



SAINT HELENA AUDIT SERVICE
External Auditors

Follow Up of previous St Helena Government Value For Money Recommendations



August 2012 V34

VFM audits are conducted by the Audit Service on behalf of the Legislative Council, in order to determine whether St Helena Government resources have been used with proper regard to economy, efficiency and effectiveness.

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Report Distribution: Directors, Chief Secretary, Financial Secretary, Legislative Council, Public Accounts Committee and Audit Committee.

It is available to the public through our website (www.audit.gov.sh), in the Public Library and at the Audit Service Office.

EXECUTIVE SUMMARY

Value For Money (VFM) reviews form part of our Audit Plan for the year. Our reviews are conducted to ensure that public funds are spent economically, efficiently and effectively. VFM audits are conducted as part of our Annual Audit Plan or at the request of the Public Accounts Committee. Recommendations that are made affect the majority of Directorates and are in most cases related to specific areas.

We have issued seventeen VFM reports since 2008/09 and this review seeks to report on progress against the recommendations to determine whether they have been implemented; and, if necessary, report on possible plans of action to ensure that management does implement them.

Based upon the work undertaken and the findings detailed in the body of this report, we have concluded that progress has been made on the implementation of our recommendations and the status of these recommendations is commented upon in the body of this report.

There were seventy-eight recommendations outstanding for implementation from reports published by our service for the past three years 2008/09 to 2010/11. Fifty-five of these recommendations have now been implemented, five are no longer applicable, twelve are partially complete, and six have not been implemented or any action taken. SHG has made good progress implementing recommendations.

Full details of our findings and conclusions are in the body of this report; details of each recommendation are included in Appendix A.

The assistance given by all SHG staff and third parties is acknowledged and a list of those involved is included in Appendix C

Introduction

- 1.1 Between 2008/09 – 2010/11 the SHAS has published seventeen VFM reports. Six of these reports were audit reviews which were performed around a particular subject upon request, and the remainder were substantial VFM audits which formed part of our annual VFM Plan.
- 1.2 Six reports were published in 2008/09; six in 2009/10 and five in 2010/11. In conjunction to this we also produced two mid-year reviews and two annual reviews of VFM reports issued for submission to the Public Accounts Committee on progress and updates of the recommendations made to management.
- 1.3 This audit review was performed to establish whether the recommendations that were agreed by management for a specific timeframe were implemented.

Summary of recommendations

- 2.0 Seventy-eight recommendations were followed up as part of this review, to determine their current status as to whether they have been implemented. The majority of these recommendations were rated High and Medium priority.

Reports published in 2008/09

- 2.1 There were six VFM reports published between April 2008 and March 2009. All recommendations have been implemented for five out of the six reports published in 2008/09, Post Office Review, Overseas Medical Referrals, Prime Numbers, Post Office Transport and Finance Miscellaneous.
- 2.2 The VFM report on the Community Care Complex was a review to examine whether the project objectives were achieved with due regard to economy, efficiency and effectiveness. Four recommendations were made in this report and to date three recommendations have been completed and one is in progress.

Reports published in 2009/10

- 2.3 There were six reports issued in the period between April 2009 and March 2010. These reports included a Ferry Service, Electricity Review, Bulk Fuel Installation, High Level Indicators, Pensions and Benefits for over Sixties and Public Works Performance Indicators.
- 2.4 The VFM review on Electricity formed part of our Annual VFM Plan for 2008/09. The purpose of this audit was to determine whether SHG resources in this area are used with due regard to economy, efficiency and effectiveness. An adequate opinion was issued for this report. The report contained four recommendations, which have all been implemented.
- 2.5 The review of Pensions and Benefits for Over Sixties was completed to ensure that Saint Helena Government's objectives in this area were achieving VFM. An inadequate opinion was issued for this report. Nine recommendations were made in this report and to date four have been implemented, two have not been implemented, one is no longer applicable and two are partially complete. There has been good progress made on these recommendations.
- 2.6 The Ferry Service review was conducted as a result of a request made by the Public Accounts Committee to look at specific areas around the service; which included the contractual arrangements, budget payments and budget and actual spending patterns for a three year period as well as whether current arrangements were VFM. There were four recommendations made to management in this report and to date three of these four recommendations have been implemented.
- 2.7 The audit of the Bulk Fuel Installation formed part of our annual VFM plan for 2008/09 which was performed to determine whether VFM has been achieved in this area. This report concluded with an adequate opinion. We made ten

recommendations in this report. Four of these recommendations are no longer applicable, two have been completed and three are partially complete. The remainder have not been implemented.

- 2.8 The audit review of Public Works Performance Indicators formed part of our annual VFM plan for 2009/10. It was performed to determine the appropriateness and accuracy of the performance indicators included in the Business Plan. This report concluded with an inadequate opinion. The report concluded with three recommendations, which have all been implemented.

Reports published in 2010/11

- 2.9 There were five VFM reports published between April 2010 and March 2011; Electricity Usage, Pilling Primary School, Contracts for Works and Services, Procurement of Electrical Equipment and Use of Empty Government Buildings.
- 2.10 Good progress has been made against the majority of the recommendations, with the most complete, partially complete or no longer applicable.
- 2.11 Electricity Usage review focused on the efficiency of electricity usage and how this resource is used across Saint Helena Government. This report concluded with an adequate opinion and three recommendations for implementation by management. Two of these recommendations have been implemented and the one remaining is partially complete.
- 2.12 The Pilling Primary School VFM audit was performed to determine whether Pilling Primary School has achieved the targets set out in the departmental business plan and whether management arrangements provide for the efficient use of resources. We issued an adequate opinion on this report and the two recommendations have been implemented.
- 2.13 The audit review of Contracts for Works and Services was conducted at the request of the Public Accounts Committee. It was designed to provide assurance on whether management within the Energy Division are complying with Contracts Regulations when awarding contracts for works and services; and whether their arrangements for the use of St Helena Government (SHG) materials by private sector contractors contribute to the efficient use of resources. This report concluded with ten recommendations for implementation by management.
- 2.14 The audit review of the Procurement of Electrical Equipment by the Energy Division was also conducted at the request of the Public Accounts Committee. The purpose of this review was to assess whether VFM was achieved through the procurement of electrical equipment. Seven recommendations were made for implementation by management.
- 2.15 The VFM review on the Use of SHG Empty Government Buildings was requested by the Public Accounts Committee to consider whether management arrangements for vacated buildings contributed to the efficient use of resources. To identify empty buildings held by SHG and comment on the management of Crown Estates Buildings. We made a total of seven recommendations as part of this audit, four of these recommendations have been implemented, one of these is ongoing and two partially completed.

Conclusion

- 3.0 We issued seventy eight recommendations between 2008/09 and 2010/11. Fifty-five of these recommendations have now been implemented, five are no longer applicable, twelve are partially complete, and six have not been implemented or any action taken. SHG has made good progress implementing recommendations.
- 3.1 There has been good progress with the implementation of recommendations in

achieving VFM. These statistics reveal that for 86% of the recommendations made, management have made effort in ensuring that good progress has been made towards achieving the recommendations.

APPENDIX A – Status of recommendations

No	Rating	Recommendation	IMPLEMENTED YES/NO
Overseas Medical Referrals Review – May 2008			
1	Medium	PHSSD should update the overseas medical referral policy to include the following: (a) Eligibility of persons for overseas medical referrals, once they have drafted their policy regarding eligibility for health services on Island; and (b) Types of costs that PH&SSD currently pay for overseas medical referrals	Yes. Followed up during the 2009/10 Annual Summary for PAC. Implemented in May 2009.
Post Office Review – June 2008			
2	Medium	The Post Office should wait until the year is complete before carrying out a prior year review. The prior year review should include: (a) Progress made against their performance measures; and (b) Summary of how successful and unsuccessful they were in achieving their objectives. Where they were unsuccessful, include what constraints there were.	Yes. The Post Office and Customer Service (P&CS) was amalgamated in October 2011. It is also noted that this Directorate requires an Output Performance status against their performance measures each month which continues to be submitted.
3	High	During the annual business planning process, the Post Office should consider relevant actions and performance measures to address their strategic objectives, in particular their objective to maximise profit.	Yes. Agreed implemented as part of the follow up report completed in 2008/09, Final Annual Summary Report on VFM Audit Recommendations.
4	High	If the Post Office continues with the current weekly delivery to sub Post Offices and Outlets, the Post Office should consider returning the dedicated vehicle back to the Transport Pool. Arrangements can be made with the Transport Manager for hire of the vehicle during ship days and weekly sub Post Office and Outlets delivery - or The Post Office should reconsider how they could address their strategic objective to provide an efficient and cost effective Island wide delivery service, whilst increasing revenue. This could be done by consulting departments and leading Island businesses, to find what type of services the Post Office could profitably provide. i.e. courier service.	No longer applicable. On the 1 st of April 2011 the Post Office took over responsibility for the SHG Messenger services. In view of this, mail is being delivered to Sub-Post Offices most times on a daily basis; including the delivery of recorded mail which has increased and departmental mail is being delivered and collected twice a day. Therefore, it would not be efficient or cost effective to return the dedicated vehicles.
5	High	The Post Office should adhere to the Contract Regulations when procuring a stamp producer, so that this service is procured economically.	Yes. The Contract was up for renewal in 2011 and a successful contract was signed.
6	Medium	The Post Office should consider charging departments for providing the counter services mentioned in 3.16 - The Post Office performs the following services on behalf of government departments: <ul style="list-style-type: none"> • Collection of Customs Duties; • Collection of Water and Electricity payments; • Sale of Commemorative Coins; 	Yes. Agreed implemented as part of the follow up report completed in 2008/09, Final Annual Summary Report on VFM Audit Recommendations.

		<ul style="list-style-type: none"> • Sale of Maps; and • Sale of Statistic Books. Post Office should consider the staff resource time used for counter services to sell or collect the above items. The administration and accounting time to take stock of items and forward monies to the appropriate departmental account. The display and stock cabinet space of the Post office should also be considered. The Post Office could make more revenue by charging for such services. 	
Transport – November 2008			
7		It is recommended that management information is produced to help management consider whether the costs of long term private vehicle hire exceed the costs of purchasing suitable vehicles.	Yes. Agreed implemented as part of the follow up report dated May 2011.
8		It is recommended that as part of the Transport Division's mandate to provide an efficient hire service to SHG, the Transport Division should manage the hire and monitor the usage of private sector vehicles for SHG, if they are unable to provide a suitable vehicle from the Transport Pool.	Yes. Agreed implemented as part of the follow up report dated May 2011.
9		It is recommended that for each accident reported to the Transport Division, the cost of repair should be recorded.	Yes. Followed up during Review of the Public Works recommendations report dated May 2011. An assessment of repairs for damaged vehicles is carried out and a repair sheet is completed by the Garage Manager detailing the cost of repair. This is then issued to the relevant Directorate responsible for the vehicle at the time of the incident. The cost is recorded.
10		It is recommended that the COM section 7.2.1 should be updated so that the Financial Secretary is notified of damage to SHG vehicles where it appears that an SHG vehicle is at fault.	No longer applicable. Revisions to Section 7.2 to the Code of Management were performed via circular no. 07/2012. Process in place is deemed to be appropriate and no further action is needed.
Community Care Complex – December 2008			
11		It is recommended for future major projects that the project management arrangements are clearly set out at the start. In particular: (a) Sufficient resources should be identified at the start of the project for Project Management to manage the project; (b) Project Managers and steering committees or boards should receive from implementing agencies management information to allow them to manage the project efficiently. Management information such as budget against actual expenditure monitoring reports; and (c) The governance arrangements of major projects, including the establishment, composition, roles and responsibilities of steering committees, project boards etc should be agreed, in writing before	No. DI&U is responsible for the Infrastructure plan and the majority of large projects and the projects pertaining to the CPU do request frequent reviews. But evidence suggests that sufficient resources and not being allocated to project manager projects, further issues still remain around governance arrangements.

		commencement of the project. In many cases it may be appropriate to include such arrangements in project memoranda.	
12		It is recommended for future major projects that the project management arrangements laid out at the start of the project should be adhered to. If changes to the management arrangements are made, they need to be properly authorised and documented.	No. Issues still occur with regards to project management arrangements not being adhered to and roles overlapped and lines of responsibility being blurred.
13		Failures to perform project management responsibilities should be addressed as a performance management issue.	Yes. CDO stated there have been occasions where the Project Manager failed to perform to standard required or instructions given. In these cases she informed the Project Manager's Line Manager.
Finance Miscellaneous – January 2009			
14		We recommend that SHG adopt and follow a consistent policy on the classification of expenditure in order to allow Councillors and other policy makers to understand and direct the allocation of resources across different objectives. We note that this issue has been raised by the PSMP team in their inception report. We believe that under any rational policy for the classification of expenditure, the Finance Miscellaneous section would cease to exist.	Yes. Finance Master budget for 2011/12 and 2012/13 no longer includes this line item.
Prime Numbers – March 2009			
15		The Financial Secretary is already aware that Contract Regulations do not make specific provision for contracts to be extended. It is planned to revise the Contract Regulations by the end of April 2009. We welcome this and note it here in order to facilitate follow up.	Yes. Contracts Regulations being amended and will be issued in the near future.
Ferry Service – July 2009			
16	High	We recommend that the depreciation account with the Bank of St Helena be accounted for in accordance with Financial Management Ordinance CAP (142) Section 7(1).	Yes. The depreciation account for the Ferry Service still exists at the period end, the Ferry Service accounts is now accounted for in SHG Financial Statements..
17	High	We recommend that DEPD set objectives, actions and targets in their Business Plan to measure the effectiveness of the Ferry Service operations.	Yes. Follow up done during Final Annual summary report on VFM audit recommendations report for 2009/10.
18	Medium	We recommend that the budget for the Ferry Service should be held by DEPD so that the costs of the Ferry Service are shown transparently.	Yes. The budget for the Ferry Service is included in the code 1801 for Procurement Directorate for the financial year 2011/12.
19	High	We recommend that DEPD obtain quotations in accordance with Contract Regulations to encourage competitive tendering so that the best possible value for	Yes. Two parties expressed interest and one was later invited to tender.

		SHG can be achieved.	Contract was awarded on 31 st March 2010 for 1 year and to be reviewed accordingly.
Electricity – May 2009			
20	High	We recommend that the Head of Energy agree regular performance reporting arrangements with the Head of the Public Works and Services Department.	Yes. Followed up during Review of the Public Works recommendations report dated May 2011
21	Medium	We recommend that a formula be developed to forecast expected monthly billings based on data on electricity generation, so deviations from expectations can be monitored and remedial action taken. We would be happy to assist in developing such formula.	Yes. Followed up during Review of the Public Works recommendations report dated May 2011
22	High	We recommend that line managers manage the performance of their staff, by following the procedures outlined in the Code of Management, or by using any alternative procedures agreed between the Head of Department and the Chief Human Resources Officer.	Yes. Followed up during Review of the Public Works recommendations report dated May 2011
23	High	The Project Memorandum or Project Concept Note (if the amount is lower than the £500,000 threshold) requires quarterly monitoring reports to be submitted to the DEPD Office to assess progress made. However, reporting has been poor and the Project Manager has to be reminded to submit reports. We recommend that quarterly monitoring reports are compiled and submitted to the DEPD Project Officer to assess progress as required in the Project Memorandum or Project Concept Note.	Yes. Followed up during Review of the Public Works recommendations report dated May 2011
BFI – May 2009			
24	High	We recommend that Executive Council should agree a pricing policy for the BFI so that officials may make pricing decisions in accordance with the policy. Such a policy should be based on an agreed understanding as to the costs that are expected to be covered by the revenues of the BFI – i.e. whether covering operating costs and replacement of assets, as at present, is sufficient or whether additional investments in expansion or improvement should also be funded from BFI revenues. It should take into account the requirements for investments in assets, either by restoring the backing of the asset replacement fund, or preferably, by forecasting capital expenditure requirements and ensuring that prices are set at a level which would allow the forecast expenditure to be funded.	Partially. This will all be a part of the negotiations for the new contract, as part of the Airport infrastructure which will be put out to tender.
25	High	We recommend that when the arrangements for the management of the BFI are next considered, and within two years at the latest, expressions of interest are sought from alternative potential managers.	Partially. A new management contract will be put out to tender, which is part of the Airport Infrastructure.
26	High	We recommend that the resale provisions of the agreement with Solomon's be considered alongside the development of a Competition and Monopolies Policy. (The development of a Competition and Monopolies Policy, according to the	Partially. The BFI contract will be negotiated and retail might be a part of the negotiations. Air Access is

		Sustainable Development Plan, page 62, and key action for 2007/08 under the responsibility of the Finance Department.)	taking the lead on this project.
27	High	We recommend that, should the airport 'pause' continue to the point where a new tender procedure would be required, SHG consider applying for funding to enable investment in both storage capacity and mooring infrastructure.	No longer applicable. The Airport Contract has been signed.
28	Medium	We recommend that SHG decide how to respond to the other recommendations made in the consultants' report.	No longer applicable. The Airport Contract has been signed.
29	Medium	We recommend that a less senior officer be appointed as authorised representative. This officer should also have responsibility for managing the risks of disaster associated with the BFI. The support required in terms of engineering (if the officer is from Finance) or Finance (if the officer is from PW&SD) should be agreed and incorporated into planning in the department concerned. The reporting arrangements from the authorised representative to senior officers and, if thought appropriate, to a Council Committee should also be agreed by the Financial Secretary and the Chief Secretary.	Yes. Follow up done during Final Annual summary report on VFM audit recommendations report for 2009/10.
30	Low	We recommend that Solomon's provide regular information on debtor recovery and return on investment as required by the management agreement.	No. Currently no reports have been submitted by Solomon's to Finance on Debtor recovery. However this will be implemented with immediate effect, on a quarterly basis.
31	Medium	We recommend that Solomon's provide annual budgets for the BFI to SHG's authorised representative and include a monthly statement of budget versus actual income and expenditure in their monthly reports.	Yes. Follow up done during Final Annual summary report on VFM audit recommendations report for 2009/10.
32	Medium	We recommend that responsibility for the investment of surplus BFI funds be retained by SHG to maximize returns and minimize management costs.	No Recommendation not agreed by management and is still outstanding.
33	Medium	We recommend that the Financial Secretary or an authorized representative of SHG if appointed, decide how to proceed in the matter of lighting.	No longer applicable. On the basis that a new BFI is considered as part of the Airport Infrastructure.
FLITS and High Level Indicators – November 2009			
34	High	SHG should publish a set of targets measuring key aspects of its planned performance in 2010/11 and report to the public on their attainment during 2011.	Yes. A summary of Public Sector Performance for 2010/11 was issued as a newsletter from SPPU in July 2011.
35	Medium	We recommend that where actual figures quoted are not comparable to baseline figures this fact should be explicitly stated, along with a reason for not giving comparable figures.	Yes. Director of Strategic planning commented that the system has addressed this and baseline figures are comparable.
36	Low	We recommend that the exact method of calculating performance indicators is recorded at the time that targets are set and baselines calculated, to ensure that actual figures reported are comparable.	Partially. Director of Strategic Planning reported that this is still being worked on with Directorates.

37	Low	The Strategic Planning Coordinator could consider keeping a central record of calculations and supporting evidence in respect of baseline figures. (Paragraphs 1.34 and 1.35 of the report refers)	Partially. Director of Strategic Planning reported that this is still being worked on with Directorates.
Pensions and Benefits for over Sixties – August 2009			
38	High	The effect of the benefits system on incentives for pension provision should be considered (as part of the work of Welfare Finance Advisor, or otherwise) so that a reformed benefits system does not undermine SHG objectives for pensions.	Yes. The Welfare Finance Advisor has been to the island and a new social security system has been implemented.
39	High	The recent focus on Pensions Policy should be maintained until a better system is in place.	Yes. Finance is continuing up to a certain degree on the current Pension's policy but it is a modified Defined Benefits scheme, all new employees from 01/04/10 will go onto the defined contribution scheme.
40	High	Expert policy advice should be considered by policy makers without undue delay.	Yes. Government Actuaries Department (GAD) was procured to give SHG their pensions liabilities calculation and once this is completed then Finance will look into how it will be funded.
41	High	The long recognised weakness in the investigatory powers of benefits officers should be addressed by introducing legislation, or otherwise, so as to ensure that the E&SSD Investigation Officer has sufficient powers to conduct credible investigations. (See paragraphs 1.36-1.40 of the report)	No. Some work has been done towards Investigative work but there is still a further need to have legislation in place to support investigative material.
42	Medium	Pension provisions should be explained clearly for managers and staff, at least by improving the summary in the Code of Management and making it more widely available, but preferably by producing brochures similar to those produced for IRB. If radical changes are to take place soon, this should be done with a view to allowing meaningful	Partially. Brochures have already been issued on the new pension scheme to all staff and consultations took place widely on several occasions. Currently there is further consultation with non-pensionable staff and the matter of where pension contributions should eventually be placed is still an issue to be finalised. When the new ordinance is issued, and we know what happens for "new entrants" contributions, we will update the CoM, accordingly.
43	High	SHG should address the long identified need to replace ad-hoc reviews of benefit levels with a regular annual process.	No. A review is planned for this year.
44	Low	In order to reduce processing costs all new pensioners should be paid by bank transfer.	Yes. All new Pensioners are paid by Bank transfer and since the new Customer Services Centre has been in operation payments have also been paid this way.
45	Medium	SHG should consider centralising the preparation of pay packets for weekly wage earners and for benefits recipients.	Yes. This process is performed centrally in the Customer Services Centre, implemented.

46	Low	The apparent legal anomaly raised in paragraphs 1.56 to 1.9, whereby established offices created since 1981 may not strictly in law be pensionable, should be tidied up.	Yes. The Pensions Offices Order of 1981 is replaced by the new Pensions Ordinance which is currently in draft format.
PW&SD Performance Indicators – March 2010			
47	High	The Department should report against targets set out in its business plan	Yes. Followed up during Review of the Public Works recommendations report dated May 2014.
48	High	Heads of Departments should receive appraisals	Yes. Chief Secretary has completed all staff appraisals for Directors reporting to himself for the period up to 31 March 2012 and this is now in place.
49	High	SHG's policy on performance management should be implemented by the Public Works and Services	Yes. Followed up during Review of the Public Works recommendations report dated May 2014.
Electricity Usage – May 2010			
50	Medium	<p>We note management plans to make more efficient use of electricity by:</p> <p>Water - the water authority is well placed to consume 'spare' night time electricity for pumping water, resulting in considerable cost savings for SHG. Management in PWSD is actively exploring these options.</p> <p>Reducing St Helena's reliance on diesel fuel' project. Outputs include purchasing energy efficient bulbs, purchase of photovoltaic solar panels for set up on Government sites as well as the introduction of solar lighting for street lights.</p> <p>Hospital inclusion of energy efficiency measures such as solar heating for water generation in the general hospital into the hospital re-development plan to ensure sufficient use of resources. We will follow up on progress on these matters in between six months and one year's time.</p>	<p>Water – No. This has not been implemented as the up-grade to the pump stations and water treatment plants (a core function in the Water Development Infrastructure Project) will need to be carried out first. Following these works then the division should be able to take advantage of night time electricity savings. Expected completion date would be March 2014.</p> <p>Energy – Yes. 15,000 Energy efficient lamps were purchased and distributed to consumers FOC to help them reduce their bills as well as our reliance on diesel. With regards to photovoltaic solar panels a small scale scheme has been purchased to be located on the roof of the Energy Division. This will be evaluated to ensure any larger scale spend provides good VFM. The PV system is on order and due on island in June.</p> <p>70 Solar street lamps have been installed. In addition to reducing reliance on diesel the visiting Dark Skies Astronomer confirms the replacement of the old type with these has gone a large way to us achieving the Dark Skies status as the light pattern conforms with his specification.</p> <p>Hospital – No. During the recent visit of the Hospital Architect, the installation of solar panels for water heating as part of the redevelopment project was</p>

			discussed. The level of investment required to enable sufficient hot water to be produced for the daily needs of the hospital would not be recouped through savings in electricity costs.
51	Medium	<p>Education.</p> <p>The general and admin section of Education Department is responsible for the overall management of the electricity expenditure budget for the entire department. Heads of Sections that incur the cost of electricity do not have the responsibility for monitoring their section's usage against budgeted as the electricity budget is not separated into sections. Consideration should also be given to establishing separate budgets for the individual primary schools for the same reason. We recommend that electricity budgets be included in section budgets so that the responsibility lies with those who are in a better position to control the cost.</p>	Yes. This is now in place.
52	Medium	<p>A&NRD</p> <p>The electricity expenditure budget is not separated into sections for the Agriculture Department. Monitoring of electricity expenditure is therefore not performed by section heads who are responsible for the electricity that is consumed by their section. We recommend that the budgeted electricity be included in section budgets so that the responsibility lies with those who are in a better position to control the costs.</p>	Yes. Director of A&NR commented that this recommendation has been implemented since 1 April 11 following inclusion of an electricity line in the relevant Output Appropriations utilising electricity as part of their activities.
Pilling Primary School – October 2010			
53	Medium	<p>Pilling Primary School does not have its own budget; it is incorporated in the Primary Sector budget. The Primary Sector budget is compiled by the EOP with limited input from Schools Head Teachers. The Primary Sector budget is not monitored at School level. Consequently, those responsible for the preparation of the budget are separate from those who responsible for ensuring the efficient use of resources. We recommend that:</p> <p>a) each primary school has its own budget;</p> <p>b) Head Teachers of each primary school be involved in the development of their individual budget during the annual budget setting process; and</p> <p>c) EOP involves Head Teachers in monitoring the budget for all subheads.</p>	Yes. Now implemented.
54	Medium	<p>Costs that are specifically identifiable with individual schools are included in the Administration Section budget and are recharged to the Primary Sector budget. The implication of this is that the specifically identifiable costs are not charged to the Primary Sector budget and the costs recharged may not be a reasonable reflection of the costs incurred by schools.</p>	Yes. Now implemented.

		We recommend that: a) items that can be specifically identified with the individual primary school be included in the school budgets; and b) the recharge is only used for items of expenditure that cannot be directly traced to a specific sector or school.	
Contracts for Works and Services – February 2011			
55	High	It was found that not all contracts awarded met the requirements of section 9.1 of Contracts Regulations. Single tender contracts with a value greater than £2.5k should not be awarded at the discretion of the Accounting Officer but should be approved by the Tender Board in accordance with the Contracts Regulations. Approval from the Tender Board was not sought for seven contracts with a value greater than £2.5k. We recommend that approval is sought from the Tender Board for single tender contracts over £2.5k, to ensure compliance with Section 9.1 of the Contracts Regulations.	Yes. There were no occurrences of this for the period 2011/12.
56	High	We found that four verbal contracts were not supported by written correspondence. Section 16.1 of the Contracts Regulations states that: “every contract shall be in writing” We recommend that all contracts entered into are supported by written documentation, in compliance with the Section 16.1 of the Contracts Regulations. We recommend that consideration should be given to the use of urgent/emergency payments to cover such situations, which would ensure that the decision to make a verbal contract is documented.	Yes. A sample of contracts were tested, all were supported by written documentation. There was one instance of an urgent order which was supported by the necessary documentation.
57	High	The Contracts Regulations (S.16.1) states that “every contract shall be in a form agreed by the Attorney General’s Chambers.” Contracts were signed between the Head of Department and the contractors based on the ICE Conditions of Contract. It was found that out of a sample of eighteen contracts only four were in this format. All other contracts were either agreed through letter correspondence or by verbal agreement. This is not in compliance with the Contracts Regulations. We recommend that all contracts signed between the Head of Department on behalf of SHG and the contractor be in a form approved by the Attorney General’s Chambers in compliance with Section 16.1 of the Contracts Regulations. If there should be a different format for smaller contracts then this should first be approved.	Yes. Of the sample of contracts awarded, ICE conditions of contract were signed in accordance with Section 16.1 of Contracts Regulations.
58	High	There was one extension made to a contract in the period under review. This extension was for the emergency call out contract which was given approval by the Head of Department. Section 18.6 of the Contracts Regulations states that: “Provided there is sufficient evidence to justify such an extension, the Financial	Yes. There were two extensions to contracts in the period 2011/12 as follows: The Meter Reading contract for I&U which was extended for an additional 9 months commencing 1

		<p>Secretary may approve an extension for a maximum of 12 months and the Tender Board shall be informed with reasons for the decision.”</p> <p>The extension was not approved by the Financial Secretary; hence it was not in compliance with the Contracts Regulations.</p> <p>We recommend that an extension to a contract be approved by the Financial Secretary and details of the decision be communicated to the Tender Board, in compliance with Section 18.6 of the Contracts Regulations.</p>	<p>October 2011 to 30 June 2012. No approval was given by the Financial Secretary for this.</p> <p>Approval was sought from the Acting Governor in accordance with clause 2.4 of the Contract Regulations to extend this contract in May 2012 to allow for the overlap into divestment.</p> <p>The Out of hours contract was extended for a period of 36 months in accordance with the original contract clause 6.0 (for up to three years) and therefore remains valid until 26 October 2013.</p>
59	High	<p>The assessment of management arrangements revealed that there were no detailed written procedures or guidelines for management to follow to ensure that these arrangements were consistently applied for all contracts awarded. It was also found that the arrangements adopted by management were not consistently performed for each contract.</p>	<p>Partially. Training has been provided however written procedures have not been drawn up. The Energy Division are producing procedures as part of the divestment process.</p>
60	Medium	<p>Management have implemented a system of completing requisition forms for works and services required in the division. Out of a sample of eighteen contracts tested only seven contracts could be traced back to their requisition forms. This was partly due to the fact that the requisition books had only recently been introduced. This is considered an important management procedure, as it documents the request and authorisation for works to be carried out. We recommend that the requisition form continues to be completed for all works and services required by the division and that each requisition is appropriately authorised.</p>	<p>Yes. Requisition forms are completed for all works and services required by the Division.</p>
61	High	<p>There are no stock records maintained by the Energy Division store. There is no mechanism in place such as stores issue notes, to record collection by the contractor from the Energy Division store. The contractor has no record of the items being issued to him. This is not an adequate system and opens the division to over-stocking and over-issuing of materials to contractors. The Financial Regulations state that: “Appropriate arrangements should be made for stock checking, security and record keeping.” It also states that “Every employee responsible for the receipt and issue of stocks and stores shall keep such records of their transactions as the Financial Secretary may determine in order to maintain efficient control of the receipts and issues of such stores.”</p> <p>We recommend that management implement and maintain appropriate stock records for the Energy Division store in accordance with the Financial Regulations and good practise. This should include mechanisms to record the receipt and issuing of stocks.</p> <p>We recommend that an issue note be provided to contractors when goods are</p>	<p>Yes. A computerised stock control system is in place as an interim measure prior to transferring to a system integrated to ERP system on divestment. This system is in a spreadsheet format maintained by the Energy Division.</p>

		collected from the store. This will ensure that items that have been collected from the store have been recorded and that the contractor has acknowledged receipt of the items. This will address the risk of over-issuing to contractors.	
62	Medium	<p>Management stated that periodic inspections are carried out by a representative of the division for 'big' contracts. No records of these inspections could be found. On the completion of a contract a final inspection should be completed and a form should be completed to document this inspection. Inspection forms could not be found for all contracts. From the sample group tested, fifteen contracts were finished, but only one could be traced to the inspection form.</p> <p>We recommend that all inspections be documented and signed by the inspector and contractor. This will ensure that inspections are being recorded, all findings are documented and that recommendations for further works are recorded.</p> <p>We also recommend that a final inspection be carried out and an inspection form completed for all major contracts.</p>	Yes. Site visits are recorded with adhoc inspection sheets recording the status at that time also at completion stage.
63	High	<p>We found no evidence of assessments on the performance of the contractor, which should be minuted. Contracts Regulations (S.21.2) states that 'the accounting officer must in the case of a contract for the supply of works or services carry out regular assessments of the contractor's performance and where necessary take appropriate action. Minutes of these meetings should be taken, reported to the Contracts and External Service Manager and held on file for future reference of a period of 4 years after the contract has ended'.</p> <p>We recommend that S.21.2 of the Contracts Regulations be complied with, regular contractors' performance should be monitored, meetings minuted and appropriate action taken.</p>	Yes. The physical inspections assist with assessing contractor performance. Meetings are held by the Head of Energy with the Power Station shift taxi, callout contractor and meter reader regularly (revealing satisfactory performance), formal reviews are due to fully comply.
64	High	<p>The review has highlighted further concerns concerning the actual Contract Regulations, which may have led to an inconsistent approach and implementation within the Energy Division.</p> <p>We recommend that a review be undertaken of the Contracts Regulations as part of the initial remit of setting up the new Procurement Directorate further this should include a review of the Tender Board to ensure that it is running efficiently and effectively in line with the Contracts Regulations.</p>	Yes. Contracts Regulations are being revised and an amended copy is due out soon. Further, the role of the Tender Board is being discussed and will change.
Procurement of Electrical Equipment – February 2011			
65	High	Our work found that six verbal contracts were entered into where no evidence was held that three written quotations were sought. Contracts Regulations state that evidence must be retained to show that three written quotations were sought	Yes. Samples of five payments were tested to ensure that they were in accordance with Contracts Regulations and were supported by three contracts.

		together with any correspondence entered into (Section 4.6). We recommend that all purchases between £2,500 and £20,000 must be supported by written evidence and that three quotes be obtained in line with Contracts Regulations.	
66	High	Contracts Regulations Section 4.4. Management should have considered and documented why invitations to tender were not entered into covering expenditure incurred with suppliers as the items purchased were of a similar nature. We recommend that Section 4.4 of the Contracts Regulation be complied with by management during the procurement process and in future it is clearly documented why an invitation to tender was not entered into. Further, we recommend, under best practice, that the Tender Board is informed of any decision not to go out to tender.	Yes. Now implemented.
67	Medium	We recommend, as best practice, that contracts awarded which exceed the £20,000 on final payment should be referred to the Tender Board for approval retrospectively. This would ensure that the Tender Board is aware of the situation.	Yes. The SEO monitors final payment taking into account exchange rate and delivery and will flag any that tip the balance
68	Medium	During our review we found that in one instance there was a lack of correspondence and documentary evidence to support why a quotation was excluded from the bidding process. The excluded quotation was actually less than the quotation that was approved. We recommend that in all instances documentary evidence be held to support the tendering exercise. Decisions made need to be supported and evidence held. Further, we recommend that during the finalisation of the quotation process, someone independent of the preparer of the summary of quotations re-check this to ensure that all quotations are included and details are accurately compiled.	Yes. No evidence of this.
69	High	We recommend that in accordance with Financial Regulations section 18.7 (b) stock control, receipt and issue of stocks transactions shall be kept in order to maintain efficient stock control of the receipts and issues into stores. Therefore, stock records should be maintained, recording the details of all stock items and quantities to ensure that movement of receipts and issues of stocks are adequately recorded. This would ensure proper management of stores. Further, we recommend that an annual stock take is carried out to establish the value of goods held. This will be required by the Finance Department for accruals accounting in the future.	Yes. A computerised stock control system is in place as an interim measure prior to transferring to a system integrated to ERP system on divestment. The stock record is maintained in a spreadsheet format which is maintained by the Energy Division.
70	High	We recommend that the correct specification of goods be purchased in the future, thus reducing the need to modify items.	Yes. Head of Energy confirmed that the Energy Division have moved on further and are now using a different cabling technique with significant reductions in the cost of line hardware. Now the use of this revised

			standard of equipment is established I have reviewed the cost effectiveness. For example a new 3 phase supply to the Oasis is costing £840.53 where as the traditional way has been costed at £1,421.84 so on this job equating to a 47% reduction in cost.
71	High	We recommend that in addition to having an adequate stock record in place (See Recommendation 5) to record stock items, the following: (a) during the procurement process a regular review of goods in store should be performed; and (b) detailed written management procedures for the procurement of electrical equipment are adopted to ensure that appropriate guidelines can be followed and applied for all future purchases.	Partially. Head of Energy confirmed that they have reviewed their stock items and continue to do so. There are no written management procedures in place at this stage.
Use of Empty SHG Buildings – February 2011			
72	High	Half Tree Hollow First School and Longwood First School have been vacant for over three years and almost two and half years respectively. They are wasting assets and their retention is severely criticised. We recommend that plans for these buildings be finalised and action taken to ensure that they are utilised immediately.	Yes. <u>Half Tree Hollow School</u> - Currently the Happy Tots crèche are occupying the school temporarily until the end of June 2012. Plans are currently in place to relocate the Social Works Division from Brick House to the school. <u>Longwood First School</u> - Basil Read has taken out a lease with SHG for use for their office blocks.
73	High	There is clear evidence that the asset base is not being managed correctly. Any assets with no defined purpose should be reviewed on a regular basis and appropriate action taken. We recommend that assets which are surplus to requirements should be disposed of, thus reducing the ongoing maintenance cost of the asset to SHG. Further proceeds raised can be used for other purposes.	Yes. A valuation of all SHG Assets has been completed.
74	High	There is no programmed planned maintenance for properties, further maintenance is given on a priority need basis but no evidence of physical inspection held. We recommend that an essential planned maintenance programme be established which is appropriately funded, this will ensure that assets are preserved, thus reducing further maintenance costs. We recommend that documentary evidence of reviews of properties and actions to be carried out to address maintenance should be held.	Partially. Tracy Goldsmith, Building Surveyor has recently arrived on island and has begun detailed condition surveys, starting with GLH properties, to be followed by institutions and other SHG buildings, which will provide her with data to establish a programme for planned maintenance. This exercise is scheduled for completion in February next year. Meanwhile, based on preliminary surveys carried out by Stuart Planner, additional funding for maintenance has been secured

			for this year and in theory, the next four years.
75	High	<p>It is clear to see that when the decision was made to consolidate the First Schools no action plan was developed to consider the future use of the buildings or the likely cost implications of ongoing maintenance.</p> <p>We recommend that Directorates must take into account the future use of assets when decisions are being made with regards to closure and change of use of an asset. Further, the cost implications with regards to ongoing maintenance must be taken into consideration in any decision made.</p>	<p>Partially. This has been taken into account and some recent examples of this is the closure of the two country clinics, one of which is to be pass on to ESH for potential commercial use and will include maintenance responsibilities written into the agreement, whilst the other is being considered for appropriate use. The other example is Olive Cottage, recently handed back to Crown Estates, now to be refurbished and allocated for residential purposes as a CS house.</p>
76	High	<p>The absence of an action plan and policy for SHG buildings once they are no longer required does not exist and therefore there is a delay in actually utilising the buildings, further once the property is empty there is a lack of ownership of the buildings by Directorates.</p> <p>We recommend that a policy be adopted stating the procedures that are required when a asset is no longer needed by a Directorate, accompanied by an action plan of its proposed utilisation. This will ensure that effective and efficient use of SHG buildings is maintained and will also minimise the risk of delay.</p>	<p>Yes. This is now picked up in the Estates Strategy where anticipated empty buildings (as above) will become part of a plan for reuse, primarily for business/commercial use through ESH, who will be working in partnership with Crown Estates.</p>
77	High	<p>Wranghams has yet to be disposed of and continues to deteriorate; this is some two years on since it was recommended that the asset be sold.</p> <p>We recommend that action is taken to ensure that the asset is released and sold as a matter of priority thus raising scarce resources.</p>	<p>Partially. Wranghams has already been advertised and to date Crown Estates are in the negotiation stage with a potential buyer for its sale.</p>
78	High	<p>Crown Estates Database needs to be brought up to date and regularly maintained. We recommend that every effort should be made to ensure that a substantial record (database) for all Crown Estates properties is maintained and updated on a regular basis following the appointment of the Chartered Surveyor.</p>	<p>Yes. The Estates Management Advisor has implemented a new database for all Crown Estates properties. The maintenance of this database is now the responsibility of Crown Estates.</p>

APPENDIX B**SCOPING AND RESOURCING**

The objective of the audit was to examine whether the performance indicators held across Saint Helena Government were effective and could be relied upon to determine the performance of SHG.

The Audit Service undertook the following work:

- Document the recommendations published for the past three years 2008/09, 2009/10 and 2010/11 made by the Saint Helena Audit Service;
- Ascertain what actions have been taken in respect of those recommendations;
- A review of all VFM reports for the period 2008/09, 2009/10 and 2010/11 for recommendations made;
- An assessment of whether recommendations have been implemented or not to date, including the review of evidence to confirm status;

APPENDIX C

LIST OF PERSONS CONSULTED

The assistance given to the Audit Service by all those listed below during the course of the audit is acknowledged.

Names	Title	Directorate
Karen Yon	Customer Services Manager	Finance Directorate
Glynis Coleman	Lands Officer	Infrastructure and Utilities Directorate
Barry Hubbard	Acting Director of Infrastructure and Utilities/Head of Energy	Infrastructure and Utilities Directorate
Herman Williams	Acting Water Engineer	Infrastructure and Utilities Directorate
Janetta Leo	Senior Executive Officer	Infrastructure and Utilities Directorate
Carol Thompson	Human Resources Admin Manager	Education Directorate
Darren Duncan	Director of Agriculture	A&NR Directorate
Carol George	Director of Health and Social Welfare	H&SW Directorate
Alfreda Yon	Acting Director of Corporate Procurement	Corporate Procurement Directorate
Barbara George	Director of Human Resources	Human Resources Directorate
Frank Wastell	Crown Council	Attorney Generals Chambers