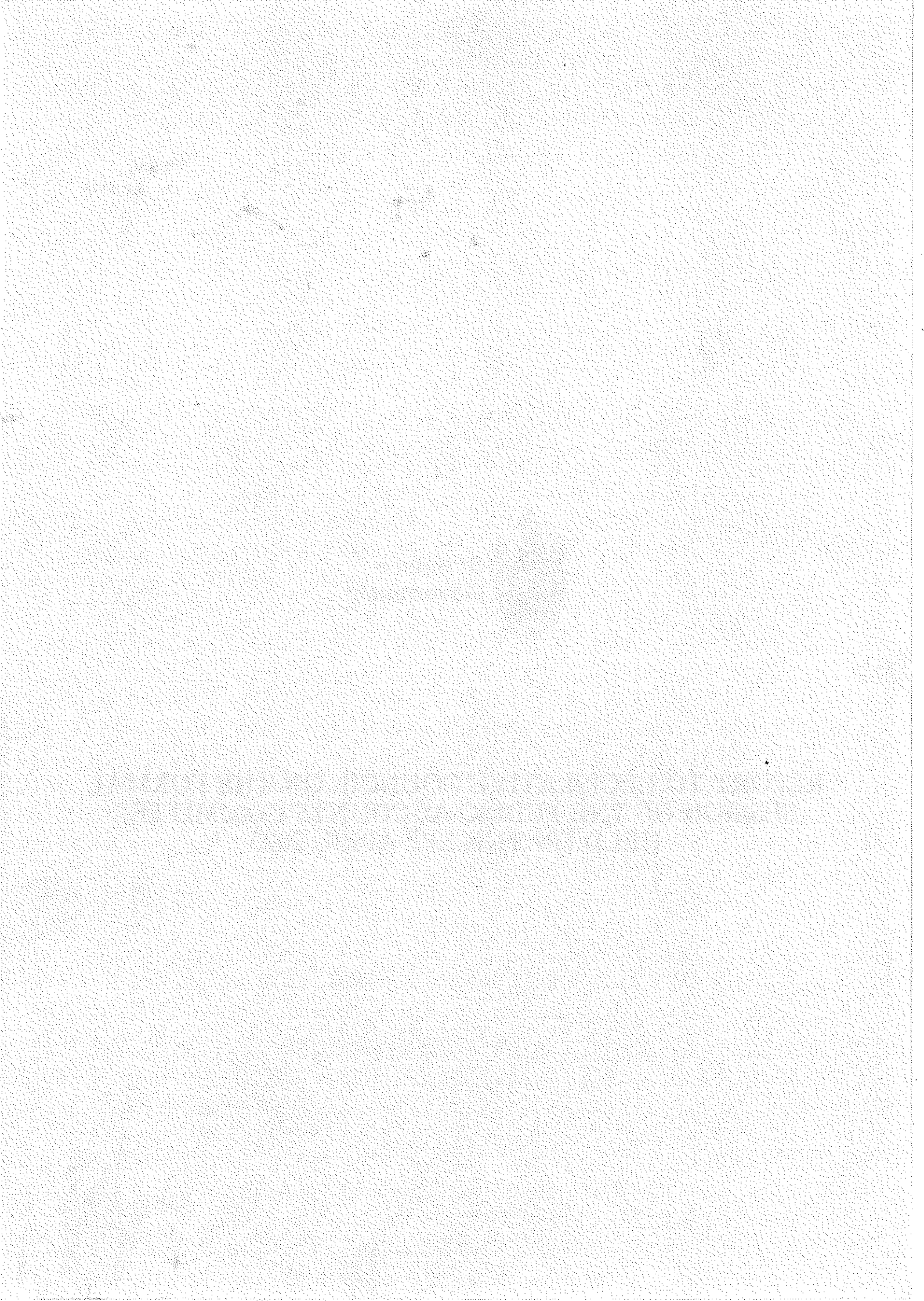




**REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON THE 13TH APRIL 2023**



St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on the 13th April 2023

1. Introduction

In accordance with Section 106(2) 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 13th April 2023, to examine the Statement of Expenditure in Excess for the financial year 2021/22.

Membership of the Committee comprises:

Chairman:	Mr Mark Yon
Vice Chairman:	Mr Bramwell Lumukwana
Members:	Hon Gillian Brooks
	Hon Dr Corinda Essex
	Hon Karl Thrower

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

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

2. Order Paper – First Session 2023

I. Chairman's Address

II. Government of St Helena – Statement of Expenditure in Excess, Financial Year 2021/22, SP 6/23

(i) Questions for the Financial Secretary

(ii) Health & Social Care Portfolio (Health)

(iii) Health & Social Care Portfolio (Children & Adults Social Care)

(iv) Safety, Security & Home Affairs Portfolio

(v) Education, Skills & Employment Portfolio

I. Chairman's Address

The Chairman opened the meeting and welcomed all in attendance and those listening via radio and live streaming.

The Chairman explained the Constitutional role of PAC in accordance with Section 69 of the Constitution of St Helena, Ascension and Tristan da Cunha, and Standing Order 23, (*now Standing Order 26*), and the Committee's primary function to scrutinise how the government spends the public purse. The 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 and, it has power to call any government official to give evidence orally.

After highlighting the composition of the Committee, the Chairman welcomed Mr Lumukwana, the new Vice Chairman to his first Formal meeting of PAC and looked forward to his contribution and support.

The Chairman then publicly thanked the Chief Executive and his team at Commonwealth Parliamentary Association, UK who supported and funded, through the UKOTP, the St Helena PAC on a Mission to Westminster, London and the Senedd in Wales earlier this year; and, SHG in assisting Elected Members and the Clerk with their attendance. Thanks were also extended to SHG for facilitating the Chairman's participation at the Fifth UKOTP funded 'Good Governance and Oversight of Public Finances' Forum, held in Westminster, London from 29th November to 1st December 2022, together with Hon. Robert Midwinter, the Clerk of Councils, the Chief Auditor and the Internal Audit and Risk Manager.

The Chairman moved on to the programme of business for the day, being the first public PAC hearing for 2023.

In closing the meeting thanks were extended to all officials for attending and providing evidence. The Chairman advised that PAC would evaluate the proceedings and submit a report to Legislative Council together with any recommendations, shortly thereafter. He also thanked the listening public for their interest in the work and activities of the St Helena PAC and expressed the Committee's gratitude to the South Atlantic Media Services for providing live coverage of the Inquiry.

The examination of the SHG Statement of Expenditure in Excess for Financial Year 2021/22 was the subject of the hearing and related to four Portfolio heads.

Legislative Council approves a budget each year giving Accounting Officers the express authority to incur expenditure in the provision of public services to the approved budget limit on each Head. Where at the end of the financial year the approved limit is exceeded for whatever reason, the Constitutional provisions in Section 106 require that a statement of expenditure in excess be prepared.

Section 106 of the Constitution states:

“Where at the close of accounts for any financial year it is found that monies have been expended on any expenditure vote in excess of the amount appropriated for it, or for a purpose for which no monies have been appropriated, the amount of the excess expended, or not appropriated, as the case may be, shall be included in a statement of expenditure in excess, which shall be laid before the Legislative Council and referred to the Public Accounts Committee”.

Accordingly, Sessional Paper 6/23 – Government of St Helena - Statement of Expenditure in Excess, Financial Year 2021/22, was laid before Legislative Council on 17th March 2023.

II. (i) Questions for the Financial Secretary

The Inquiry began with questions directed to the Financial Secretary, supported by the Deputy Financial Secretary, on the following key issues:

- Understanding the budgetary outturn for the year under review and the authorisation process;
- The nature of the Expenditure in Excess arising in the financial year 2021/22 as set out in Sessional Paper 6/23;
- Central controls that might be in place to prevent Heads incurring Expenditure in Excess;
- Any training initiatives undertaken following the implementation of the Fit for the Future (FFTF) programme;
- The reason why the Sessional Paper was produced so late; and
- At closing, whether the Financial Secretary had considered if the circumstances giving rise to these Excess Expenditures would warrant recovery through surcharge in accordance with Section 19 of the Public Finance Ordinance.

PAC received explanations and assurances for the above-mentioned enquiries from the Financial Secretary and these have been recorded in the 13th April 2023 Transcript that will be made available in the Public Library and 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 are drawn, with recommendations proposed following PAC deliberations.

Main Conclusions

The Financial Secretary gave context to the overall SHG budget by referencing the approved initial budget and the adjustments against this budget being the Supplementary Appropriation, withdrawals and Special Warrants. He then compared this final adjusted budget to total expenditure. The Financial Secretary detailed the source of funding for the supplementary appropriation as being a withdrawal of £415,000 from the Consolidated Fund and £1million from the Contingency Fund. The Financial Secretary reiterated that the minimum balance to be preserved on the General Reserve was set at £5million.

The Financial Secretary confirmed that recovery of expenditure in excess, as envisaged in Section 19 of the Public Finance Ordinance, would not be appropriate.

The PAC was pleased to hear the Financial Secretary had notified the Governor of the defects that led to the expenditure in excess as stipulated in Section 11(1)(h) of the Public Finance Ordinance.

Officials could not confirm whether the new SHG structure implemented as a result of the Fit for the Future programme was an improvement on the previous structure and whether there had been any savings as a result. The PAC heard it was difficult to compare the new SHG structure to the old structure as the old structure was based on the Committee system in place before the implementation of the Ministerial System of Government. Processes were centralised at Treasury following the implementation of the FFTF programme and staff affected by the change were reallocated to other support functions. With regards training, following the FFTF restructuring, the Deputy Financial Secretary advised that currently on the job training was occurring.

The PAC heard that centralised controls include working through project execution reports with accounting officers on a monthly basis. It was further detailed that in the past these reports were monitored by the Finance Committee. It is currently a proposal for this monitoring function to be performed at Cabinet meetings going forward.

The PAC also heard from the Deputy Financial Secretary that the Statement of Expenditure in Excess was late in submission due to delays in completing the SHG 2020/21 audit and the preparation of the draft 2021/22 accounts thereafter.

Recommendations

In relation to the questions asked of the Financial Secretary and Deputy Financial Secretary relating to Expenditure in Excess for the financial year ended 31 March 2022, **PAC recommends that:**

1. The Financial Secretary work with Cabinet to expedite the monitoring of the project execution reports before the end of the second quarter of the 2023/24 financial year.
2. SHG continue to work towards implementing previous PAC recommendation No. 260 which requires that the Fit for the Future Programme incorporates SMART key performance indicators and outcomes to ensure that benefits of the change initiative can be quantified and monitored.

(ii) Health & Social Care Portfolio (Health)

The following persons attended to answer questions in respect of the Health section within the Health & Social Care Portfolio:

- Portfolio Director – Mrs Tracy Poole-Nandy
- Financial Secretary – Mr Dax Richards
- Deputy Financial Secretary – Mr Nicholas Yon

PAC enquired on the following key issues:

- The nature of the Expenditure in Excess arising in the financial year 2021/22 and why it incurred;
- The point at which Expenditure in Excess had been identified and the Financial Secretary notified;
- Why the further £400,914 in respect of medical referrals was not included in the supplementary bid for £1.377m, which had been approved in March 2022;
- The kind of controls in place to ensure the portfolio does not overspend where the costs are demand led;
- Any parallels that could be drawn on Health overspend on medical referrals in prior years; and
- The current trend with medical referrals overseas in terms of numbers and cost per case.

PAC received explanations and assurances for the above-mentioned enquiries from the Portfolio Director and these have been recorded in the 13th April 2023 Transcript that will be made available in the Public Library and 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 Financial Secretary and Portfolio Director committed to provide written responses on the following matter:

- How the current medical service provision contract is structured, in terms of duration and how much has that cost SHG?

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

Main Conclusions

Evidence provided to the PAC indicated the reason for the additional medical referral costs not being included in the Supplementary Appropriation was primarily as a result of the late submission of invoices from the National Health Service (NHS) and the Medical Services Organisation (MSO). The Portfolio Director for Health and Social Care provided context in that medical referral patients were being sent to the United Kingdom during the period of the COVID-19 pandemic travel restrictions. Furthermore, emergency medical evacuations continued to take place to South Africa during this period. The Portfolio Director estimated that medical referrals during this period amounted to approximately £18,000 per patient and South Africa is generally seen as the more cost-effective option when it comes to providing medical care. The PAC was pleased to hear that the NHS patient slots, provided to the St Helena Health Portfolio, has increased from 4 to 10 patients recently. Considering the extent of the expenditure in excess, PAC was not convinced this expenditure could not have been predicted to some degree in the March 2022 Supplementary Appropriation.

Given the persistent trend of budgetary adjustments for medical referrals, PAC was concerned to hear from the Financial Secretary that there are continued pressures on the budget. The Financial Secretary stated that in the past, the Contingency Fund had been used to fund excessive expenditure related to demand led services. He further clarified that if the budget were to be increased for medical referrals, the increase would impact other budget lines.

PAC was pleased that a new off Island medical services provider had been identified and SHG was in the process of confirming a contract with this provider.

Furthermore, PAC was glad to hear that upon the beginning of the contract with the provider, set to begin in July 2023, there will be a transitional period while existing patients complete their medical treatment with the existing medical services provider.

Recommendations

In relation to its scrutiny of the Health section of the Health & Social Care Portfolio's Expenditure in Excess for the financial year ended 31 March 2022, **PAC recommends that:**

1. The excess expenditure on Head 23, Health, for Recurrent Expenditure of £400,914 for the 2021/22 financial year is recommended to be allowed to stand charged to public funds.
2. The Health Portfolio continue to work towards implementing previous PAC recommendation No. 242, which requires that SHG amend their budget monitoring procedures to ensure that overseas medical service suppliers provide monthly interim statements on unbilled services, to assist in more accurate forecasting. Recommendation 242 referred to this amended procedure being implemented once the COVID-19 pandemic had abated.

(iii) Health & Social Care Portfolio (Children & Adults Social Care)

The following persons attended to answer questions in respect of the Children & Adults Social Care section within the Health & Social Care Portfolio:

- Portfolio Director – Mrs Tracy Poole-Nandy
- Financial Secretary – Mr Dax Richards
- Deputy Financial Secretary – Mr Nicholas Yon

The Hon Gillian Brooks declared a retrospective interest having worked in the Safeguarding Directorate from January 2019 to October 2021.

PAC enquired on the following key issues:

- The nature of the Expenditure in Excess arising in the financial year 2021/22 and why it incurred;
- The point at which Expenditure in Excess had been identified and the Financial Secretary notified;
- Why the expenditure had not been included in the March 2022 Supplementary Appropriation;
- The kind of controls in place to ensure the portfolio does not overspend its authorised allocation;
- How the Portfolio accounted for the increased costs in budgeting for years subsequent to financial year 2021/22 and what efficiency saving initiatives were implemented to offset this.

PAC received explanations and assurances for the above-mentioned enquiries from the Portfolio Director and these have been recorded in the 13th April 2023 Transcript that will be made available in the Public Library and 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 are drawn with recommendations proposed following PAC deliberations.

Main Conclusions

The PAC heard from the Portfolio Director that an increased demand for services, resulting from an aging demographic on St Helena Island, had led to the expenditure in excess. It was further clarified that the March 2022 Supplementary Appropriation used the forecast at December 2021 to determine whether Portfolios would need further appropriations to the initial approved budget. At this point, the forecast to March 2022 for Children and Adults Social Care, indicated the Portfolio would likely underspend on its budget. Nevertheless, actual expenditure to March 2022 ultimately exceeded the approved budget expenditure. The PAC was pleased to hear that transitional challenges, following the Fit for the Future programme restructuring, have been addressed.

PAC was concerned to hear that future budgets would require sacrifices on other services within the Portfolio to maintain the present level of care to aged citizens. The Portfolio Director clarified that staffing levels are a high priority in enabling the provision of services to the Community. Future budgets have not made provision for the increased resource levels and accordingly, there is less budget available for preventative care.

The PAC noted their concern around the efficient use of vehicles in use by the Directorate. The PAC heard from the Portfolio Director that challenges were encountered when hiring vehicles as not all employees could drive manual transmission vehicles.

Recommendations

In relation to its scrutiny of the Children & Adults Social Care section of the Health & Social Care Portfolio's Expenditure in Excess for the financial year ended 31 March 2022, **PAC recommends that:**

1. The excess expenditure on Head 29, Children & Adults Social Care, for Recurrent Expenditure of £55,930 for the 2021/22 financial year is recommended to be allowed to stand charged to public funds.
2. The Directorate implement controls to better forecast expenditure arising from increases in client headcounts. These controls would also include accounting officers approving payroll before the payment of salaries to staff.
3. The Directorate identify where cost cutting measures could provide for a more efficient and effective use of vehicles.

(iv) Safety, Security & Home Affairs Portfolio

The following persons attended to answer questions in respect of the Safety, Security & Home Affairs Portfolio:

- Portfolio Director – Mr Alex Mitham
- Financial Secretary – Mr Dax Richards
- Deputy Financial Secretary – Mr Nicholas Yon

PAC enquired on the following key issues:

- The nature of the Expenditure in Excess arising in the financial year 2021/22 and why it incurred;
- The point at which Expenditure in Excess had been identified and the Financial Secretary notified;
- Why had the expenditure not been included in the March 2022 supplementary appropriation;
- The kind of controls in place to ensure the portfolio does not overspend its authorised allocation.

PAC received explanations and assurances for the above-mentioned enquiries from the Portfolio Director and these have been recorded in the 13th April 2023 Transcript that will be made available in the Public Library and 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 Portfolio Director committed to provide a written response on the following matter:

- The actual cost of transportation of the Bauer air compressor for the Fire and Rescue Service. This cost was later provided as £1104.76.

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

Main Conclusions

The PAC heard from the Portfolio Director that the expenditure in excess occurred as a result of an oversight. A quotation received from a supplier for the delivery of a compressor had not included packaging and carriage costs. This later resulted in excess costs upon payment of the supplier's invoice which led to the expenditure in excess. The Portfolio Director was also of the view that the COVID-19 pandemic had affected the quality of documentation received from external sources. The PAC was pleased to hear that due diligence processes had been implemented in the Directorate to prevent this type of error occurring again.

Recommendations

In relation to its scrutiny of the Safety, Security & Home Affairs Portfolio's Expenditure in Excess for the financial year ended 31 March 2022, **PAC recommends that:**

1. The excess expenditure on Head 15, Safety, Security & Home Affairs, for Capital Expenditure of £524 for the 2021/22 financial year is recommended to be allowed to stand charged to public funds.

(v) Education, Skills & Employment Portfolio

The following persons attended to answer questions in respect of the Education, Skills & Employment Portfolio:

- Portfolio Director – Mrs Wendy Benjamin
- Financial Secretary – Mr Dax Richards
- Deputy Financial Secretary – Mr Nicholas Yon

PAC enquired on the following key issues:

- The nature of the Expenditure in Excess arising in the year 2021/22 and why it incurred;
- The point at which Expenditure in Excess had been identified and the Financial Secretary notified;
- Why had this capital expenditure not been included in the original budget submission for 2021/22 and also not included in the March 2022 supplementary appropriation;
- Whether spend on the fire alarm system should have been accrued against the Portfolio budget and why.

PAC received explanations and assurances for the above-mentioned enquiries from the Portfolio Director and these have been recorded in the 13th April 2023 Transcript that will be made available in the Public Library and 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 Financial Secretary committed to provide the following matter:

- To provide the Committee with a copy of the Asset Management Strategy and Policy

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

Main Conclusions

The PAC heard from the Portfolio Director that the expenditure in excess was related to labour costs in installing a fire alarm system. The cost for the purchase of the fire alarm system had been included in the 2020/21 budget, which was ordered but not delivered before the end of that financial year. The Portfolio Director also stated it was an oversight that the costs to install the fire alarm system were not included in the March 2022 Supplementary Appropriation.

The PAC was concerned that expenditure of a property nature was being borne by the budgets of Portfolios and not funded from the budget of Crown Estates due to insufficient funding being available.

Recommendations

In relation to its scrutiny of the Education Skills & Employment Portfolio's Expenditure in Excess for the year ended 31 March 2022, **PAC recommends that:**

1. The excess expenditure on Head 22, Education Skills & Employment, for Capital Expenditure of £4,094 for the 2021/22 financial year is recommended to be allowed to stand charged to public funds.
2. SHG provide a central budget line for Portfolios to progress compliance with Health and Safety laws.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Chief Auditor and staff of Audit St Helena in the production of this Sessional Report to Legislative Council. The Committee also thanks attending officers of SHG for providing evidence in response to lines of enquiry.

This Sessional Report on the PAC examination of Expenditure in Excess for Financial Year 2021/22 is hereby authorised for issue to Legislative Council pursuant to Section 106(2) of the Constitution of St Helena, Ascension and Tristan Da Cunha.



Mark Yon
Chairman

11th May 2023

