



SAINT HELENA AUDIT SERVICE

**BUSINESS PLAN
2008/09 – 2010/11**



**Final version
March 2008**



INVESTORS IN PEOPLE



SAINT HELENA **AUDIT SERVICE**

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1. Introduction

This business plan sets out how the Saint Helena Audit Service intends to serve Legislative Council and our other clients and stakeholders over the next three years and has been prepared in consultation with HE the Governor, Legislative Council and Audit Committee.

It sets out our mission and objectives, discusses the key issues and risks that we face and the actions we will take to ensure we fulfil our objectives. It also lays out the criteria by which we want our success in meeting those objectives to be judged.

As St Helena prepares for Air Access, Government will lead, and undergo, many important changes and the risks that it faces will also change. The needs for accountability and good governance are therefore higher than ever, and the challenge facing the Audit Service is to help ensure that these needs are met by providing quality professional assurance services.

With our staff steadily gaining in experience and qualifications, and with the closer working relationships that we have developed with Public Accounts Committee and the Audit Committee, we believe we are well placed to meet this challenge.

Anthony Kilner
Chief Auditor

2. Mission Statement

“We provide assurance to Legislative Council on the reliability of the accounts presented to them and examine the extent to which government resources have been used economically, efficiently and effectively. We provide professional and independent audit, assurance and consultancy services to our clients and make practical recommendations for improvements.”

3. Strategic Objectives

One of St Helena’s six National Strategic Objectives is to ‘Continue to Develop and Establish the Democratic and Human Rights and Self-Determination of the People of St Helena.’ As part of this, Government is pledged to ensure effectiveness, efficiency and accountability. The Audit Service plays an important part in helping Government to realise these commitments. Our objectives are:



To contribute to the democratic accountability of the public sector through the provision of cost effective external audit and value for money audit services for Government and other public interest bodies.



To contribute to good governance within Government through the provision of cost effective independent assurance and consultancy services.



To develop the potential of our staff to serve St Helena both within and outside the Audit Service.

We are committed to developing the potential of our staff because skilled staff are the best way to deliver cost effective services. We encourage staff to study beyond degree level to gain highly respected and marketable accounting and audit qualifications. We allow staff to gain skills that are useful to the expanding private sector. By doing so, we contribute to St Helena’s National Strategic Objectives to ‘Improve the Standard of Education for the People of St Helena’ and to ‘Promote and Develop a Sustainable Workforce.’

4. Range of Services

Our business is organised around three core ‘streams’ of activity which provide the following services.

- **EXTERNAL AUDIT**

Audit of Financial Statements - providing an audit report and opinion, together with an Audit Management Letter containing recommendations to improve processes and controls.

During 2008/09 we will complete the audits of 2007/08 accounts for all our external audit clients as well as completing two outstanding 2006/07 audits. The Tristan Da Cunha Government prepares accounts for calendar years and we will complete the audits of both 2006 and 2007 in 2008/09.

In subsequent years, having completely cleared the current backlog of statutory audits, we will introduce interim audits for larger clients. This will involve performing some audit testing during the year to which accounts relate, so that audits can be completed earlier in the following year.

- **VALUE FOR MONEY AUDIT**

Reporting to Legislative Council on economy, efficiency and effectiveness in the use of public funds and resources.

Each year we will examine four large areas of Government expenditure. In 2008/09 these will be Shipping Subsidy, the Bulk Fuel Installation, Electricity Generation and Community Care. In addition we will conduct examinations of specific elements of government expenditure as requested by the Public Accounts Committee.

- **INTERNAL AUDIT**

Assurance and consultancy services to Government on matters related to Corporate Governance, Risk Management and Internal Control. Investigations into suspected fraud or irregularities and promotion of an anti-fraud and corruption culture within Government.

Our programme of internal audit work is performed for Government and is confidential. It is approved by the Audit Committee, which reports to the Governor and includes independent members from outside of Government.

5. Main Clients

Our external audit clients are:

- Saint Helena Government
- Tristan da Cunha Government
- Bank of Saint Helena
- Bulk Fuel Installation
- Eliza Mary Lloyd Trust Fund
- Growers Co-operative Society
- Legal Assistance Fund
- Office of the Public Solicitor
- Saint Helena Currency Fund
- Saint Helena Development Agency
- Saint Helena Fisheries Corporation
- Saint Helena National Trust
- Saint Helena News Media Board
- UN Development Projects

Our Value for Money audits are conducted on behalf of Legislative Council in order to determine whether Government's resources have been used with proper regard to economy, efficiency and effectiveness. Audits often cover the work of a particular section of a Government Department.

Government is our client for Internal Audit Services. Our Internal Audit work is overseen by an Audit Committee appointed by the Governor and reports on assignments are made to the Chief Secretary, Financial Secretary and the senior officers most closely involved in the area under review.

6. Review of 2007/08 Year and associated Business Plan

We will report comprehensively on our performance in 2007/08 in a separate document prepared after the end of that year.

7. Key Issues 2008/09 – 2010/11

Focus – We intend to focus our resources where they are of most benefit:

- Timely, relevant and reliable financial reporting plays an important part in the accountability of the public sector and we will focus on promoting this.
 - In external audit a third of our time is currently spent auditing smaller clients whose income is 2% of our clients' total income. The cost to clients is often disproportionate to the assurance needs of those who they are accountable to. In line with practice in the UK, we will promote alternative methods of assurance that will be cheaper and more cost effective than full audits. Some work on these clients could be undertaken by accounting technicians outside of the Audit Service. This should allow us to spend more time concentrating on our larger clients.
 - We recognise the need to improve the timeliness of financial reporting by Government to Legislative Council and we have set targets to measure our progress in this regard.
 - We expect that Government will make increasing use of accruals based accounting, in line with internationally recognised good practice and will be ready to support this move.
 - In order to raise the quality of financial reporting among those of our clients preparing accruals based financial statements, we will promote the Financial Reporting Standard for Smaller Entities.
- Value for Money audits also play an important part in the accountability of Government to the Legislative Council and we will improve the way this work stream meets the assurance needs of Legislative Council:
 - By focusing on larger areas of government expenditure, with a programme that would cover the majority of government expenditure over a four year cycle,
 - By responding to requests by the Public Accounts Committee to examine specific areas of concern, thereby supporting the scrutiny role it performs on behalf of the Legislative Council as a whole.
- Internal Audit is widely recognised as an essential part of good governance in large organisations by providing independent assurance on the way that risks are managed. Internal Audit is a management function and its current location within the Audit Service is anomalous:
 - We will keep the reporting line of internal audit under review in order to move to best practice arrangements when practicable.
 - The risk management practices, long advocated by the Audit Service, that are now being implemented by senior management within Government, will allow internal audit to better focus its resources more effectively on areas of significant risk.
 - As the economy expands and opens up over the period of the plan, Government will outsource many activities and oversee substantial private sector investments. This will change the risk profile of government and internal audit will help ensure that

emerging areas of risk are well managed. In particular we will lead on developing an anti-fraud and corruption strategy.

- Where appropriate we will provide consultancy as well as assurance services in areas where we have particular expertise, such as management information systems.

Cost Recovery – While the Audit Service budget makes a surplus, we do not in fact cover our true costs. The Chief Auditor is paid by DFID and the Audit Service occupies premises provided rent free by government. The cost of audit staff pension entitlements is also borne by Government. We therefore intend to:

- Budget for increases in surplus over the period of the plan. (See section 11.)
- Increase external audit fees by above the rate of salary inflation.
- Continue improving our methods to make them more efficient.
- Support senior staff studying for full accounting qualifications, so they may be eligible candidates for the post of Chief Auditor.
- Keep the audit structure under review, in order to take advantage of the increasing availability of personnel with accounting technician and internal auditing qualifications.
- Consider, in the light of progress in exams, changing the structure of the department so that it could function with a qualified accountant visiting for some months in every year.

8. Audit Service Risk Register

NO	OWNER	PERSPECTIVE	RISK	MITIGATION	PROBABILITY	IMPACT	CONTINGENCY	COMMENTARY
1	CA	Resources	Insufficient trained auditors and assistant auditors to offer cost effective audit services	Train and Develop Staff. Keep structure and grading under review to ensure they are competitive. Promote our service to raise awareness and encourage interest especially among school leavers. 1:1s and independent Staff Welfare Officer in place to identify and resolve problem areas at work.	H	H	Divert resources away from Internal Audit to External and VFM in line with legal mandate.	As at Jan 08 4 out of 6 auditor positions filled by trainees and 2 out of 3 assistant auditor posts vacant.
2	CA	Output	Incorrect Audit Opinion Issued	Training on applicable accounting and auditing standards to staff. Initial review for adequate disclosure. Final review.	H	M	Prompt and open disclosure to client and those charged with governance. Lessons learnt exercise.	Note that CAT training needs to be supplemented with training on FMO/Fin Regs/FRSSE.
3	CA	Output	Real or Perceived Independence of Audit Service compromised	Audit Ordinance revisions sought to enhance independence in recruitment. Declaration of Interest by all staff. Public Relations and publicity to highlight independence. Importance of independence core theme of Audit Manual and all staff alert to challenges to it. Enhance Internal Audit capacity with a view to relocating internal audit function outside of the Audit Service.	M	M	Steps under performance management or disciplinary policies in the event of breach of ethics. Chief Auditor to make Legislative Council and the Governor aware of any attempts to threaten independence of the service. Public relations exercise to influence negative perceptions.	

NO	OWNER	PERSPECTIVE	RISK	MITIGATION	PROBABILITY	IMPACT	CONTINGENCY	COMMENTARY
4	CA	Resources	Departure of Chief Auditor or Manager	Keep grading under review to ensure they are competitive. As more people gain CAT and advanced qualifications in the service and in St Helena generally, change structure to make less dependent on key individuals. Recruitment plans in place early for replacement of current CA. Training of auditors as likely future managers.	M	M	Cover by CA if manager departs, until a replacement can be recruited.	
5	CA	Enabling Processes	Lack of Cooperation by SHG Managers	Clear communications. Feedback from HoDs etc. sought and acted on. Clear expectations set in Terms of Reference. Foster relationship with Chief Secretary (who line manages most HoDs) and engage their support. Support efforts of Audit Committee to build its profile.	M	M	Discuss with line manager. Report to Legislative Council/Audit Committee.	
6	CA	Resources	Insufficient Financial Resources to offer audit services	Communication with SHG and Councillors on importance of audit programme. Involvement in DFID mission budgetary discussions to secure sufficient funding for service. Try to establish funding mechanism separate from government budget process, in line with practice in other Westminster style systems.	L	H	Chief Auditor to protest and make known the situation if budget too small to provide adequate audit service. Divert resources away from Internal Audit to External and VFM in line with legal mandate.	Currently Audit Service has adequate budget secured for 08/09.
7	CA	Resources	Building not useable due to rockfall, risk of rockfall, fire, infestation etc.	Back up procedures tested. Inspection of building for hazards.	L	H	Seek temporary accommodation.	

9. 2008/09 – 2010/11 Action Plan

Note that the five **Key** Performance Indicators are indicated in **bold**.

Strategic Objective #1:

To contribute to the democratic accountability of the public sector through the provision of cost effective external audit and value for money audit services for Government and other public interest bodies.

Weighting – 48%

Action	Performance Measure	Lead	Target 2008/09	Target 2009/10	Target 2010/11	Weighting
Substantially complete the external audit programme.	% of External audit programme (by budgeted fees) completed by 31 March.	EAM	90%	90% with 1 interim audit in the plan	90% with 3 interim audits in the plan	16%
Recover cost of external audits from clients.	% chargeable time recovered	EAM	85%	87%	89%	6%
Ensure clients are pleased with service received.	% client 'Strongly Agree' and 'Agree' responses in post assignment questionnaires	EAM	75%	75%	75%	4%
Assure Quality of Audits	Number of audited accounts requiring restatement in the year.	EAM	0	0	0	2%
Assure application of International Auditing Standards	Auditing Standards reviewed.	EAM	4	4	4	1%
Ensure audits are completed in a timely manner	SHG audit completed target months before year end	EAM	1 month	2 months	3 months	1%
Ensure audits are completed in a timely manner	% (by budgeted fees) of other audits completed within three months of resubmission by client of accounts following initial review	EAM	50%	60%	70%	1%
Extend alternative assurance arrangements as a low cost alternative to full audits	% Clients adopting alternative assurance arrangements and receiving fee reductions as a result.	EAM	1	2	3	1%

Action	Performance Measure	Lead	Target 2008/09	Target 2009/10	Target 2010/11	Weighting
Substantially complete the Value for Money audit programme	% of VFM audit programme (by budgeted fees) completed by 31 March.	VFAMAM	90%	90%	90%	8%
Ensure VFM audits completed within budget	% chargeable time within assignment budgets	VFAMAM	85%	87%	89%	3%
Ensure 'Big' VFM audits are completed in a timely fashion	No of 'big' VFM audits completed by December	VFAMAM	2	2	2	2%
Ensure 'Small' VFM audits are completed in a timely fashion	Average time from request to submission of final report	VFM	2 months	2 months	2 months	1%
Ensure VFM reports publicized effectively	Number of Executive Summaries published in newspaper or discussed on radio.	CA	3	3	3	1%
Support PAC in scrutiny role	Number of PAC members rating support as good or very good	CA	4	4	4	1%

Strategic Objective #2:

To contribute to good governance within Government through the provision of cost effective independent assurance and consultancy services.

Weighting – 24%

Action	Performance Measure	Lead	Target 2008/09	Target 2009/10	Target 2010/11	Weighting
Substantially complete the internal audit programme.	% of Internal audit programme (by budget) completed by 31 March.	IAM	90%	90%	90%	12%
Ensure Internal audits completed within budget	%chargeable time within assignment budgets	IAM	85%	87%	89%	4%
Ensure audits are completed in a timely manner	% of Draft reports issued within six weeks of initial meeting.	IAM	75%	75%	75%	3%
Range of Services expanded to meet assurance and consultancy needs.	08/09 Departments having risk register and plans for mitigation and contingencies 09/10 New services piloted 10/11 New services rolled out	IAM	90%	1	1	2%
Ensure audit committee are pleased with service received.	Audit Committee members in annual questionnaire rate Internal Audit Service as good or excellent	IAM	75%	75%	75%	2%
Ensure audited departments are pleased with service received.	Audited departments' average satisfaction rating in assignment questionnaires rate on a five point scale	IAM	3.5%	3.6%	3.7%	1%

Strategic Objective #3:

To develop the potential of our staff to serve St Helena both within and outside the Audit Service.

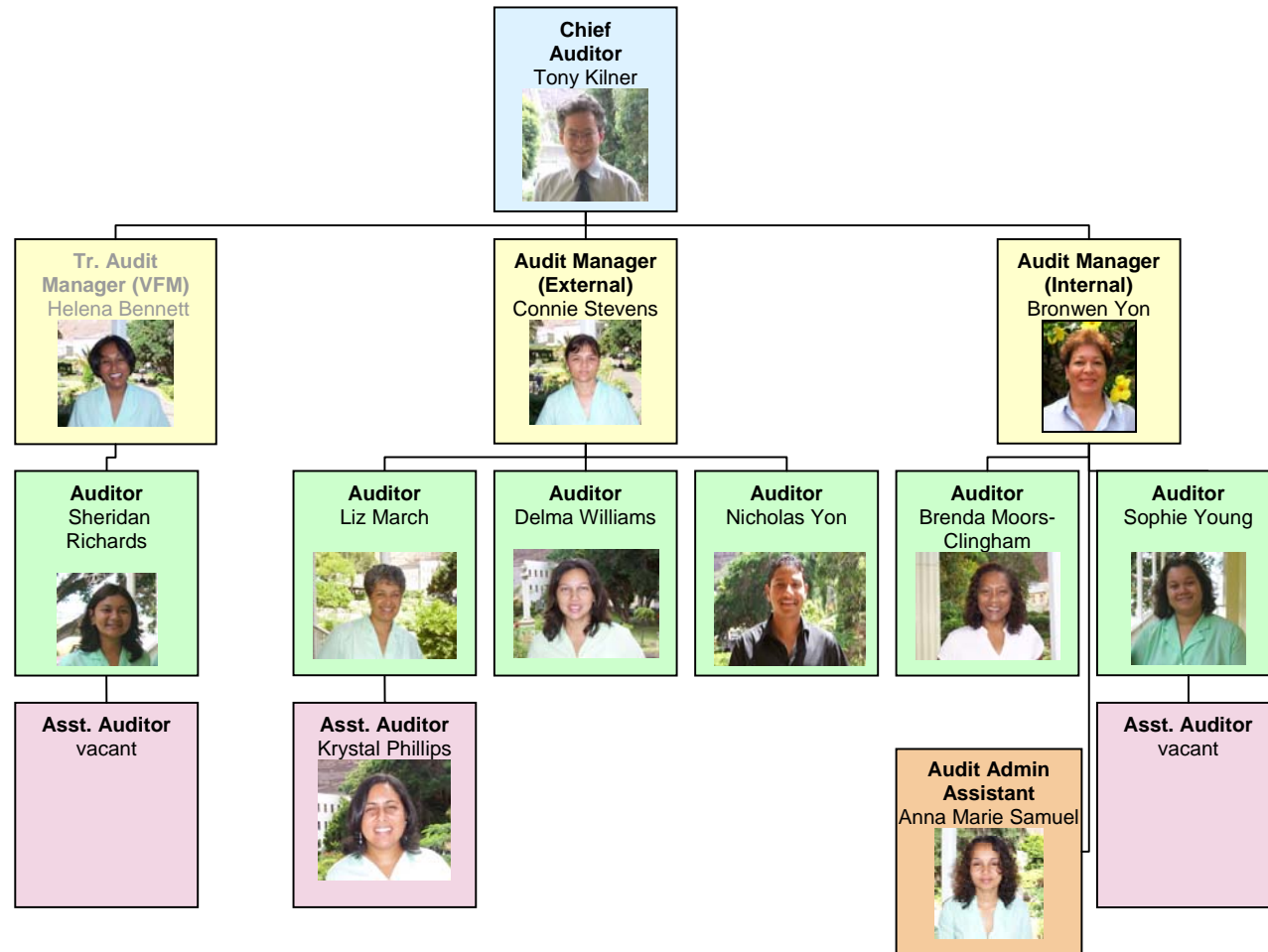
Weighting 8%

Action	Performance Measure	Lead	Target 2008/09	Target 2009/10	Target 2010/11	Weighting
Support progression in accounting and audit exams	Exams Passed	EAM as training manager	13	13	13	5%
Support development of all staff	Career Development Plan in place for all staff by:	Line Manager	15 May	15 May	15 May	1%
Support progression towards full professional qualifications	Number of staff in Audit Office with part professional qualification (IIA Dip or ACCA 'Fundamentals')	EAM as training manager	0	1	2	1%
Support progression towards full professional qualifications	Number of staff in Audit Office with full professional qualification (IIA Advanced Dip or ACCA)	EAM as training manager	0	0	1	1%

Management of Resources – Weighting 20%

Action	Performance Measure	Lead	Target 2008/09	Target 2009/10	Target 2010/11	Weighting
Raise revenue and control costs (in terms of an accruals based measure).	% of actual expenditure covered through Audit Service revenue raised, as measured in our 'trading account' accounts.	CA	118%	118%	118%	11%
Raise Revenue and control costs (in terms of standard government measure)	% of actual expenditure covered through Audit Service revenue raised	CA	116%	116%	116%	8%
Manage sick leave	Average Number of days absent through sickness during the year per employee	CA	5	5	5	1%

10. Organisation Chart



11. Audit Service Budget

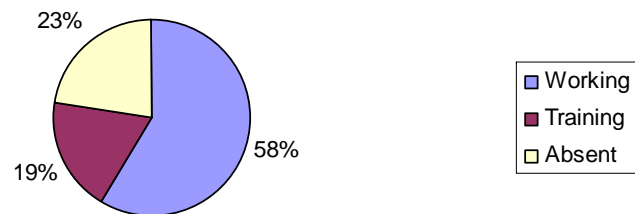
The Audit Service Budget has been submitted as follows. At the time of Business Plan publication, it had yet to be finally approved and therefore the figures are subject to change.

	Estimate 2007/08	Draft Budget	
		2008/09	2009/10
Employee Costs	84,447	87,161	92,498
Property Costs	1,313	1,470	1,528
Transport Costs	150	150	150
Supplies and Services	9,663	9,869	7,980
Administrative Costs (including Training)	22,709	21,583	18,720
TOTAL EXPENDITURE	118,282	120,233	120, 876
External Audit Fees	54,408	58,826	61,467
Internal Audit Fees	37,812	40,000	41,500
VFM Audit Fees	33,935	34,000	35,000
Other Income	3,128	3,253	3,383
TOTAL REVENUE	129,283	136,079	141,350
SURPLUS/(DEFICIT)	11,001	15,846	20,474

12. Staff Resources Plan

	External	VFM	Internal	Management and Administration	Training	Leave	Vacancy Provision	Other	Total
Chief Auditor	25	19	24	108	20	62	0	2	260
External Audit Manager	43	0	0	84	88	43	0	2	260
External Auditor 1	110	0	0	40	36	73	0	0	259
External Auditor 2	142	0	0	42	38	38	0	0	260
External Auditor 3	147	0	0	32	43	38	0	0	260
Value for Money Manager	0	66	0	69	100	23	0	2	260
Value for Money Auditor	0	145	0	42	38	29	0	6	260
Internal Audit Manager	0	0	66	74	74	40	0	6	260
Internal Auditor 1	0	0	102	33	67	56	0	2	260
Internal Auditor 2	0	0	117	43	68	32	0	0	260
Assitant Auditor 1	31	66	38	43	39	38	0	5	260
Assistant Auditor 2	56	16	19	29	42	32	66	0	260
Assistant Auditor 3	8	4	6	11	14	8	208	1	260
Admin Assistant	0	0	0	201	21	38	0	0	260
	562	316	372	851	688	550	274	26	3640

Total Time Allocation



Working Time Allocation

