guarantee and the status of the transfer of functions and assets to SHNT;
3. The basis for the sale of the Sandy Bay Cottage Ruin and the status of the sale and settlement of outstanding loans;
4. An update on the progress towards completing works on the Deadwood Stone Cottage and the future plans for its use;
5. The outcomes achieved from the Landscape & Ecology Mitigation Programme (LEMP) project and an update on remaining assets and maintenance of plants;

6. The possible impact of the current financial climate on the Trust's external funding streams and resulting impact on going concern; and
7. The status of the Memorandum of Understanding (MOU) between SHG and the Trust for maintenance of the island's heritage buildings and progress on transfer or lease of Crown Estate properties.

PAC received explanations and assurances for the above-mentioned enquiries from SHNT management and these have been recorded in the 3rd August 2022 transcript which will be made available on SHG's website at <https://www.sainthelena.gov.sh/government/legislative-council/councils/public-accounts-committee/>.

Based on the responses provided by officials, the below main conclusions were drawn, with recommendations proposed following PAC deliberations.

Main Conclusions

1. **PAC heard that the transition from cash basis of accounting to the accruals basis yielded the benefit of reflecting a truer financial position of the Trust including recognition of assets.** An assessment of the financial status and going concern of the Trust can now be made.
2. **With the SHNT Guarantee Ltd having become financially unsustainable, PAC noted the Trust Council took the decision to close the subsidiary.** The subsidiary which had initially been set up through project funding, was no longer receiving donations, funds or new contracts. PAC acknowledged the Trust's efforts in scaling down the subsidiary's function and addressing the financial situation through giving up custodian rights of Coles Building, ceasing work for the Built Heritage business element and ceasing the recruitment of some vacancies. The Committee was reassured that all the assets had been transferred back to the Trust after the closure of the subsidiary.
3. **PAC noted the Sandy Bay Cottage Ruin was sold as the Trust had lost its Built Heritage team and there were insufficient resources to rebuild the cottage.** PAC was reassured that all the loans were settled in the current financial year and none were outstanding to date.
4. **PAC also noted progress had been made on the Deadwood Stone Cottage to bring it into a useable state with the remaining works to be completed at the end of the current financial year.** Whilst a £1,000 Asset Capacity Building Grant was awarded, additional funding was

approved by the Trust Council to be transferred from the General account to finish the renovations. The SHNT Director advised that local market research to envisage demand of the cottage as a camping rental accommodation had been carried out and the price is yet to be determined. PAC accepted that additional similar projects would not be a priority for the short term.

5. **PAC was concerned to hear the LEMP project was coming to an end in October 2022 with undesirable consequences of job losses and potential reputational damage to the success of the Millennium Forest.** With 4 people potentially affected by the redundancies, there appeared to be uncertainty regarding when SHG would decide on the way forward.
6. **PAC was encouraged to hear the Trust has been able to identify, maintain and secure links for external funding using the £43,000 support grant received from SHG.** The Trust had been able to generate external funding at a factor of ten times in 2019/20 whilst it was anticipated that a multiplying factor of eleven times would be recorded in 2020/21. The Director stated she was confident the Trust would continue as a going concern premised on the good relationships with donor funders and technical support from Royal Society for the Protection of Birds (RSPB), the Committee was reassured to hear this. The Trust is exploring new income streams with a cultural heritage base in addition to the current streams which are nature conservation heritage based.
7. **PAC was concerned the anticipated MOU between the Trust and SHG had not been finalised for the maintenance of heritage buildings.** The SHG Head of Infrastructure reassured PAC of the mutual eagerness for the effective maintenance of the buildings and the on-going discussions for the divestment of some of the heritage assets to SHNT, who are better placed to attract external funding for the rehabilitation and maintenance of these assets. PAC was not convinced with the uncertain timing for the divestment plans for High Knoll Fort in light of the considerable time lapse but heard that the lease agreement for the Millennium Forest was currently being finalised. PAC noted the Trust's concern of a potential liability that could accrue if the divestment took place prior to SHNT securing funding.
8. **Overall, PAC was pleased that management's effort in generating external sources of income is evident and demonstrates a commitment towards safeguarding the creation of value.**

Recommendations

In relation to its scrutiny of the Saint Helena National Trust Financial Statements for the year ended 31 March 2020 and 31 March 2021, **PAC recommends that:**

1. SHNT should prepare a comprehensive pricing model in determining the rental price for the Deadwood Stone Cottage to ensure the facility becomes financially viable whilst remaining competitive.
2. SHNT should prioritise continued engagement with SHG on the future of the LEMP project to protect the investment of the overall project and to safeguard jobs.
3. SHNT should continue with stakeholder engagement and collaboration with SHG to ensure the conclusion of the MOU for the maintenance of heritage buildings and the finalisation of the Millennium Forest lease agreement.
4. SHNT should continue to prioritise the pursuit of funding, for assets under consideration for divestment from SHG, including the High Knoll Fort.

III. Equality and Human Rights Commission Annual Report & Financial Statements for the Years Ended 31 March 2020 and 2021

PAC examined the Equality and Human Rights Commission (EHRC) Annual Report and Financial Statements for 2019/20 and 2020/21 and the following persons attended to answer questions:

- Chairperson – Ms Annina Van Neel
- Chief Executive Officer (CEO) – Mrs Catherine Turner
- Executive Manager – Mrs Carol Thompson

The Equality and Human Rights Commission Financial Statements and Annual Report are required by Ordinance to be laid before Legislative Council and were referred for PAC scrutiny under Section 69 of the Constitution and Standing Order 23.

In accordance with Section 14 (d) of Schedule I, Section 4 of the Commission for Equality and Human Rights Ordinance 2015, the EHRC annual report and audited accounts for 2019/2020 were laid before Legislative Council on 11th December 2020 as Sessional Papers 51/20 and 52/20; and the EHRC annual report and audited accounts for 2020/2021 were laid on 29th of March 2022 as Sessional Papers 12/22 and 13/22. The Chief Auditor's report for both financial years was unqualified with an emphasis of matter regarding the liability for non-payment of income tax.

PAC enquired on the following key issues from EHRC Commissioners and management:

1. The rationale and authorisation of the high increase of the CEO's salary;
2. Concerns around data charges incurred in excess of the broadband package in 2019/20;
3. The status of the tax liability settlement and the responsibility for the tax and penalties;
4. Whether the EHRC is incurring a rental expense by moving to Cole's House;
5. Progress made in updating and entering into a new Framework Agreement to reflect the change in governance under the ministerial system;
6. Nature of the complaints that the Commission is able to resolve and the resources needed to be able to resolve more queries;
7. The meanings of the color coding of progress against strategic priorities on the Action Plan;

PAC received explanations and assurances for the above-mentioned enquiries from the Commission and these have been recorded in the transcript of 3rd August 2022, which will be made available on SHG's website at <https://www.sainthelena.gov.sh/government/legislative-council/councils/public-accounts-committee/>.

In addition to the verbal evidence given, the Commission committed to provide written responses on the following matters:

- The policy change which ensures budget approval before any salary is increased;
- A full paper trail of discussions between SHG Corporate Human Resources, Chief Secretary and EHRC regarding the increase in the CEO's salary;
- The website link for UN reports containing EHRC St Helena related matters. This was later provided.

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

Main Conclusions

1. The Chairperson gave PAC context to the basis for the increase in the CEO's salary and authorisation. The Commissioners referenced the UN Paris and Belgrade principles that imply salaries of employees in UN accredited Commissions ought to be at par with equivalent roles in government. The EHRC Framework agreement and Human Rights action plan, which was agreed with Legislative Council included the intention for the Commission to become a UN accredited body. Whilst some progress had been made towards accreditation, the PAC heard that some changes were still required to the legislation.

The Commission's Ordinance allows for the Organisation to determine its own terms and conditions of employment including pension arrangements, giving the entity full autonomy over salaries and spending.

Following a staff appraisal and job evaluation process, the CEO's salary was assessed to be well below the comparative SHG pay scale grade E. The additional responsibilities being performed by the CEO, such as training, legal advice and leading on promotions are a result of key vacancies within the Commission, whilst it is asserted that she has more responsibilities and risk compared to the other similar roles. There has been no review of the CEO's

salary for 2 years since she transitioned from a project role to CEO. PAC heard that following the rebuttal by SHG Corporate Human Resources of EHRC's recommendations, with respect to the CEO's salary, discussions were held with the Chief Secretary in the absence of a formal appeal process. It is alleged that a proper job analysis could not be performed by SHG HR due to staffing shortages.

A business case explaining the basis for the salaries was submitted together with the budget to the Social and Development Committee. PAC are not convinced that the business case had subsequently been submitted to the wider Legislative Council.

2. The Chairperson gave context to the prioritisation of the CEO's salary increase before the EHRC subsidy were approved. The availability of cash in the Commission's bank account arising from vacancies of the marketing & promotion post as well as some Commissioner posts was used to fund the increase of the CEO's salary. The unutilised amount from the prior year budget which also included unspent in-house training meant that some funds were available ahead of the approval of the following years' subsidy and budget. The Chairperson acknowledged that in hindsight, the salary increase could have been better staggered over a longer period albeit it is not anticipated that the previous Commissioners regret the decision to award the salary increase in light of the factors mentioned above and the recognition that the Commission has achieved.

PAC is concerned with the manner in which this award was made prior to budget approval and is not convinced the availability of cash is a suitable basis for an increase in salary. PAC was still concerned with the fact that the CEO's salary constituted a huge percentage of the budget (36%) and believes the increase could have been better integrated. PAC heard the Commission's policies have been subsequently updated to state that no major decisions will be taken before the budget is confirmed.

In light of the significant responsibilities of the CEO, PAC was concerned with the uneven workload and the absence of a succession plan under implementation albeit it does acknowledge existing budget constraints.

3. In response to the increased subsidy, PAC heard the Commission has been able to perform more research, produce UN reports and has been able to deal with more serious human rights cases. PAC was encouraged to hear of the achievements regarding a case that was won after being taken to the Privy Council through the intervention of the Commission.

The £8k subsidy increase from 2019/20 to 2020/21 was backed by a business case providing the basis for salaries. Other than salaries and the internet, no other major costs were incurred by the Commission.

4. Internet charges remained significant over the 2 financial years, in excess of the bandwidth package limit in 3 months for each of the years. The high charges for 2018/19 were attributed to communication with lawyers and live streaming for the Privy Council case whilst the specific reasons for the 2019/20 significant charges were not fully explained. PAC was reassured that since Sure South Atlantic introduced the option for a booster internet package, the Commission has remained within the budget. The Committee was encouraged to hear the problems experienced with some of the computer updates in prior year did not recur in current year through effective monitoring; also the implementation of the fiber optic cable would allow for members of the Commission to attend more virtual conferences and training.

5. PAC was reassured to hear the outstanding income tax liability of £480, to be paid over 3 installments would be fully settled by the end of the current financial year. The Committee also heard the PAYE arrears were being deducted from the CEO's salary and remitted to the Tax office. Whilst the Financial Secretary did not give an explicit reason for agreeing to waiver half the penalties, the official's testimony was that EHRC had argued that SHG delayed in communicating the non-compliance, which they were aware of for over a year.

6. PAC heard that the rental expense currently being incurred is a necessary cost in complying with the UN Paris principles which require the Commission to operate from a non-government owned property. The total uplift received from SHG for moving premises and rentals amounted to £7k.

7. PAC heard that progress had been made in updating the Framework Agreement to reflect the change in governance with the few remaining changes finalised by the end of the year.

8. PAC heard that legal related matters and other issues that are clearly in someone else's remit are not handled by the Commission. These are referred to the Public Solicitor.

9. PAC concluded the Action Plan included in the Annual report was missing explanations for the color coding and some necessary detail on action points were not complete.

Recommendations

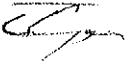
In relation to its scrutiny of the Equality and Human Rights Commission Annual Report & Financial Statements for the years ended 31 March 2020 and 31 March 2021, **PAC recommends that:**

1. The EHRC should prioritise facilitating collaboration between their pro bono legal expert and the Attorney Generals Chambers to ensure the finalisation of the required updates to the EHRC legislation.
2. EHRC should give priority to updating its performance management process to incorporate structured periodic appraisals for all staff and include a succession plan, to ensure the EHRC remains a going concern.
3. The Commissioners should develop / revise its financial management and control procedures to incorporate a standard process of determining allocation / treatment of un-utilised funds taking into account the strategic needs of the Commission and the requirements of the Service Level Agreement.
4. EHRC should review and refine its recruitment and retention strategy to take into account a broad range of non – financial incentives, and development opportunities.
5. EHRC should prioritise the conclusion of updates to the Framework Agreement within the agreed timelines.
6. EHRC should update the Action Plan forming part of the Annual Report to improve understandability; to incorporate explanations for actions not yet completed and the RAG key.
7. EHRC should continue to pursue alternative funding streams without comprising the integrity and independence of the EHRC.
8. SHG ensure that subsidiary legislation is reviewed to ensure consistency with the Ministerial system of government.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Chief Auditor and staff of Audit St Helena in assisting with the production of this Sessional Report to Legislative Council. The Committee also thanks the attending officials of St Helena National Trust, the Head of Infrastructure from SHG, and the attending officers of the Equality & Human Rights Commission for providing evidence in response to lines of enquiry.

This Sessional Report on PAC proceedings held on 3rd August 2022 is hereby authorised for issue to Legislative Council pursuant to Section 69(8) of the Constitution of St Helena, Ascension and Tristan da Cunha.



Mark Yon
Chairman

28th February 2023

