



St Helena
Government

ST HELENA PUBLIC ACCOUNTS COMMITTEE

REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON THURSDAY, 27TH OCTOBER 2022

Laid upon the Table 03 June 2024

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on Thursday, 27 October 2022

EXECUTIVE NOTE FOR REPORT READERS: This Report reflects the inquiry into the St Helena Fisheries Corporation Financial Statements and Administrator's Report for the Years Ended 31 March 2019, 2020 and 2021, and includes the main conclusions and recommendations of the Public Accounts Committee. To ensure readers are not disarrayed by the timeline, the inquiry was held on 27 October 2022 however the report was not concluded until April 2024.

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 Fourth Formal Session of the Committee, held on the 27th of October 2022 to examine the St Helena Fisheries Corporation Financial Statements and Administrator's Report for the financial years ended 31 March 2019, 2020 & 2021.

Membership of the Committee comprise:

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

The Committee is advised professionally by the Chief Auditor, Mr Brendon Hunt and administrative support is provided by the Clerk, Miss Anita Legg.

It is regretted that due to the poor quality of the audio recording, neither the audio nor transcript of the proceedings are available.

2. **Order Paper - Fourth Formal Session 2022, Thursday, 27th October 2022**
 - I. Chairman's Address
 - II. St Helena Fisheries Corporation Financial Statements and Administrator's Report for the years ended 31 March 2019, 2020 & 2021

I. Chairman's Address

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

As is customary, 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 26. He went on to explain the Committee's primary function which is to objectively scrutinise how the Government spends the public purse and advised further that the PAC is protected to act independently and is not subject to the direction and control of the Governor, the Executive Council, or any other body or authority and, has power to call any person to give evidence orally.

The composition of the Committee together with the key advisory and administrative support roles were then highlighted. However, to ensure the Committee operates independently and free from any bias or conflict of interest, Councillor Dr Corinda Essex was recused having served on the Board of Management of the St Helena Fisheries Corporation and was therefore conflicted by the item of business under scrutiny. Councillor Ronald Coleman was accordingly appointed temporary Member of PAC for this Formal Session. Furthermore, Councillors Mrs. Gillian Brooks and Mr Karl Thrower were off-Island and were therefore unable to participate. Deputy Chief Auditor Mrs. Vimbai Chikwenhere assisted the Committee in the absence of Chief Auditor, Mr Brendon Hunt who was on overseas leave.

The Chairman announced that the St Helena Public Accounts Committee's planned participation in a Commonwealth Parliamentary Association, UK funded Mission to the United Kingdom had been rescheduled due to the sad passing of Her Majesty Queen Elizabeth II. The Mission would now take place from the 23rd January to the 4th February 2023.

Thanks and well wishes were extended to the Vice Chairman, Mr James Kellett for his service and valuable contribution to the work of the St Helena PAC since his appointment in December 2021. Mr Kellett intended to resign from the Committee at the end of October 2022 to return to the UK with his family in November 2022. A process to fill the vacant position would be undertaken and the Chairman extended an invitation to anyone with the related skillset and an interest in the work of the PAC to apply in becoming a Member.

The Chairman moved on to explain the business under scrutiny and concluded the Inquiry by thanking everyone for their attendance and contribution. PAC would then evaluate the evidence heard and submit a report to Legislative Council on its findings.

The evidence taken on the Fourth Formal Session of PAC for 2022 is summarised below.

II. St Helena Fisheries Corporation Financial Statements and Administrator's Report for the Years Ended 31 March 2019, 2020 and 2021

On the 27th of October 2022, PAC examined the St Helena Fisheries Corporation 2019, 2020 and 2021 financial statements and Administrator's report and the following persons attended to give evidence:

- Former Chairperson – Ms Christine Scipio
- Former Operations Manager – Miss Terri Clingham
- Deputy Financial Secretary – Mr Nicholas Yon
- Administrator – Mr Anesu Happyman Makamure

The Chairman explained that this was the Fourth Formal Session of the Public Accounts Committee for 2022.

The St Helena Fisheries Corporation (SHFC) accounts for the financial years 2018/19, 2019/2020 and 2020/2021 were prepared by the Administrator, following a directive on the Corporation to cease trading on the 31st January 2020. Audit St Helena audited the 2018/19 financial statements whilst Kreston Chartered Accountants audited the latest sets being the 2019/20 and 2020/21 financial statements.

The SHFC audited accounts for 2018/19 were laid at Legislative Council as Sessional Paper 11/22 on the 29th March 2022 and the 2019/20 and 2020/21 accounts were laid in a similar fashion as Sessional Papers 25/22 and 26/22 respectively on the 25th August 2022. The accounts were referred for PAC scrutiny under Section 69 of the Constitution and Standing Order 23.

The Chairman gave the background to the establishment of the entity through the St Helena Fisheries Corporation Ordinance and the subsequent takeover of fish processing by St Helena Government from Argos Cold Store Limited. The government gave around £1.9 million through operational grants, capital grants and subsidies from 2015/16 until closure of SHFC in 2019/20 financial year.

The following is a list of the key issues PAC enquired of the panel:

- The responsible party for the closure of Fisheries, the reasons for the entity being unprofitable, reflections and the progress on the winding up process;
- The nature of the feasibility studies conducted and the decision-making process undertaken before takeover of the Cold Store by SHFC from Argos;
- Composition of the Fisheries Task Group, discussions held and the progress made in the development of the future operating model;
- Status of the freezer size reduction project and its impact on the anticipated electricity savings;
- Steps taken to recover funds from debtors provided for as unrecoverable, whether there was an expectation of recovery and reflections on credit control;
- The terms of the loan owed to SHG, the extent of the waiver of the SHG loan and Connect receivable and impact of the Connect receivable write off;
- The nature, reasons and status of the written down plant and equipment and whether there is an expectation of realising proceeds from the write down;

- The basis of determining the selling price of fish whilst gross losses had been recorded;
- Progress made in negotiating the reduction of high freight fees with the freight agent and progress of the use of air freight facility for fish exports;
- The extent and impact of discounting amounts owed to private suppliers, during the process of liquidation;
- Arrangements made for employees who became redundant following the closure of the Corporation.

PAC received explanations and assurances for the above-mentioned enquiries. It is regretted however that due to the poor quality of the audio recording, neither the audio nor transcript of the proceedings from 27 October 2022 will be available.

In addition to the verbal evidence given, the Deputy Financial Secretary committed to provide a written response on the following matter, which at the time of signing this report is still awaited:

- The Deputy Financial Secretary to email the composition of the two Task Groups that were set up.

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

Main Conclusions

PAC heard that the decision to close SHFC was taken by Executive Council. It was noted that the ageing assets and high electricity costs exacerbated by low fish throughput were the main factors that made the entity unprofitable. The former SHFC Chairperson expressed her view that the Corporation's performance could have improved had the directive to cease operations not been given at the time and the Board allowed to continue with their plans. PAC was reassured at the time that the winding up process was expected to take place at the end of February 2023 and subsequently the Ordinance would be repealed. PAC is currently aware that the winding up process has not been completed to date.

PAC was concerned with the limited time spent on feasibility studies resulting in the decision by SHG for SHFC to take over the running of the Cold Store. It was also worrying that what was meant to be a temporary arrangement for SHFC to run the Cold Store was allowed to continue for over 4 years.

The Committee noted that the second Fisheries Task Group set up in 2019 comprised the ENRD Director, Economist and Environmental Officer, amongst other members. The Task Group's purpose was to give options for the proposed future operating model which led to the Executive Council recommending that an external party should operate the Cold Store.

PAC was concerned with the extended period of time it took to complete the freezer downsizing project (i.e. from before June 2018 until just before the closure of the Corporation in January 2020) which partly arose from the incorrect design given to the service provider. It was also concerning to hear that

the potential savings in electricity from the downsizing project could not be realised despite the significant grants and subsidies given by the government and Enterprise St Helena.

PAC was disturbed by the poor credit control arrangements that were in place that had led to a significant unrecoverable debt of £16,596 at 31 March 2021. PAC was also concerned that at the time of the hearing, the efforts in attempting to recover the debt only yielded the settlement of a negligible amount of around £300.

PAC heard that the £174,000 that had been owing to SHG and subsequently adjusted downwards to zero in 2021 had been granted under an advance arrangement within the provisions of the Public Finance Ordinance, 2010.

Furthermore, the Committee received written evidence that Connect Saint Helena Ltd.'s Board had considered and agreed a request from Executive Council not to pursue, but to write off the debt owed by SHFC. PAC was reassured that the SHFC debt written off in Connect's financial records of £197k (appearing as £268k in SHFC 2019 records prior to unstated SHG adjustments), did not have a direct impact on consumer tariffs but has contributed however to Connect's current financial position. It is too early to determine the ultimate impact of the write off on Connect Saint Helena Ltd.'s long-term business ambitions.

PAC was concerned that £43k capitalized costs relating to the Cold Store were written off in the same year of being incurred following the Corporation no longer being considered to be a going concern. It was however reassuring for PAC at the time that these movable assets were incorporated into the lease agreement between SHG and the new operator of the fish processing facility.

The Committee was not convinced that the pricing model for local fish was sufficiently robust to at least cover direct costs albeit whilst remaining affordable. This was evidenced by the recording of gross losses in the 2018/19 and 2019/20 financial years.

The constraints experienced by the Corporation in engaging the sea freighting company to lower the high sea freight costs concerned the PAC as negotiations were unsuccessful. PAC was advised by the former Operations Manager that effort was put into obtaining the best value from the air freight service.

A conclusive response could not be given on the extent of discounting the balances owed to private suppliers pending finalisation of the liquidation process.

PAC was reassured that employees who had been made redundant following the cessation of operations were integrated into SHG employment where feasible.

Overall, it was concluded that the performance of the Corporation could have been better managed by the SHFC Board. Also, SHG should have played a more active role in executing its responsibility over the governance of the subsidiary.

PAC acknowledges the relevance and importance of the Ownership Policy for Wholly Owned State Entities in ensuring that these entities are professionally managed, are efficient and sustainable.

Recommendations

In relation to its scrutiny of St Helena Fisheries Corporation Financial Statements and Administrator's Report for the financial years ended 31 March 2019, 2020 and 2021, **PAC recommends that:**

1. SHG in consultation with the Administrator should, as a matter of priority, continue to pursue and establish a pragmatic repayment plan to recover the outstanding debt owed in full by the Trade Debtor.
2. SHG in consultation with relevant stakeholders should prepare a 'Lessons Learned' document on SHFC, and going forward following the closure of a government owned entity, department or programme.
3. SHG should ensure that the annual performance evaluation of all State Owned Boards is carried out and the Annual Performance Report is prepared as required by the State Ownership Policy for Wholly Owned State Entities.
4. SHG's relevant Portfolio Director for each Wholly Owned State Entity should scrutinize the Board evaluation and Annual Performance Reports and take appropriate action where necessary.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Deputy Chief Auditor and staff at Audit St Helena in assisting with the production of this Sessional Report to Legislative Council. The Committee also thanks the attending panel of witnesses for providing evidence in response to lines of inquiry.

This Sessional Report on PAC proceedings held on Thursday, 27 October 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
St Helena Public Accounts Committee

26 April 2024

