



SAINT HELENA AUDIT SERVICE
External Auditors

VFM REVIEW OF THE NEW CUSTOMS BUILDINGS



VALUE FOR MONEY REPORT

V64 – August 2012

Value for Money 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.

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EXECUTIVE SUMMARY

This review forms part of the Value for Money Annual Audit Plan for 2012/13, which was agreed with the Public Accounts Committee as part of the annual planning process.

The objective of this audit was to assess whether Value for Money has been achieved with construction of the Freight and Baggage Terminal and Customs and Passenger Terminal Buildings, referred to as the new customs buildings.

In order to assess this we undertook a review of five areas to determine whether value for money was achieved. These areas covered the review of the project management for the construction of these buildings as well as the delivery against timelines, plans and budgets.

The construction of both these projects was funded by the European Development Fund (EDF) 9 Grant Funded project, which is funded by the European Union (EU). The report focuses on the delivery of the project in accordance with the documents as per the requirements of the European Union.

Based upon the work undertaken and the findings detailed in the body of this report, the overall opinion is given below.

INADEQUATE

Management arrangements are not considered to be conducive to achieving Value For Money.

In carrying out the review I have considered the success of the project using three measures to determine if the project has been well managed. They are; one the project is delivered on time; two it is within budget and three level of quality is acceptable to the final users and relevant stakeholders (the EU). In my opinion this project has not been delivered on time, the quality and usability of the end product does not meet the user's needs. It is arguable that this is as a result of over-concentration on the second, the budget.

One cost element that is difficult to quantify with regards to the extensive delays in completing the project is staff time. Staffing costs is St Helena's Government (SHG) largest expense, yet for every day that the project is delayed, more staff time is put into the project; which remains a hidden cost factor. Not only does it cost money with regards to pay, but it is an inefficient use of people's time, which could be used in other areas of work or projects. The lack of urgency to complete the work is incurring daily staffing costs and this is not an efficient use of resources.

The Customs Buildings include The Freight and Baggage Terminal Building, which was completed on time and to budget in October 2011, and the Customs and Passenger Terminal, which had an estimated completion date of October 2011 and opening date of December 2011, but as at the end of August 2012 it is still not complete and now has an opening date of December 2012. This will be one year behind schedule, which is unacceptable on such a high profile building. The main body of the report focuses on the Customs and Passenger Terminal.

The Customs buildings form part of the Jamestown Wharf Improvements Project, which has a total budgeted cost of £927,471. Actual expenditure to June 2012 is £777,575 which leaves an outstanding balance of £149,896. The likelihood is that this balance will be used to address the outstanding works and improvements that are required to make the building useable. By not taking in to account the needs of the end user, any under-spend will now need to be used to rectify problems. If these needs had been addressed properly in the first instance, costs would have been less.

In my opinion, the significant delays are attributable to insufficient planning, poor communication, and, fundamentally, inadequate project management and management arrangements. Major improvements are required with regards to how St Helena Government carries out future project management on this scale to ensure that projects are delivered on time and on target. It is clear that specialist support and further training is required to ensure that future projects are delivered as planned.

The Director of Corporate Procurement (DCP) is responsible for the overall management, co-ordination and delivery of the project against timelines and budget. The Project Manager (PM) reports to the DCP, and his overall objective is to oversee the planning, scheduling, and implementation of designs to ensure that the works are completed according to specification, time-lines and within budget. Further, the DCP should be acting on behalf of the client; in this case, the end user is Customs and Revenue.

During the planning and building process a considerable number of changes took place to the design and build. This has resulted in a building which does not fit the needs of the main end user, and a raft of late additional works that are required to make the building fit for purpose.

Some of the decisions made regarding the design and build are highly questionable and has resulted in additional costs and staff resources being incurred to rectify the works.

A number of construction and planning issues were determined by the Wharf Working Group – Customs & Passenger Terminal – which was set up in April 2009. The group at its last meeting contained 15 members and was made up of members from the Police and Fire Service, Chamber of Commerce, Tourism Association, Pest control and Solomon & Company. It is highly questionable why some of these people were involved in the process, and why so many people were involved in the working group. Best practice is for groups to be between 5 and 9 people, otherwise the group tends to be dominated by a few individuals, people do not listen to each other and ideas are ignored or overridden. A review of the minutes confirmed that there is evidence that majority voting was used to make decisions such as moving the external steps. This is poor decision-making practice. In my opinion, the size of the group, the group members and the decision making process used, has led to questionable decisions being made, which has further led to the delay in the project and the incurrence of additional works.

The Wharf Core Group has not helped this process. The group is made up of on average over 32 people, and this is not an appropriate group size to make decisions with regards to any project. Decisions in some cases have been made based on the majority vote of the group; which only serves to abdicate responsibility. Further, in the past two years over 300 man hours have been incurred in this group. It is recommended that this group be reduced in size immediately and the future benefits of such a group be discussed and clarified, as in my opinion it is a costly use of limited resources.

It is difficult to understand what value the different groups have added to the project. In my opinion, based on my understanding of the project, a better use of resources would be to have used the three controlling bodies in the following manner:

- a. End users of the wharf (The Core Wharf Group), which would include diving club, sailing club, ferry service etc. Consulted very rarely but at key points e.g. formulation of the brief, initial design, detailed design and maybe once or twice during delivery. The key word here is consulted. This group does not meet to make decisions or vote on things, this is the purpose of the other groups.
- b. Client group- director, main end client (Revenue and Customs, Port Management). Signing off at various key stages and advised by the Project Manager, but making the decisions. This would be 3-4 people max.
- c. Project management group- project manager plus small number of technical people e.g. the contractor, any architects or engineers and planners.

The building is currently being used in the main by Revenue and Customs, who moved into the building at the start of the year and it is open to the general public. As the building stands there a number of Health and Safety concerns which still need to be addressed. These include the lack of hand rails on the main stairs, unsuitable safety rails at the rear of the building, inappropriate glass used in the main room which is not shatter proof and excessive room temperatures due to a lack of air conditioning units.

Further, the building was inspected by SHG's Chartered Building Surveyor on the 29th of June and 6th of July who concluded that "A full survey should be carried out to determine the full extent of defects to enable these to be rectified before Land & Buildings take on the maintenance of the building. Design changes have been made with no apparent consideration to the use of the space or the fact that this is a public building and should contain such things as handrails". "As the building is currently, I do not believe that it should be in use and certainly not open to the public".

I believe that if these safety concerns are not addressed immediately SHG are leaving themselves open to potential costly liability claims and this is an unacceptable financial risk.

The report goes on to detail significant issues around the quality of the build, including extensive cracks opening throughout the building and through the depth of the walls "diagonal and vertical cracks extending from window cills; vertical cracks along rear wall and diagonal cracking to rear wall adjacent to existing tree". This is due to the concrete curing and the lack of movement joints and compressible foam material as filler and sealant. It was confirmed with the Building Surveyor that these are not plaster shrinkage cracks normally anticipated after construction, but they extend right through the depth of the construction.

The issue was discussed with the Building Surveyor and in order to rectify the cracking, movement joints would need to be inserted and the concrete blocks damaged by the cracking carefully cut out and replaced with new.

I have concluded that management arrangements are not considered to be adequate and value for money has not been achieved. The end product is not currently fit for purpose and additional costs will be incurred to rectify the situation. This is due to poor project planning and management.

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 The main findings and conclusions are presented here and are based upon the work undertaken and evidence gathered.
- 1.2 The Construction of Customs Buildings formed part of the Jamestown Wharf Improvements project which was funded by the European Development Fund project nine (EDF9). It was originally envisaged to have one Customs building for both freight and passengers. However, a recommendation was made by the stakeholders group that the construction of two buildings instead of one be performed, which led to the development of the Freight & Baggage Terminal Building and Customs and Passenger Terminal Building. This decision was based on stakeholders' needs and was discussed with Senior SHG Officials. It was the consensus viewpoint that after years of inappropriate, cramped and primitive facilities for passenger-related operations, it would not achieve value for money to attempt to cram these into one building. It was also desirable to separate passenger processing from hold baggage and phytosanitary operations.

Review of the Project Management for the construction of the Customs Buildings

- 2.1 This project is managed by the Director of Corporate Procurement (DCP) who is responsible for the overall management, co-ordination and delivery of the project against timelines and budget.
- 2.2 The Project Manager (PM) reports to the DCP, and his overall objective is to oversee the planning, scheduling, and implementation of designs to ensure that the works are completed according to specification, time and within budget.
- 2.3 The Director of Corporate Procurement (DCP) is responsible for the overall management, co-ordination and delivery of the project against timelines and budget.
- The Project Manager (PM) reports to the DCP, and his overall objective is to oversee the planning, scheduling, and implementation of designs to ensure that the works are completed according to specification, time-lines and within budget. Further, the DCP should be acting on behalf of the client; in this case, the main end user is Customs and Revenue (**see recommendation one**).
- 2.4 Good public sector practice suggests setting aside a fixed amount of the contract value to cover the cost of a project manager. Typically, for this size of project, 10% would be used. This would have equated to £90k on the revised budget, which would have been sufficient to recruit and employ a highly experienced project manager for 24 months. In fact, the initial contract for the PM was £24k, against a budget of £60k as this was based on management of one building and not two. An additional contract was awarded to complete the works, which is estimated to be around £5k. (**see recommendation two**).
- 2.5 As this project is funded by the European Development Fund number nine, funding is released by European Union upon achievement of performance indicators in accordance with the Single Programming Document; which makes reference to the key proposed components. Progress with the project is reported to the EU via Annual Implementation Reports; which is one of the requirements of the European Union which reports on past and ongoing operations.
- 2.6 Formal meetings are held with the PM on a monthly basis. Clause 4.7 to the terms of reference for the PM requires a monthly report covering progress of the work, spend to date, anticipated outturn costs and the value of any disputed, additional contractual entitlements. This has not been delivered. Introduction of such a report would have enhanced the monitoring of the project and ensured compliance with the terms of reference (**see recommendation three**).

- 2.7 Any problems or issues arising are summarised and recorded by the Project Manager in an 'Issues Log' stating the issue and necessary plan of action. This report should then be placed on file to ensure that a record exists that is complete and can be revisited on a monthly basis to aid management of the project. This did not happen. Further, a review of the Issues Log provided found it to be lacking in detail with no reference made to dates or updates on progress. The log reads like it has been pulled together for the benefit of the reader, and that it has not been used for its intended purpose; i.e. as a control document to track actions against issues **(see recommendation four)**.
- 2.8 The Customs and Passenger terminal was planned to be completed in October 2011 and open in December 2011. As at August 2012, some ten months later, the project is still incomplete and an opening date has now been agreed for December 2012, which will be one whole year late. This is unacceptable on such a high profile building. Whilst reasons have been provided as to why there have been delays in the project I believe that this could have been better managed. In my opinion, the significant delays are attributable to insufficient planning, poor communication with the end user, and, fundamentally, inadequate project management and management arrangements. I believe that these delays could have been avoided with better management of resources and project management **(see recommendation five)**.
- 2.9 Further, major improvements are required with regards to how St Helena Government carries out future project management on this scale to ensure that projects are delivered on time and to target. It is clear that specialist support and further training is required to ensure that future projects are delivered on time, and SHG should ensure that relevant support and training is provided as a matter of urgency **(see recommendation six)**.
- 2.10 The initial designs and ongoing decision making of the buildings was carried out by the Customs and Passenger Terminal Wharf Working Group set up in April 2009 (see appendix one for membership details). The purpose of the initial group was to ensure that there was direct representation from all key stake-holding groups at all key points in the project management cycle.
- 2.11 It is questionable as to whether this was the right approach to take. I believe that the view of the group should only have been established at the start of the project. Engaging such a large group in ongoing decisions has led to a considerable number of changes to the design and build, which has led to a building which tries to accommodate all, but has failed to address the needs of the key end user, Revenue and Customs. This has led to a raft of additional works at the end of the project to address those needs and make the building fit for purpose. Further, it is clear that this has led to delays in making timely decisions, and the project has been managed by Committee **(see recommendation seven)**.
- 2.12 The group at its last meeting contained 15 members and was made up of members from the Police and Fire Service, Chamber of Commerce, Tourism Association, Pest control and Solomon & Company. It is highly questionable as to why some of these people were involved in the process, and why so many people were involved in the working group. Best practice is for groups to be between 5 and 7 people, otherwise the group tends to be dominated by a few individuals, people do not listen to each other, and ideas are ignored or overridden. A review of the minutes confirmed that there is evidence that majority voting was used to make decisions such as moving the external steps. This is poor decision making practice. In my opinion, the size of the group, the group members and the decision making process used, has led to questionable decisions being made, which has further led to the delay in the project and the incurrence of additional works **(see recommendations eight and nine)**.

2.13 The Wharf Core Group set up with terms of reference to oversee the Wharf Development has not helped this process. The group is made up, on average, of over 32 people. This is not an appropriate group size to make decisions with regards to any project. Decisions in some cases have been made based on the majority vote of the group, which just serves to abdicate responsibility. Further, in the past two years over 300 man hours have been incurred by this group. It is recommended that this group be reduced in size immediately and that the future benefits of such a group discussed and clarified, as in my opinion it is a costly use of limited resources **(see recommendation ten)**.

2.14 It is difficult to understand what value the different groups have added to the project. In my opinion, based on my understanding of the project, a better use of resources would be to have used the three controlling bodies in the following manner **(see recommendation eleven)**:

- End users of the wharf (The Core Wharf Group), which would include diving club, sailing club, ferry service etc. Consulted very rarely but at key points e.g. formulation of the brief, initial design, detailed design and maybe once or twice during delivery. The key word here is consulted. This group does not meet to make decisions or vote on things, this is the purpose of the other groups.
- Client group- director, main end client (Revenue and Customs, Port Management). Signing off at various key stages and advised by the Project Manager, but making the decisions. This would be 3-4 people max.
- Project management group- project manager plus small number of technical people e.g. the contractor, any architects or engineers and planners.

2.15 There is evidence that some of the changes made in the design and build are highly questionable and could be seen as

cost cutting to save funds. The entrance and exit doors from Customs hall now being swing doors. The current door arrangement does not allow the Hall to be secured after passenger movements and with people and bags moving through there is a high risk of injury and accident to the public and staff.

2.16 The internal steps to reach the upper floor are now inside the secure area. This means that public access to Income Tax, Customs and Excise and Port Control would breach security when people are leaving and entering St Helena. It has been proposed that the rear window at the bottom of the internal steps be changed to a door. This will allow the building to have public access from the wharf at all times during opening hours, and avoid security being breached during operations. It also allows the bottom of the building to be secured at all times.



Internal staircase

2.17 The lack of ventilation and air conditioning means that office temperatures are excessive, particularly in the afternoons, which is having an adverse effect on staff and productivity. Additional costs have been incurred which include fans, portable AC units and window blinds; and possible further costs with regards to roof insulation will be incurred to allow staff to work in acceptable conditions.

2.18 It is clear that the changes carried out were not thought through and that this will result in additional costs and staff resources being incurred to rectify the situation **(see recommendation seven)**.

2.19 The Customs and Passenger building is currently being used in the main by Revenue and Customs, who moved into the building at the start of the year. It is also open to the general public. The lack of handrails fitted to the staircase in this building is a serious health and safety issue and handrails should have been installed

before allowing staff to occupy the premises. Unsuitable safety rails have been fitted to the rear of the building; they have no vertical pieces and would not stop people falling to the ground below. Glass used in the main customs hall is not shatter proof. As the building stands there a number of Health and Safety concerns which still need to be addressed. To rectify these concerns will take additional resources and time, resulting in further delays to the project. Further, if these safety concerns are not addressed immediately, SHG are leaving themselves open to potential costly liability claims. This is an unacceptable financial risk. Questions need to be asked across SHG as to why a building with known Health and Safety issues has been allowed to be used by SHG staff and the general public **(see recommendation twelve)**.

2.20 The Customs and Passenger building was inspected by SHG's Chartered Building Surveyor on the 29th of June and 6th of July 2012, who concluded that "A full survey should be carried out to determine the full extent of defects to enable these to be rectified before Land & Buildings take on the maintenance of the building. Design changes have been made with no apparent consideration to the use of the space or the fact that this is a public building and should contain such things as handrails". "As the building is currently, I do not believe that it should be in use and certainly not open to the public".

2.21 This report states that in its current form the building should not be in use and not open to the public.

2.22 The report goes on to detail significant issues around the quality of the build, including extensive cracks opening throughout the building and through the depth of the walls; "diagonal and vertical cracks extending from window cills; vertical cracks along rear wall and diagonal cracking to rear wall adjacent to existing tree". This is due to the concrete curing and the lack of movement joints and compressible foam material as filler and sealant. It was

confirmed with the Building Surveyor that these are not plaster shrinkage cracks normally anticipated after construction, but that they extend right through the depth of the construction.

2.23 The issue was discussed with the Building Surveyor and in order to rectify the cracking, movement joints would need to be inserted and the concrete blocks damaged by the cracking carefully cut out and replaced with new **(see recommendation thirteen)**.

2.24 Further defects to the building as reported consist of pooling water to the rear of the building and the gutter to the rear blocking continually as a result of a tree at the back. As a result of these noted defects, six recommendations have been made by the Building Surveyor to rectify these problems that have occurred.

2.25 The issues raised in the inspection, are further evidence of poor management of the project which has resulted in additional costs and delays to the completion.

Review of contract payments to ensure compliance

3.1A review of contracts awarded for this project was performed. The nature of contracts awarded vary from construction works to procurement of materials. Major contracts awarded were as follows:

Contract	Value (£)
Construction of Passenger Customs Terminal	124,097
Construction of Baggage terminal, demolition of Jubilee Coldstore and Customs Shed	85,750
Concrete slabs	63,888
Project Manager	23,979
TOTAL MAJOR CONTRACTS	291,714

3.2 The major contracts awarded are only a portion of the expenditure incurred to date. The remaining expenditure is broken down

into smaller payments for purchases for the procurement of materials, equipment and services.

3.3 All contract payments that were over £2,500 were collated from records held by the Corporate Procurement Unit. There were fifty three contract payments that were made in this category, totalling approximately £615K. A sample of sixteen transactions totalling approximately £428K which equates to approximately 70% of the transactions in this category was selected and tested to ensure that they were awarded in compliance with Contracts Regulations.

3.4 We found that there were five payments tested whereby sufficient evidence could not be gained to satisfy the conclusions drawn for purchases of materials for the projects. This conclusion is based on the fact that whilst it might have been evident at the time of procurement by the Project Manager that the best buy/best quote was provided either verbally or via telephone, all information pertaining to the conclusions drawn for the acceptance of the quotes was not readily available, and therefore there was a lack of an audit trail **(see recommendation fourteen)**.

3.5 Contracts awarded in relation to construction works that were valued over £50,000 were all found to be fully compliant with Contracts Regulations.

Delivery of the project against timelines, plans and budget

4.1 The project commenced in March 2009 and a timeline of events for the construction of both buildings can be seen at Appendix B.

4.2 The Construction for the Freight and Baggage Building was delivered on time in accordance with the terms of the contract which set out a time span of eight months for completion of the construction phase. The construction commenced in February 2010 and was completed in October 2010. This building was passed by the Building

Surveyor of the Land Planning and Control Board in September 2010.

4.3 Construction for the Customs and Passenger Building commenced on the 19 October 2010, in accordance with the signed contract between the Contractor and Saint Helena Government. This project had a budgeted time-span of twelve months and therefore estimated completion date was October 2011. An extension was approved in November 2011 for completion of works by the Contractor by December 2011.

4.4 As at August 2012, the Customs and Passenger Building is still not completed and now has a opening date of December 2012; owing to a number of outstanding issues already documented in this report. This is unacceptable on such a high profile building **(see recommendations five)**.

4.5 We found that although the Freight and Baggage Terminal has been completed, the doors to the building were deemed unfit for purpose as they could not be fully opened. On the 25 November 2009, specifications for the wharf terminal buildings from the Land Planning and Control Board included one which was that the window and door frames were to be set back 75mm from the external face of the stonework. The Freight and Baggage Terminal had to be stone cladded, to keep in appearance with existing heritage buildings. The doors had to be set back 75mm from the external face of the stonework which is why they cannot open fully. Arrangements to rectify the door hinges have been ongoing since October 2010; 20 months later the issue still has not been rectified. Questions need to be asked as to why this has taken so long, in my opinion this is totally unacceptable and the situation needs to be remedied urgently **(see recommendation fifteen)**.



4.6 The construction of the Customs buildings has a budget estimation of £900,000. At 31 March 2012 £736,999.77 has been spent on the Freight and Baggage Terminal, Customs and Passenger Terminal and associated works. Commitments that have been made in the financial year 2012/13 in relation to the Customs and Passenger Terminal and are outlined as follows.

Nature of expenditure	Commitment Value (£)
Project Manager – Customs	5,000
Misc Payments (consisting of small contracts)	66,000
Completion costs for Contractor	12,000
Electrical Installation retention costs	307
Customs Terminal insulation	6,000
Footbridge installation costs	3,900
Security Gates – Terrace/Bridge	6,000
TOTAL COMMITMENT	99,207
Additional costs to repair blocks	Not quantified yet.

4.7 As at June 2012 a further £19,246.00 has been incurred in expenditure for the Customs Terminal, and £22,297.93 on associated works from these commitments.

Overview of the project in accordance with the Single Programming Document and Financing Agreement

5.1 The overall objective of the project is to enhance the social and economic security and sustainable development of St Helena. The purpose of the St Helena Wharf Improvements project is to improve the safety and efficiency of cargo and passenger handling facilities for all users of Jamestown Wharf. The project was estimated to take three and a half years to implement and will result in the extension of the cargo handling area and construction of related infrastructure. Which includes:

- (a) extension of the cargo handling area and widening of the wharf entrance;
- (b) improvements to the landing steps;

- (c) demarcation of passenger handling area;
- (d) construction of a customs/passenger terminal; and
- (e) construction of a rescue boat shed and ramp.

5.2 The construction of a Customs/Passenger Terminal falls under the Jamestown Wharf Improvements Project. This project is covered by the European Union (EU) Financing Agreement no. 9510/SH. As part of our Financial Audit work, we do annual Financial Audits on the EDF 9 project. The last Financial Audit performed was for 2010/11 where subsequent work has been undertaken on the control environment and relevant testing fieldwork. There were no material misstatements reported.

5.3 All funding for this project had already been received in the form of tranches which are released upon completion and achievement of the performance indicators as required by the European Union. The trigger indicator related to the construction of the first building, which was completed prior to the request for disbursement of the relevant tranche. The EU funds in advance of need when disbursing funding through its sector support modality.

5.4 A review of the annual implementation reports for the periods 2008 to 2011 that are submitted to EU was performed. Progress against the project is reported on.

5.5 The management records maintained for this process are considered reasonable and they are subject to an independent financial audit as part of the audit of the EDF 9 project; the latest one was carried out on the 2010/11 financial year.

5.6 The Financing Agreement which supports the funding for this project sets out clear indicators for completion of works. The EDF 9 DFID Funded project includes the construction of the Customs and Passenger Terminal as one of its components for funding. All funding under the EDF 9 project has already been received from European

Union, and was released upon completion of the performance indicators as set by EU.

Procurement of goods and services for the project

- 6.1 The majority of payments for this project were for materials as part of the construction phase. All furnishings within these buildings were to be provided by the occupants from their recurrent budget. No furniture or equipment is funded from the project.
- 6.2 There were two main items procured as part of this project. They were the carousel and the footbridge.
- 6.3 A review of the carousel and the procurement process was performed which identified that there was only one supplier that was identified for the supply of a carousel for the Customs and Passenger Terminal Building – Geo Robson & Co (Conveyor) Ltd. The final quotation exceeded the £20,000 threshold and therefore Tender Board approval was sought on the 29 September 2011. This approval was sought in accordance with clause 9 of Contracts Regulations which makes reference to articles for which no competitive tenders can be obtained. The Tender Board gave approval on the 5 October 2011. The final contract price quoted on 7 October 2011 was £37,870. Total cost paid at 31 March 2012 was £37,910.
- 6.4 It was agreed at a Wharf Working Group meeting held in April 2009 to have a baggage carousel (preferably portable which can be removed when cruise ships were in port). Members felt that a carousel would be more beneficial and would occupy a limited amount of space unlike the current arrangement of baggage being in alphabetical order. It was believed that this would allow for a more efficient control of the flow of passenger baggage.
- 6.5 The footbridge design was made to ensure the free flow of passengers with their baggage in one direction on arrival and similarly on departure. This was done for two reasons; to avoid congestion and a 'pinch point' at the entrance area of the terminal building, and, perhaps more importantly, from a security aspect.
- 6.6 At 31 March 2012 £15,020.75 has been incurred in respect of the purchase of the footbridge. However this footbridge was designed to be shipped in a kit form. The reasons for this were:
- (a) To facilitate shipment to the island;
 - (b) To facilitate installation with the minimum of disturbance to the Grade One listed Moat walls;
 - (c) To permit inspection of the quality of materials, workmanship and fixings which may not be apparent in assembled form; and
 - (d) In view of the marine environment, to ensure that all surfaces, including the joints, can be properly primed and painted.
- 6.7 Whilst this was the intention of the bridge, it was finally supplied assembled and cut in two. A report on the bridge was performed by Head of Planning and Development Control. The report dated April 2012 entails recommendations made by Mr Taylor on plans of actions to make the bridge usable. In summary, it was advised that the bridge was not assembled until the recommended works has been completed to it. SHG did not make full payment for the bridge upon its arrival, as it was apparent that it fell short of reasonable expectations. The Attorney General's Chambers is providing advice on next steps to take.

CONCLUSION

- 7.1 The management of projects of this size and scale requires improvement. The process for the management of the project was found to be inadequate, with monitoring of progress not occurring on a regular basis.
- 7.2 The Customs and Passenger Terminal which had an estimated completion date of October 2011. It is still not complete and currently has an opening date of December 2012. This will be one year after the planned opening date, which is unacceptable on such a high profile building. The main body of the report focuses on the Customs and Passenger Terminal.
- 7.3 In my opinion, the significant delays are attributable to insufficient planning, poor communication, and, fundamentally, inadequate project management and management arrangements. Major improvements are required with regards to how St Helena Government carries out future project management on this scale to ensure that projects are delivered on time and on target. It is clear that specialist support and further training is required to ensure that future projects are delivered as planned.
- 7.4 During the planning and building process a considerable number of changes took place to the design and build. This has resulted in a building which does not fit the needs of the main end user, and a raft of late additional works that are required to make the building fit for purpose.
- 7.5 Some of the decisions made regarding the design and build are highly questionable and has resulted in additional costs and staff resources being incurred to rectify the works.
- 7.6 It is difficult to understand what value the different groups have added to the project. In my opinion, based on my understanding of the project, a better use of resources would be to have used the three controlling bodies.
- 7.7 Up until early August the building still had a number of Health and Safety concerns, which have been in place since the building opened in January 2012, which included the lack of hand rails on the main stairs. As of mid August a number of issues have still yet to be addressed, these include unsuitable safety rails at the rear of the building, inappropriate glass used in the main room which is not shatter proof.
- 7.8 I believe that if these safety concerns are not addressed immediately SHG are leaving themselves open to potential costly liability claims and this is an unacceptable financial risk.
- 7.9 Finally, I have concluded that management arrangements are not considered to be adequate and value for money has not been achieved. The end product is not currently fit for purpose and additional costs will be incurred to rectify the situation. This is due to poor project planning and management.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
1	<p>The needs of the main end user have not been taken fully into account.</p> <p>We recommend that the needs of the main end user must be taken into consideration at all times.</p>	DCP, PM.	High	Immediate	Recommendation agreed. The known needs of all end users were taken into consideration, but some were beyond the authority of project management, (e.g., removal of the tree)	<p>Noted acceptance.</p> <p>In my opinion the needs of the main end user, Revenue and Customs, were not taken into consideration, hence need for additional works.</p>
2	<p>Good public sector practice suggests setting aside a fixed amount of the contract value to cover the cost of a project manager. Typically, for this size of project, 10% would be used.</p> <p>We recommend that for future projects an appropriate level of funding should be used to employ an experienced Project Manager.</p>	DCP	High	This is already standard practice	Provision equivalent to 10% of the value of implementation of the original design was set aside, but competitive tendering resulted in only one Tender being received at a substantially lower figure from a person involved in project management since 1984.	An appropriate level of funding should be set aside for all future projects of this size.
3	<p>The terms of reference for the PM requires a monthly report covering progress of the work, spend to date, anticipated outturn costs and the value of any disputed, additional contractual entitlements. This has not been delivered. The introduction of such a report would have enhanced the monitoring of the project.</p>	DCP, PM	Medium	Immediate	Recommendation agreed. Detailed written reports would have been beneficial, although PM gave verbal reports at monthly meetings held with DCP at which notes were taken both by DCP and PM, and the DCP undertook regular monitoring site visits to check progress..	<p>Noted acceptance.</p> <p>Written reports must be held for the audit trail and more importantly to aid management of the project, verbal reports are just not good enough.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	<p>We recommend that monthly reporting be carried out for future projects, which will assist in the management of the project.</p>				<p>The Terms of Reference did not state that such reports had to be written. This will be clearly stated as a requirement in all future documents of this nature.</p> <p>The CPU is already in the process of developing templates for different levels of project reporting which should assist in the future.</p>	
4	<p>A review of the Issues Log found it to be lacking in detail with no reference made to dates or updates on progress. The log reads as if it has been pulled together for the benefit of the reader, and that it has not been used for its intended purpose; i.e. as a control document to track actions against issues.</p> <p>We recommend that as part of the monitoring process for projects, monthly discussions should be recorded in a status report detailing discussions held; and that any issues discussed which are recorded in the issues log are dated. This report should then be placed on</p>	DCP, PM	Medium	<p>Immediate</p> <p>October 2012</p>	<p>Recommendation agreed. The PM has been instructed to include more detail in the Issues Log and file a copy monthly with immediate effect.</p> <p>A template will be developed for use in future projects by end October 2012..</p>	Noted acceptance.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	file to ensure that a record exists that is complete and can be revisited on a monthly basis to aid project management.					
5	<p>The significant delays in the customs building are attributable to insufficient planning, poor communication with the end user, and, fundamentally, inadequate project management and management arrangements. I believe that these delays could have been avoided with better management of resources and project management. Forward planning needs to improve.</p> <p>We recommend that SHG review the project management process to ensure that delays do not occur in future projects. The review should look at planning, ensuring that the needs of the end user are taken into account, and management arrangements.</p>	DCP, FS, CS	High	Immediate	It is accepted that some improvements could have been made in the areas identified, but not that all delays were attributable to project management, For example, the interior design changes made necessary when the unexpected decision was taken to combine Income Tax and Customs ; the non-arrival of roofing nails with the roof sheets (although both were ordered together) and of the urinals and associated fittings despite early placement of the order.	<p>Noted acceptance.</p> <p>The project management process needs to be revised to ensure delays of this length do not happen in future projects.</p>
6	<p>It is clear that specialist support and further training is required to ensure that future projects are delivered on time; and that SHG should ensure that relevant support and training is provided as a matter of urgency.</p>				Recommendation agreed. Specialist support and additional training would be welcomed.	<p>Noted acceptance.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	<p>We recommend that further specialist training in project management been sourced and that specialist support is provided for projects of this size.</p>					
7	<p>The Customs and Passenger Terminal Wharf Working Group has failed to address the needs of the key end user, Revenue and Customs. This has led to a raft of additional works at the end of the project to address those needs and make the building fit for purpose. Further, it is clear that this failure has led to delays in making timely decisions.</p> <p>We recommend urgently that the needs of Customs and Revenue be clearly documented and an action plan agreed by the DCP with them to address any outstanding works, so that the building can be made fully operational.</p> <p>We recommend that future project groups do not lose sight of the purpose of the project and the needs of the key end user.</p>	DCP	High	September 2012	<p>The recommendation that an Action Plan be drawn up urgently to address any outstanding works is agreed.</p> <p>Some items on the raft of ‘additional’ works were planned from the outset, such as installation of urinals, or were identified by PM as defects to be addressed, such as the pooling of surface water from the ramp.</p> <p>The second recommendation is also agreed. However, Revenue and Customs were directly represented on the Wharf Working Group of which their line manager was also a member until April 2012 and concerns regarding failure to address their needs were not</p>	<p>Noted acceptance.</p> <p>It may be true that some additional items may have been identified, but no action plan was developed to address a significant number of additional and outstanding works, which still remain outstanding some 8 months after the expected opening date.</p> <p>Noted acceptance.</p> <p>The needs of the main end user should have been paramount; I believe weakness in the working groups, detailed in this report, led to the concerns of Revenue and Customs not being fully addressed.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
					communicated To avoid a similar situation occurring in the future, improved communications on the part of all involved is crucial.	
8	<p>The Customs and Passenger Terminal Wharf Working Group at its last meeting comprised 15 members from the Police and Fire Service, Chamber of Commerce, Tourism Association, Pest control and Solomon & Company. It is highly questionable as to why some of these people were involved in the process, and why so many people were involved in the working group.</p> <p>We recommend that future working groups should be considerably smaller, and that only relevant people are included.</p>	DCP	High	September 2012.	<p>Full stakeholder involvement in the decision making process is a requirement of the European Commission. All members of the Working Group have direct involvement with the use of the buildings , However, its composition will be re-examined in light of this recommendation.</p>	<p>It is agreed that full stakeholder involvement should be considered, but they should not form part of project working group; 15 group members is not an appropriate size for a working group.</p> <p>Alternative ways of understanding and considering the needs of minor stakeholders should be explored.</p>
9	<p>A review of the minutes confirmed that there is evidence that majority voting was used to make decisions such as moving the external steps. This is poor decision-making</p>	DCP	High	October 2012	<p>Majority voting was only used very occasionally to avoid delay in attempting to reach a decision by consensus.</p>	<p>Majority voting should not have been used within a Working Group of 15 people.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	<p>practice.</p> <p>We recommend that in future projects, majority voting should not be used to make decisions in such large groups.</p>				Advice will be taken as to what other democratic process might be used in such circumstances.	
10	<p>The Wharf Core Group set up with terms of reference to oversee the Wharf Development is made up, on average, of over 32 people. This is not an appropriate group size to make decisions with regards to any project. Decisions in some cases have been made based on the majority vote of the group, which just serves to abdicate responsibility. Further, in the past two years over 300 man hours have been incurred by this group.</p> <p>We recommend that this group be reduced in size immediately and that the future benefits of such a group discussed and clarified, as in my opinion it is a costly use of limited resources.</p>	DCP	High	October 2012	Recommendation agreed. Full stakeholder consultation is a requirement of the European Commission. However, more cost effective and efficient means of achieving this (including reduction in group size) will be pursued.	Noted acceptance.
11	<p>It is difficult to understand what value the different groups have added to the project.</p> <p>In my opinion, based on my understanding of the project, a better use of resources would be to</p>	DCP	High	Immediate	Recommendation agreed.	Noted acceptance.

RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
<p>have used the three controlling bodies in the following manner:</p> <ul style="list-style-type: none"> • End users of the group (The Core Wharf Group) - which would include diving club, sailing club, ferry service etc. Consulted very rarely but at key points e.g. formulation of the brief, initial design, detailed design and maybe once or twice during delivery. The key word here is consulted. This group does not meet to make decisions or vote on things; this is the purpose of the other groups. • Client group – director, main end client (Revenue and Customs, Port Management). Signing off at various key stages and advised by the Project Manager, but making the decisions. This would be 3-4 people max. • Project management group – project manager plus small number of technical people e.g. the contractor, any architects or engineers and planners. 					

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	<p>We recommend that future project groups be arranged in this manner, dependent on the project.</p>					
12	<p>As the building stands there a number of Health and Safety concerns which still need to be addressed. The lack of handrails fitted to the staircase in this building is a serious health and safety issue and handrails should have been installed before allowing staff to occupy the premises. Unsuitable safety rails have been fitted to the rear of the building; they have no vertical pieces and would not stop people falling to the ground below. Glass used in the main customs hall is not shatter proof. If these safety concerns are not addressed immediately, SHG are leaving themselves open to potential costly liability claims. This is an unacceptable financial risk.</p> <p>We recommend that the Health and Safety issues be rectified immediately.</p> <p>We recommend that SHG clarifies why a building with known Health and Safety issues has been allowed to be used by</p>	All relevant agencies , DCP and PM.	High	Immediate	<p>The health and safety issues have been, or are being, addressed.</p> <p>Before the upper floor was occupied, inspections of the whole building were carried out by Fire, Environmental Health and the Building Inspector. All recommendations flowing from these visits were implemented before the building was occupied and permission for occupation was received prior to this taking place.</p>	<p>The building opened with a number of serious Health and Safety concerns, any of which could have resulted in SHG facing an excessive liability claim. In my opinion it was an unacceptable financial risk and put SHG staff and members of the public in danger.</p> <p>Further, eight months on since the building opened some health and safety issues still remain.</p> <p>Further, clarification as to why the building was allowed to be open needs to be investigated by SHG.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	SHG staff and the general public and ensures procedures are put in place to ensure that this does not happen again in the future.					
13	<p>Issues raised by SHG's Building Surveyor with regards to the build quality i.e. movement joints would need to be inserted and the concrete blocks damaged by the cracking carefully cut out and replaced with new; need to be addressed.</p> <p>We recommend that the recommendations in the report submitted by SHG's Building Surveyor be considered and the relevant action taken.</p> <p>We recommend that a process be put in place to ensure that all future projects of this size are reviewed by the Building Surveyor before be allowed to be used.</p>	DCP, PM, Contractors.	High	Immediate	<p>The first recommendation has already been addressed.</p> <p>The second recommendation is strongly supported.</p>	Noted acceptance.
14	Contract Payments in the category £2,500 to £20,000 must be supported by at least three quotations in accordance with section 4 to the Contracts Regulations.	PM		Immediate	Recommendation agreed	Noted acceptance.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation Date	Management Comments	Chief Auditor Response
	<p>We recommend that all information regarding quotations to support the procurement process is filed and retained. File notes should be kept to document the process when three quotations are not obtained, or in the event that items can only be procured from a certain supplier.</p>					
15	<p>The Freight and Baggage terminal building was completed in October 2010. The doors to the building are not deemed fit for purpose because they cannot open fully. The time span from the completion of the building in October 2010 to the current date is approximately 20 months and this issue with the doors is still ongoing.</p> <p>We recommend that the doors are rectified immediately to allow them to be more workable; and that in future issues of a similar nature are dealt with immediately.</p>	DCP, PM		Mid September 2012	Recommendation agreed	Noted acceptance.

APPENDIX A**Customs and Passenger Terminal Wharf Working Group**

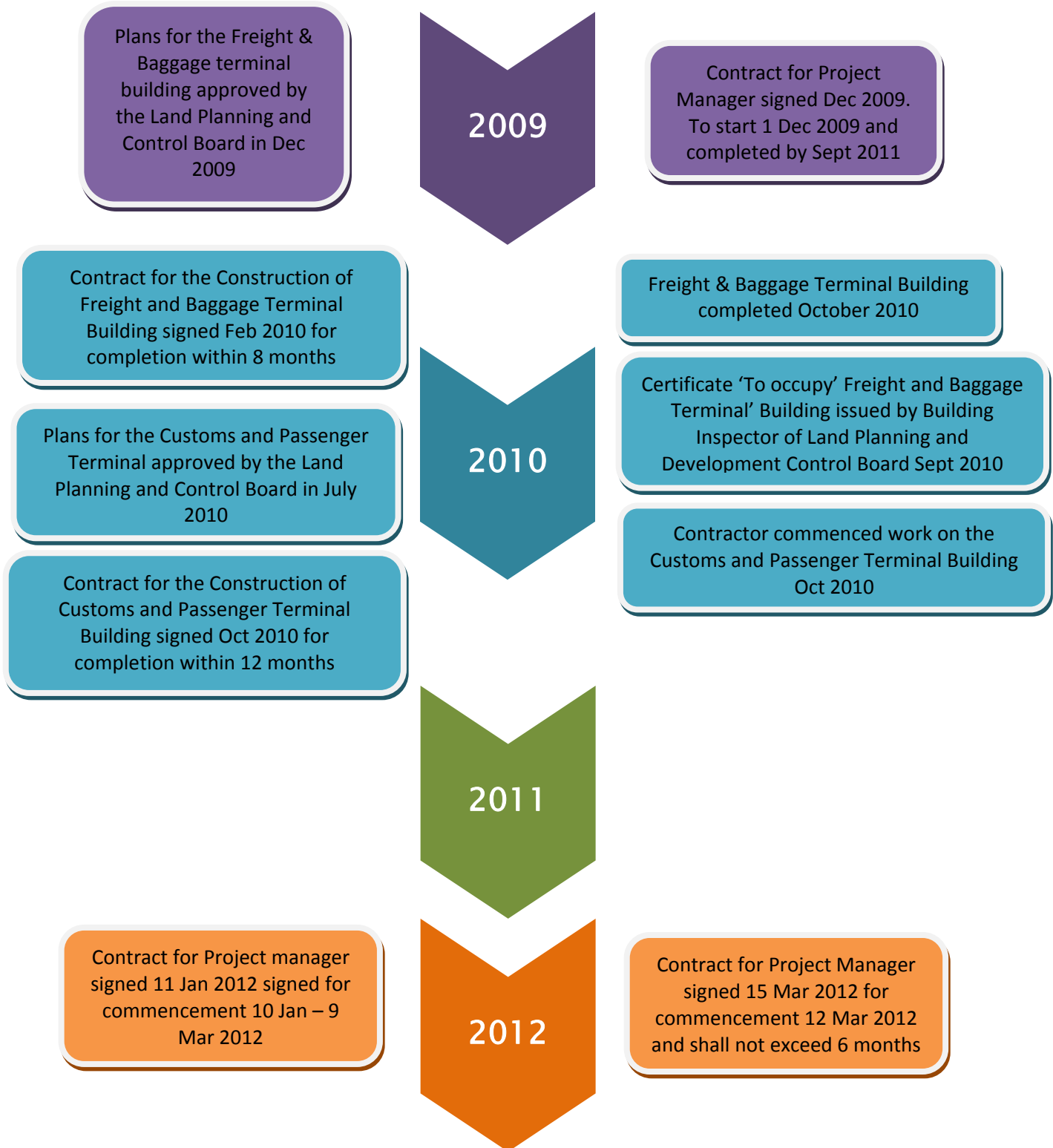
The project commenced in March 2009 when a working group was formed specifically to develop draft plans for the terminal buildings.

The remit of those serving on the group was to consult with the bodies they represent in order to ensure that the draft plans would be fit for purpose and reflect – as far as budget and other constraints allow – the wishes of the key stakeholders.

The group consists of the following:

Stakeholders	Representative of
Director of Corporate Procurement Unit	Corporate Procurement Unit
Director of Tourism	Tourism
Senior Agricultural Assistant – ANRD Pest Control	Agricultural and Natural Resources Directorate
General Manager, Agencies	Solomons & Company Plc
Chief Finance Officer	Finance Directorate
Assistant Superintendent Police	Police Directorate
Immigration Officer	Police Directorate
Customs Advisor	HM Customs & Revenue
Representative	Tourism Association
Representative	Chamber of Commerce
Port Manager/Harbour Master	Corporate Procurement Unit
Sub Officer	St Helena Fire Service

TIME FRAME FOR THE NEW CUSTOMS BUILDINGS



APPENDIX C**SCOPING AND RESOURCING**

To examine whether the objectives were achieved with regard to efficiency and effectiveness, the Audit Service assessed the following:

- Review of the project management for the construction of the Freight and Baggage Terminal and Customs and Passenger Terminal buildings.
- Delivery of the project against timelines, plans and budgets;
- Overview of the project in accordance with the Single Programming Document and Financing Agreement (documents as per the requirements of EU);
- Procurement of goods and services for the project, to ensure that the process followed was appropriate.

This was achieved by:

- Performing a review of a sample of contracts awarded from this project that were greater than £2,500 to ensure contracts awarded as part of the project were in accordance with the requirements of Contracts Regulations;
- Reviewing of the process for managing progress for the project in line with expected milestones and indicative completion dates;
- Establishing the objectives of the project and the construction of the buildings; considering whether they were in line with the overall objective of the project;
- Reviewing the documentation supporting the procurement of the carousel and the footbridge for the Customs and Passenger Terminal Building.

APPENDIX D**LIST OF PERSONS CONSULTED**

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

Names	Title
Dr Corinda Essex	Director of Corporate Procurement
Alfreda Yon	Manager of Projects
Cyril George	Project Manager
Peter Henderson	Deputy Commissioner of Revenue & Customs
Tracy Goldsmith	Building Surveyor