

**BUSINESS PLANNING  
&  
KEY PERFORMANCE INDICATORS**  
*(Year 2 of 3)*



**VALUE FOR MONEY REPORT**  
*Final v.1.0*






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## **EXECUTIVE SUMMARY & OVERALL AUDIT OPINION**

The May to July 2006 Value For Money (VFM) audit of 'Business Planning and Key Performance Indicators' which is year two of a three year review, assessed the adequacy of the framework in place to ensure VFM is achieved in the Business Planning process.

Business Planning is the fundamental process which organisations use to identify their primary objectives. These objectives are developed within broader policy context provided by the corporate plan and their intended means of attainment, which are measured for progression by the means of Key Performance Indicators (KPIs) which should provide both a tangible and verifiable demonstration of performance.

The importance of Business Planning in the VFM context can be seen on two levels. Firstly, strategically – if it fails to identify appropriate objectives and their relative importance, then basic resource allocation is likely to be sub-optimal. Secondly, operationally, it should identify key performance indicators which look not just at the attainment of objectives, but also at whether they are being achieved with best value in the areas of economy, efficiency and effectiveness.

Based upon the work undertaken and the findings detailed in the body of this report, our overall audit opinions are shown below. The range of possible audit opinions is Good, Adequate and Inadequate. Definitions of these opinions are provided at Appendix B to the main report.

### **BUSINESS PLANNING**

<b>Adequate</b>	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
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The Government Departments subjected to this review have produced Business Plans of a high standard. Effort has been made by the Departments to ensure consistency between the year on year approach in following the best practise framework set by the Financial Secretary in 1999, however with the evolving Departmental activities over the years there is now degeneration in the uniform approach to SHG Business Planning.

### **USE OF KEY PERFORMANCE INDICATORS**

<b>Inadequate</b>	Management arrangements are not considered to be adequately conducive to achieving maximum Value For Money.
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KPIs which help measure and manage Departmental issues were not identified and used by the Government Departments under review. Once KPIs are established within Government Departments, the Audit function can play a key future role to provide assurance over their correct, consistent and verifiable reporting, namely;

- Average number of days absent during the year per employee
- Percentage of actual departmental expenditure covered through departmental revenue raised.

Recommendations were made with intention to improve the framework for achieving VFM. Management have agreed a total of 16 recommendations (11 of which have been classified high priority) and disagreed with 0. Management have provided an action plan for implementation which has been incorporated within Section 4 of this report.

The recommendations include;

- Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further.

- For future Business Planning, the Departments should consider how the EFQM Excellence Model could be employed to ensure the department is running efficiently and effectively. Areas where assistance is needed should be highlighted.
- Departments should consider identifying from their current set of Performance measures, KPIs with VFM attainment and where applicable include the two 'cross-cutting' KPIs.

#### **FOLLOW – UP ON PROGRESS MADE AGAINST FEBRUARY 2006 VFM RECOMMENDATIONS**

##### **Inadequate**

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

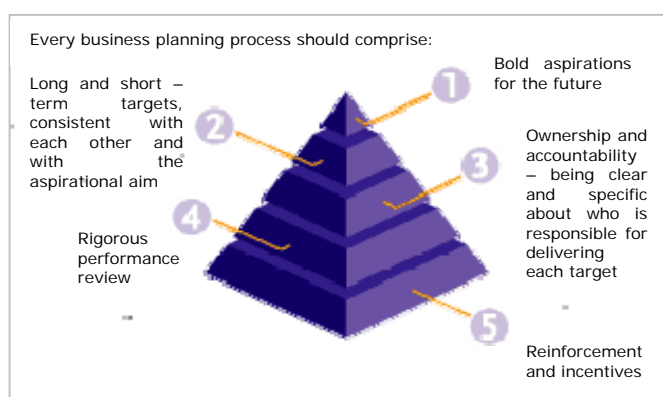
A total of 16 recommendations were made for Central Government and four Government Departments during the Business Planning and Key Performance Indicators VFM review (Year 1 of 3). 6 of these recommendations were classified as high priority and our follow up on progress to date have identified only 4 as implemented.

The outstanding recommendations (including those within agreed timescale) include;

- All Heads of Department should receive annual appraisals to help ensure their individual goals and objectives are closely aligned to achievement of the Department Business Plan and to ensure ongoing discussion and awareness of constraints and issues.
- Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further.
- The prescribed corporate approach to Business Planning should be reviewed and revised as necessary to reflect current thinking and developments, such as the EFQM "Excellence Model" and identification of KPI's.
- The multi – year Business Plan should be 'rolled forward' on an annual basis such that the current year is always 'Year 1'.

## 1. INTRODUCTION

- 1.1 The "Business Planning and Key Performance Indicators" audit review formed part of a three year assignment of the VFM work programme agreed with Executive Council in 2005 and now serves to inform the general public, St Helena Government Management, the Public Accounts Committee and the Audit Committee.
- 1.2 Business Planning is the fundamental process which organisations use to identify their primary objectives. These objectives are developed within broader policy context provided by the corporate plan and include their intended means of attainment, which are measured for progression by the means of KPIs which should provide both a tangible and verifiable demonstration of performance.



- 1.3 The importance of Business Planning in the VFM context can be seen on two levels. Firstly, strategically – if it fails to identify appropriate objectives and their relative importance, then basic resource allocation is likely to be sub-optimal. Secondly, operationally, it should identify KPIs which look not just at the attainment of objectives, but also at whether they are being achieved with best value in the areas of economy, efficiency and effectiveness.
- 1.4 Copies of the VFM Report are provided to the Chief Secretary, Financial Secretary, relevant Head(s) of Department and any other appropriate personnel. They will also be made available to the general public through their availability to visitors to our offices, the public library and also through publication on our website. Executive summaries are provided to the

Public Accounts Committee and Audit Committee.

## 2. RESOURCING & SCOPE

- 2.1 The agreed audit purpose was to assess whether SHG Business Planning is conducive to ensuring VFM – by assessing compatibility with the set SHG Business Planning Framework and the identification, presentation and measurement of appropriate KPIs covering the areas of economy, efficiency and effectiveness.
- 2.2 To do this, we intend to review the Business Plans of Government and all of its Departments over a three year period and will include scrutiny of reported attainment of KPIs. In this particular review (year two of three) we have included;
- Business Planning in the Departments of;
    - *Agricultural and Natural Resources (ANRD)*
    - *Finance*
    - *Personnel*
    - *Police*
- 2.3 The review was led by Helena Bennett, Acting VFM Audit Manager, with assistance from Assistant Auditors Krystal Phillips, Sheridan Richards and Sophie Young.
- 2.4 The considerable level of assistance given to the Audit Service by all staff and third parties involved during the course of the audit is acknowledged with appreciation. A listing of those involved is included in Appendix C to this report.

## 3. FINDINGS & CONCLUSIONS

- 3.1 The main findings and conclusions drawn are presented here and are based upon the agreed scope of the audit, the actual work undertaken and the evidence gathered.
- 3.2 Those findings which have resulted in recommendations are presented in Section 4 of this report, together with management response and action plans.
- 3.3 The overall audit opinion(s) made are provided in the Executive Summary and for concision are not repeated here.

### Summary of Departmental Business Plan Compliance with set Framework (FS Memo ref 5/3 dated 20/07/99)

	ANRD	FINANCE	PERSONNEL	POLICE
Mission Statement	✓	✓	✓	✓
Strategic Objectives	-	✓(*)	✓	✓
Range of Services	✓	✓	✓	✓
Main Clients	✓	✓	✓	✓
Review of Prior Year	✓	-	✓	✓
Key Issues ahead	✓	✓	✓	✓
SWOT Analysis	✓	✓	✓	✓
Table 1 – Key Issues	✓	✓	✓(*)	✓
Table 1 – Actions	✓	✓	✓(*)	✓
Table 1 – Timetables	✓	✓	✓	✓
Table 1 – Performance Measures	✓	✓	✓	✓
Table 1 – Targets	✓	✓	✓	✓

- ✓ = Component present and judged to be sufficient in terms of meeting the requirements set down.
- = Component not present or judged to be inadequate in terms of meeting the requirements set down.
- (\*) = The required components were included – but incorporated in other elements of the Business Plan rather than being presented exactly as required by the Corporate framework set.

The existence of Performance Measures and Targets does not imply that there were identified Key Performance Indicators or that the measures included a focus on Value For Money – as this was not a requirement by the FS memo for Business Plans.

## 3.1 AGRICULTURAL & NATURAL RESOURCES

3.1.1 This review looked at the Business Planning process as currently undertaken within ANRD which includes;

- The Set Framework initiated by Financial Secretary 20/07/99 (as per summary table above)
- Adoption of the EFQM Excellence Model concept introduced by HE Governor on 15/07/05
- The Business Plans – 2006/07 – 2008/09 Memo by Accountant FPA dated 06/02/06

*To obtain the maximum benefit from the Business Planning exercise there has to be uniformity and standardisation of the format and content between departments*

FS Memo 5/3 20/07/99

### Set Framework (FS Memo 5/3 dated 20/07/99)

3.1.2 ANRD met all of the criteria (as seen in the summary table above) with the exception of the component - Strategic Objectives. The Strategic Objectives used by ANRD are the six National Strategic

Objectives for the Vision of St Helena. Whilst ANRD are ensuring the output of the department directly contributes to the St Helena Strategic Objectives (through the Business Plan Tables) there is no list of objectives for the Department at the outset of the plan. The Department does have a Forestry Strategy that sets the direction for the mid to long term future and Renewable Natural Resources (RNR) Strategy. However, the RNR Strategy will come to an end in 2007, therefore during the RNR Strategy review that is due to take place, ANRD should then clearly state how and where ANRD's strategies comply with the National Strategic Objectives.  
(See Recommendation 1)

3.1.3 Strengthens, Weaknesses, Opportunities and Threats (SWOT) analysis completed as required but considered the simplest form of the risk management process in ensuring effective managing of risks hindering departmental objectives being achieved.  
(See Recommendation 2)

### EFQM Excellence Model

3.1.4 ANRD has not to date incorporated the Excellence Model (see Appendix D) introduced to Heads at the Heads of Department (HoD) forum in July 2005 by HE the Governor into their Business Planning process.  
(See Recommendation 3)

### Business Plans 2006/07 – 2008/09 Memo dated 06/02/06

3.1.5 The Audit Recommendations highlighted in the above memo were considered for implementation by ANRD during their Business Planning review for the period 2006/07 – 2008/09. Those suggested by the Accountant FPA in relation to Performance Measures are bulleted below:

- 'Identify a small set of indicators from amongst their performance measures to serve as 'key performance indicators' (KPI's)' and they should include a focus on VFM attainment.
- Include two cross cutting KPIs for departments to enclose within their business plans.

Whilst ANRD included the two recommended cross cutting KPI's in the Business Plan, with a third identified in-house, they were not incorporated in the department's individual section performance tables.

(See recommendation 4)

#### AUDIT RECOMMENDATION

*An annual central review and challenge of Departmental business plans should be re-introduced in the interest of ensuring a unified 'best practice' approach and quality control mechanism.*

*Business Plans – 2006/07 – 2008/09, 06 Feb 06*

3.1.6 Instruction from the Accountant FPA in the above memo states the above audit recommendation will be achieved by Departmental Committees, where they exist, to be required to formally review and approve all future Business Plans. (Memo was copied to all Committees for information). Our review highlighted that the ANR Committee performed a review of the ANRD draft Business Plan for 2006/07 – 2008/09, but were not involved in the compilation stage.  
(See recommendation 5)

3.1.7 In general, ANRD produced a good management tool to help them achieve the key objectives of the department and ensure efficient and effective service delivery. However, ANRD would benefit from strengthening some of its Business Planning elements in line with the points raised above, particularly the involvement of the ANRC in the full Business Planning process and their responsibility.

## 3.2 FINANCE

3.2.1 This review looked at the Business Planning process as currently undertaken within Finance which includes;

- The Set Framework initiated by Financial Secretary 20/07/99 (as per summary table page 6)
- Adoption of the EFQM Excellence Model concept introduced by HE Governor on 15/07/05
- The Business Plans – 2006/07 – 2008/09 Memo by Accountant FPA dated 06/02/06

### Set Framework (FS memo 5/3 dated 20/07/99)

3.2.2 Finance followed the overall framework requested by Financial Secretary in 1999, but due to evolving over the years had phased out the component of reporting on previous year.  
(See Recommendation 6)

3.2.3 'SWOT' analysis completed as required but considered the simplest form of the risk management process in ensuring effective managing of risks hindering departmental objectives being achieved.  
(See Recommendation 7)

### EFQM Excellence Model

3.2.4 Finance has not to date incorporated the Excellence Model (see Appendix D) introduced to Heads at the Heads of Department (HoD) forum in July 2005 by HE the Governor into their Business Planning process.  
(See Recommendation 8)

### Business Plans 2006/07 – 2008/09 Memo dated 06/02/06

3.2.5 The Audit Recommendations highlighted in the above memo were considered for implementation by Finance during their Business Planning review for the period

2006 – 2009. Those suggested by the Accountant FPA in relation to Performance Measures are bulleted below:

- 'Identify a small set of indicators from amongst their performance measures to serve as 'KPI's' and they should include a focus on VFM attainment.
- Include two cross cutting KPIs for departments to enclose within their business plans.

Whilst Finance implemented two of the audit recommendations, the above bulleted Performance Measure recommendations were not included.

*(See Recommendation 9)*

- 3.2.6 In general, Finance produced a good management tool to help them achieve the key objectives of the department and ensure efficient and effective service delivery. However, Finance would benefit from strengthening some of its Business Planning elements in line with the points raised above.

### 3.3 PERSONNEL

3.3.1 This review looked at the Business Planning process as currently undertaken within Personnel which includes;

- The Set Framework initiated by Financial Secretary 20/07/99 (as per summary table on page 6)
- Adoption of the EFQM Excellence Model concept introduced by HE Governor on 15/07/05
- The Business Plans – 2006/07 – 2008/09 Memo by Accountant FPA dated 06/02/06

#### Set Framework (FS memo 5/3 dated 20/07/99)

3.3.2 Personnel is in general compliance with the framework set by the Financial Secretary in 1999. However, for the key objectives table; some of the actions planned to achieve the objectives did not have performance measures and targets, which is considered important to measuring the Department's effectiveness.

*(See Recommendation 10)*

- 3.3.3 'SWOT' analysis completed as required but considered the simplest form of the risk management process in ensuring effective managing of risks hindering departmental objectives being achieved.
- (See Recommendation 11)*

#### EFQM Excellence Model

3.3.4 Personnel has not to date incorporated the Excellence Model (see Appendix D) introduced to Heads at the Heads of Department (HoD) forum in July 2005 by HE the Governor into their Business Planning process, but have made a note in the current Business Plan that it is under consideration.

*(See Recommendation 12)*

#### Business Plans 2006/07 – 2008/09 Memo dated 06/02/06

3.3.5 The Audit Recommendations highlighted in the above memo were considered for implementation by Personnel during their Business Planning review for the period 2006 – 2010. Discrepancies that were raised in implementation of the recommendations are as following;

- Where the Line Manager of Personnel was to review and approve the Business Plan prior to becoming operational, the Line Manager Chief Secretary did review the Business Plan, but due to delay in discussing minor details, the Accountant FPA instead informally agreed the plan for use.
- The Performance Measure recommendation 'identify a small set of indicators from amongst their performance measures to serve as 'KPIs' and to ensure they include a focus on VFM attainment' was not implemented.

*(See Recommendation 13)*

3.3.6 In general, Personnel produced a reasonable management tool to help them achieve the key objectives of the department. The lack of Performance Measures however, may impact the efficiency and effectiveness of this service delivery and measurement of progress towards achieving their overall vision.

*The purpose of risk management is not to remove all risk but to ensure that risks are recognised and their potential to cause loss fully understood*

*Argyll & Clyde NHS Board Oct 02*

### 3.4 POLICE

3.4.1 This review looked at the Business Planning process as currently undertaken within the Police Service which includes;

- The Set Framework initiated by Financial Secretary 20/07/99 (as per summary table on page 6)
- Adoption of the EFQM Excellence Model concept introduced by HE Governor on 15/07/05
- The Business Plans – 2006/07 – 2008/09 Memo by Accountant FPA dated 06/02/06

#### Set Framework (FS memo 5/3 dated 20/07/99)

3.4.2 The Police Service complied with all components of the corporate framework. However they did not indicate how their Business Plan contributed towards the National Strategic Objectives one of which is to 'develop a healthy community in a safe environment'.

(See Recommendation 14)

3.4.3 'SWOT' analysis completed as required but considered the simplest form of the risk management process in ensuring effective managing of risks hindering departmental objectives being achieved.

(See Recommendation 15)

#### EFQM Excellence Model

3.4.4 The Police Service has not to date incorporated the Excellence Model (see Appendix D) introduced to Heads at the Heads of Department (HoD) forum in July 2005 by HE the Governor into their Business Planning process.

(See Recommendation 16)

#### Business Plans 2006/07 – 2008/09 Memo dated 06/02/06

3.4.5 The Audit Recommendations highlighted in the above memo were considered for implementation by the Police Service during their Business Planning review for the period 2006 – 2007. Those suggested by the Accountant FPA in relation to Performance Measures are bulleted below:

- 'Identify a small set of indicators from amongst their performance measures to serve as 'KPI's' and they should include a focus on VFM attainment.
- Two cross-cutting KPIs were required to be included in the Business Plan.

Neither of the above bulleted recommendations was implemented, except the cross-cutting KPI, to monitor absenteeism.

(See Recommendation 17)

#### CROSS CUTTING 'KEY' PERFORMANCE INDICATORS

- Average Number of days absent during the year per employee
- % of actual Departmental expenditure covered through Departmental revenue raised.

*Business Plans – 2006/07 – 2008/09, 06 Feb 06*

3.4.6 In general, the Police Service produced a good management tool to help them achieve the key objectives of the department and ensure efficient and effective service delivery. However, the Police Service would benefit from strengthening some of its Business Planning elements in line with the points raised above.

#### 4. RECOMMENDATIONS & MANAGEMENT ACTION PLAN

##### AGRICULTURAL & NATURAL RESOURCES DEPARTMENT

Recommendation <b>1</b>	<b>ANRD should consider reviewing the Renewable Natural Resources Strategy that comes to an end in 2007 at the same time as the Business Planning process to consider objectives that defines the nature of ANRD.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.1.2)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation – CANRO commented that the review of the RNR Strategy will take place early to ensure it coincide with the Business Planning review.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Agricultural and Natural Resources Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2007</b>		

Recommendation <b>2</b>	<b>Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further. The Internal Audit Service will provide advice and guidance to help ANRD take this initiative forward.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.1.3)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 18 months</b>
Management Response	General Comments:		
	<b><i>To date the Risk Management exercise is already in progress under the guidance of the Internal Audit Service.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Agricultural and Natural Resources Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2008</b>		

Recommendation <b>3</b>	<b>For future Business Planning, ANRD should consider how the EFQM Excellence Model could be employed to ensure the department is running efficiently and effectively. Areas where assistance is needed should be highlighted.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.1.4)</i>		
Priority: (H/M/L)	<b>MEDIUM</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation – CANRO commented that ANRD would benefit from implementing parts of this model that is able to be implemented. This model would act as a foundation for ANRD to become a good service provider and also to improve wherever possible, on the standards of service provision. However, some assistance would be needed to enable implementation.</i></b>		
	<b><i>Accountant FPA has confirmed her work plan for the year includes providing assistance to Heads of Department with their Business Planning and will include the EFQM Excellence Model.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Agricultural and Natural Resources Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2007</b>		

Recommendation <b>4</b>	<b>For future Business Planning, ANRD should consider their KPIs in context of ensuring all Divisions within ANRD obtain VFM, rather than monitoring them in isolation and identify additional KPIs from their performance measures which focus on VFM attainment.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.1.5)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation – Audit Service to liaise with Accountant FPA on KPIs from the performance measures table during the Accountant FPA's program of assisting Head of Departments with their Business Planning process.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Agricultural and Natural Resources Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2007</b>		

Recommendation <b>5</b>	<b>The ANR Committee become involved at the compilation and review stages of the Business Planning process.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.1.6)</i>		
Priority: (H/M/L)	<b>MEDIUM</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Recommendation agreed to take forward to Committee</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Agricultural and Natural Resources Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2007</b>		

## FINANCE

Recommendation <b>6</b>	<b>The framework set by the Financial Secretary in 1999 is the current prescribed format for Departments to conform to in producing the Business Plans. Adherence is of utmost importance in ensuring uniformity throughout Government.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.2.2)</i>		
Priority: (H/M/L)	<b>MEDIUM</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation</i></b>		
	<b><i>CFO also commented, for previous years the budget and business plans were always produced 'side by side' where the business plan justified the resources (financial) needed.</i></b>		
	<b><i>This issue is currently being addressed by the Departments Line Managers, Financial Secretary and Chief Secretary.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Finance Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b>April 2007</b>		

<p>Recommendation <b>7</b></p>	<p><b>Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further. The Internal Audit Service will provide advice and guidance to help Finance take this initiative forward.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.2.3)</i></p>		
<p>Priority: (H/M/L)</p>	<p><b>HIGH</b></p>	<p>Anticipated Timeframe</p>	<p><b>Within 18 months</b></p>
<p>Management Response</p>	<p>General Comments: <b>Agreed for implementation</b></p> <p><i>The Finance Department has identified they are a high risk department and therefore the CFO is currently in liaison with IA Manager, to introduce the Risk Management strategy to the Finance Department.</i></p> <p>Officer responsible for Implementation: <b>Chief Finance Officer</b></p> <p>Implementation expected complete by: (Month &amp; Year) <b>April 2008</b></p>		
<p>Recommendation <b>8</b></p>	<p><b>For future Business Planning, Finance should consider how the EFQM Excellence Model could be employed to ensure the department is running efficiently and effectively. Areas where assistance is needed should be highlighted.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.2.4)</i></p>		
<p>Priority: (H/M/L)</p>	<p><b>MEDIUM</b></p>	<p>Anticipated Timeframe</p>	<p><b>Within 6 months</b></p>
<p>Management Response</p>	<p>General Comments: <b>CFO stated the he was waiting for response from Corporate SHG in regards to this model, as he recalled HoDs did agreed this model was useful but would need further assistance.</b></p> <p><i>Accountant FPA has confirmed her work plan for the year includes providing assistance to Heads of Department with their Business Planning and will include the EFQM Excellence Model.</i></p> <p>Officer responsible for Implementation: <b>Chief Finance Officer</b></p> <p>Implementation expected complete by: (Month &amp; Year) <b>April 2007</b></p>		
<p>Recommendation <b>9</b></p>	<p><b>Finance should consider including the two recommended KPIs by the Accountant FPA and KPIs from their current set of performance measures. The KPIs identified should have some consideration of VFM attainment as required by SHG.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.2.5)</i></p>		
<p>Priority: (H/M/L)</p>	<p><b>HIGH</b></p>	<p>Anticipated Timeframe</p>	<p><b>Within 6 months</b></p>
<p>Management Response</p>	<p>General Comments: <b>Agreed for implementation</b></p> <p><i>CFO commented however for the KPI ‘% of actual departmental expenditure covered through revenue raised’ would take a different meaning for the Finance Department as the revenue and expenditure incurred are done so against the activities Finance undertake on behalf of SHG ie income tax, subsidies etc</i></p> <p>Officer responsible for Implementation: <b>Chief Finance Officer</b></p> <p>Implementation expected complete by: (Month &amp; Year) <b>April 2007</b></p>		

## PERSONNEL

Recommendation <b>10</b>	<b>For each action in the table, a performance measure and target is included to effectively measure the department's objectives.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.3.3)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 5 months</b>
Management Response	General Comments: <b>Agreed for implementation – Audit Service will provide advice on the performance measures table.</b>		
	Officer responsible for Implementation: <b>Chief Personnel Officer</b>		
	Implementation expected complete by: (Month & Year) <b>April 2007</b>		

Recommendation <b>11</b>	<b>Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further. The Internal Audit Service will provide advice and guidance to help Personnel take this initiative forward.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.3.3)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 24 months</b>
Management Response	General Comments: <b>Agreed for implementation – CPO commented, they were expecting feedback from the pilot department before any further steps were considered.</b>		
	<b>Internal Audit to advise the action plan for implementation of risk management.</b>		
	Officer responsible for Implementation: <b>Chief Personnel Officer</b>		
	Implementation expected complete by: (Month & Year) <b>April 2008</b>		

Recommendation <b>12</b>	<b>For future Business Planning, Personnel should consider how the EFQM Excellence Model could be employed to ensure the department is running efficiently and effectively. Areas where assistance is needed should be highlighted.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.3.4)</i>		
Priority: (H/M/L)	<b>MEDIUM</b>	Anticipated Timeframe	<b>Within 12 months</b>
Management Response	General Comments: <b>CPO was waiting on Corporate SHG for initiation. However minutes of the HOD's forum stated HODs were to response back to the HE Governor on whether they would need help.</b>		
	<b>Accountant FPA has confirmed her work plan for the year includes providing assistance to Heads of Department with their Business Planning and will include the EFQM Excellence Model.</b>		
	Officer responsible for Implementation: <b>Chief Personnel Officer</b>		
	Implementation expected complete by: (Month & Year) <b>April 2008</b>		

Recommendation <b>13</b>	<p><b>The Business Plan Memo dated 06/02/06 issued by the Accountant FPA should be considered for implementation in future Business Planning processes. In particular the selection of 'key' performance measures from amongst the current set and ensuring the Business Plan is approved by the Line Manager.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.3.5)</i></p>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 4 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation – Audit Service to liaise with Accountant FPA on KPIs from the performance measures table during the Accountant FPA's program of assisting Head of Departments with their Business Planning process.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Personnel Officer</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b><i>April 2007</i></b>		

### POLICE

Recommendation <b>14</b>	<p><b>As stipulated by the FS Memo 5/3 dated 20/07/99 by the Financial Secretary, the Business Plans must conform to the agreed National Strategic Objectives. The Police Service should indicate through their Business Plan that their activities are in compliance.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.4.2)</i></p>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 6 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Of Police</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b><i>April 2007</i></b>		

Recommendation <b>15</b>	<p><b>Overall arrangements for Risk Management – the identification of threats to objectives and agreement of appropriate mitigation plans – need to be developed further. The Internal Audit Service will provide advice and guidance to help the Police Service take this initiative forward.</b></p> <p><i>(For Audit Finding on which this is based, refer to Main Report, Section 3.4.3)</i></p>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 12 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation.</i></b>		
	<b><i>COP to liaise with Internal Audit Service on risk management.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Of Police</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b><i>April 2008</i></b>		

Recommendation <b>16</b>	<b>For future Business Planning, the Police Service should consider how the EFQM Excellence Model could be employed to ensure the department is running efficiently and effectively. Areas where assistance is needed should be highlighted.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.4.4)</i>		
Priority: (H/M/L)	<b>MEDIUM</b>	Anticipated Timeframe	<b>Within 12 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation.</i></b>		
	<b><i>Accountant FPA has confirmed her work plan for the year includes providing assistance to Heads of Department with their Business Planning and will include the EFQM Excellence Model.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Of Police</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b><i>April 2007</i></b>		

Recommendation <b>17</b>	<b>The Business Plan Memo dated 06/02/06 issued by the Accountant FPA should be considered for implementation in future Business Planning processes. In particular the inclusion of the 'cross-cutting' KPI and a selection of 'key' performance measures from amongst the current set.</b>		
	<i>(For Audit Finding on which this is based, refer to Main Report, Section 3.4.5)</i>		
Priority: (H/M/L)	<b>HIGH</b>	Anticipated Timeframe	<b>Within 12 months</b>
Management Response	General Comments:		
	<b><i>Agreed for implementation.</i></b>		
	<b><i>COP and ASP confirmed in prioritising the performance measures, KPIs can be identified.</i></b>		
	Officer responsible for Implementation:		
	<b><i>Chief Of Police</i></b>		
	Implementation expected complete by: (Month & Year)		
	<b><i>April 2007</i></b>		

## 5. FOLLOW UP ON PROGRESS MADE AGAINST THE RECOMMENDATIONS IN FEBRUARY 2006 REPORT

- 5.1 In February 2006, the first Business Planning and Key Performance Indicators VFM report was issued, which included a total of 16 recommendations agreed by management (6 of which have been classified high priority).
- 5.2 The review comprised a look at;
- Overall Government approach to Business Planning and
  - Business Planning in the Departments of:
    - Office of the Chief Secretary,
    - Legal, Lands and Planning,
    - The Post Office and
    - Employment and Social Security.
- 5.3 The recommendations included;
- Finalise and approve the Strategic Development Plan and the new Country Policy Plan taking detailed planning beyond 2005/06 as a matter of urgency
  - Introduce an annual central review and challenge of Department business plans
  - Government Committees to review and approve their Department business plan
  - Review, revise and re-enforce best practice planning guidance for Departments
  - Identify a small set of 'cross-cutting' performance indicators relevant to all Departments with Business such that Business Plans will show targets and achievements towards them year on year. Examples of possible indicators are;
    - % Staff Appraisals complete by a set date in the year
    - Average Number of days absent per annum per employee
    - % of actual Departmental expenditure covered through Departmental revenue raised
  - Identify further small sets of Departmental and Value For Money specific indicators – agreed by Departmental Committees where they exist
  - Further develop the approach to Risk Management

- 5.4 Follow up on the above was undertaken through the Saint Helena Audit Service 'Recommendation Tracker', a management tool provided for the use of Heads of Department and those charged with governance, showing the state of play on a monthly basis with regard to audit recommendations made. Progress or implementation developments are reported by Heads of Department in writing to the Internal Audit Manager, who updates relevant trackers accordingly. Recommendation status during our follow up review identified:

### Central Government Planning

Current Status of Recommendations	Number of Recommendations
Implemented (or agreed no longer appropriate)	3
Outstanding – but within agreed timescale	2
Outstanding – and beyond agreed timescale	2

### Office of Chief Secretary Department Business Plan

Current Status of Recommendations	Number of Recommendations
Implemented (or agreed no longer appropriate)	0
Outstanding – but within agreed timescale	0
Outstanding – and beyond agreed timescale	2

### Post Office Department Business Plan

Current Status of Recommendations	Number of Recommendations
Implemented (or agreed no longer appropriate)	1
Outstanding – but within agreed timescale	2
Outstanding – and beyond agreed timescale	0

### Legal, Lands and Planning Department Business Plan

*No Recommendations Made*

**Employment and Social Security Department  
Business Plan**

<b>Current Status of Recommendations</b>	<b>Number of Recommendations</b>
Implemented (or agreed no longer appropriate)	0
Outstanding – but within agreed timescale	0
Outstanding – and beyond agreed timescale	3

5.5 Of the 16 recommendations made overall, 4 of those have been implemented to date, 4 are still within the timescales

agreed for implementation and 7 have not been implemented and is outstanding.

5.6 Whilst implementation is the responsibility of Management, the Audit Service will continue to follow up on outstanding recommendations on a monthly basis, until confirmation is received of implementation or of issues that affect implementation.

**APPENDIX A****INITIAL ASSIGNMENT PLAN**

<b>ASSIGNMENT:</b>	<b>BUSINESS PLANNING &amp; KEY PERFORMANCE INDICATORS (Year 2 of 3)</b>
<b>AUDIT DAYS:</b>	<b>53</b>
<b>TIME CODE:</b>	<b>V41</b>
<b>START DATE:</b>	<b>May 5<sup>th</sup></b>
<b>TARGET END DATE:</b>	<b>August 31<sup>st</sup></b>

**OBJECTIVE**

a) To review, in Year 2 of the programme, a further 4 Departments to assess whether SHG Business Planning is conducive to ensuring VFM – looking for and testing the compatibility with the set SHG Business Planning Framework and the identification, presentation and measurement of appropriate key performance indicators covering the areas of economy, efficiency and effectiveness.

Departments for review – **A&NRD, Police, Finance & Personnel**

b) To follow up and report on progress made against the 16 recommendations made in the original February 2006 report.

**AUDIT APPROACH**

Work programmes will be structured to assess;

- o Do Department's have current Business Plans in accordance with required SHG format?
- o Have they met the subsequent requirements set by the Accountant FPA memo 6/2/06?
- o Is there any consideration evident of the 'best practice' inclusion of the Excellence Model as a planning guide – which was recommended to – and verbally accepted by - Heads of Department in late 2005?
- o Do Departments have robust KPI's with regard to economy, efficiency & effectiveness of operations in their Business Plans? If not can we take a distinct area of the Department, understand its operation and then provide examples and suggestions.
- o How is attainment of KPI's reported?
- o Are KPI's reported consistently year on year to show change? By what means and to whom?
- o Testing a sample, is the basis of measurement properly evidenced and can it be verified?

**PERSONNEL, ROLES & TIME ALLOCATION**

Andy Bonner	Initial Programme Design, Support & Guidance to Lead Auditor as required, Draft Report & File Review.	3 days
Helena Bennett	Lead Auditor. Programme Implementation and delivery – Follow up prior year recommendations - Support / Guidance / Review to Assistants where required - Direct full involvement in A&NRD Department. Draft Report Production.	20 days
Sheridan Richards	Responsibility for 1 Department	10 days
Krystal Phillips	Responsibility for 1 Department	10 days
Sophie Young	Responsibility for 1 Department (not Personnel – family connections)	10 days
<b>TOTAL DAYS:</b>		<b>53 Days</b>

**EXTERNAL REPORTING**

A single consolidated draft report of the 2006 assignment will be produced for the relevant Heads of Department and the Financial Secretary / Chief Secretary for discussion before the final report is produced for the Audit Committee – or whatever body is fulfilling such a role at the time of report finalisation.

**APPENDIX B****AUDIT OPINION DEFINITIONS**

Every VFM audit concludes with an overall opinion based upon individual opinions that are applied to each of the review areas identified as part of the cope of the audit. The possible range of opinions, together with an explanation of their meanings follows;

<i>VALUE FOR MONEY OPINION</i>	
<b>GOOD</b>	Management arrangements are conducive to achieving Value For Money and only minor enhancements, if any, can be identified.
<b>ADEQUATE</b>	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
<b>INADEQUATE</b>	Management arrangements are not considered to be adequately conducive to achieving maximum Value For Money

**APPENDIX C****LIST OF PERSONNEL CONSULTED DURING AUDIT**

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

<b>NAME</b>	<b>JOB TITLE</b>	<b>SECTION / AREA</b>
Darren Duncan	Chief Agriculture and Natural Resources Officer	St Helena Government – Agricultural and Natural Resources Department
Desmond Wade	Chief Finance Officer	St Helena Government – Finance Department
Lorrian Yon	Executive Officer	St Helena Government – Finance Department, Administration Section
Gillian Knipe	Income Tax Officer	St Helena Government – Finance Department, Income Tax Section
Enid Joshua	Finance Officer	St Helena Government – Finance Department, Revenue Section
Dax Richards	Senior Accountant	St Helena Government – Finance Department, Accounts Section
Jackie Lawrence	Acting IT Section Manager	St Helena Government – Finance Department, IT Section
Barbara George	Chief Personnel Officer	St Helena Government – Personnel Department
Jeffrey Ellick	Assistant Superintendent of Police	St Helena Government – Police Department
Janella Scipio	Immigration Officer	St Helena Government – Police Department
Geno Moyce	Vehicle Inspector	St Helena Government – Police Department

## APPENDIX D

### EFQM EXCELLENCE MODEL

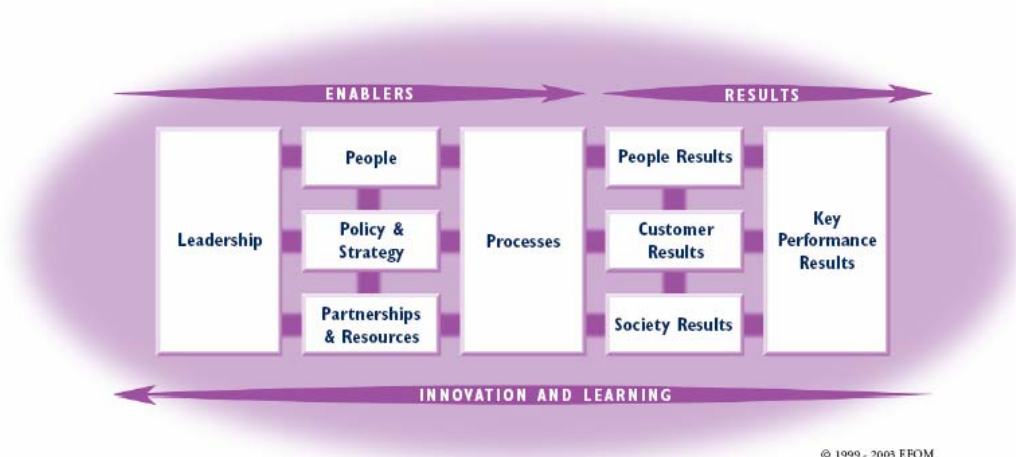
The EFQM Excellence Model is a practical tool that can be used in a number of different ways:

- As a tool for Self Assessment
- As a way to Benchmark with other organisations
- As a guide to identify areas for Improvement
- As the basis for a common Vocabulary and a way of thinking
- As a Structure for the organisation's management system

The Excellence Model was launched by the European Foundation for Quality Management in 1991 and is now used widely throughout Europe and increasingly across the world.

This model was endorsed and suggested to the Saint Helena Government Departments for incorporation into the Business Planning process by HE Governor in 2005.

In fitting the Excellence Model within the Business Plan, each of the identified Strategic Objectives should be considered in the context of the nine components of the Excellence Model. Five of the components are categorised as Enablers (How we do things) and the remaining four as Results (What we target, measure and achieve):



*This isn't all about change –  
What we do right and what we do well should remain as a Business Plan goal for us to repeat.*

*Chief Auditor, Andy Bonner, Business Planning & Audit Away Day, 13 Mar 06*