

ANNEX D - SUMMARY OF THE GOVERNMENT RESPONSE AND ACTION PLAN TO MATTERS ARISING FROM THE 2017/18 SHG FINANCIAL STATEMENTS AUDIT

MATTER ARISING	DETAILS	SHG RESPONSE AND PLANNED ACTION	LEAD/ RESPONSIBLE PERSON	TIMEFRAME
Qualification 1 relating to Infrastructure Valuation	The Chief Auditor was unable to obtain sufficient appropriate audit evidence regarding the asset valuation of St Helena Airport, Rupert's Wharf and Infrastructure Roads by the reporting date either from management or by using alternative audit procedures. He was therefore unable to determine whether the earned value basis as stated fairly presents the replacement cost of these assets and whether any adjustment would be necessary to the reported value of Property Plant and Equipment.	<p>Corporate Finance recognises that this is a specialised area and that the recent valuation of property did not cover these assets. A suitably qualified and experienced valuer is required to undertake the valuation of these key infrastructure assets to provide the Chief Auditor with the level of assurance he requires on the disclosures in the Financial Statements.</p> <p>Corporate Finance approached the Valuation Office in the UK last year to carry out this work for inclusion in the financial statements for 2016/17. However they were unable to provide this service. More recently another firm capable of providing this service was approached for a quote which came back in the region of £100K.</p> <p>Management will carry out an appraisal of the expected benefits of the work against the estimated costs and also continue to explore options, if necessary, for taking this work forward to ensure that value for money is achieved.</p>	Head of Finance Services	By September 2019
Qualification 2 relating to Special Funds	Note 11.15.2.1 reports the restated balances and movements on Special Funds established by order to enable individual projects to be accounted for	This required work to reconcile expenditure and revenue under these capital projects. This work has now been completed but could not be completed in time for the audit	N/A	N/A

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	<p>separately to the Consolidated Fund. I was unable to secure sufficient appropriate evidence regarding the restated transactions and balances on the DFID Project Fund at £0.374m overdrawn, and the DFID Infrastructure Fund at £0.540m overdrawn, and the EDF Projects Fund at £0.425m in-hand at 31 March 2018, either from management or by using alternative audit procedures within the timetable required for reporting the audit. In these circumstances, I am unable to determine whether any further adjustments are necessary to Special Fund balances in Note 11.15.2.1 and reported in the Statement of Financial Position.</p>	<p>reporting timetable for 2017/18. It is therefore anticipated that this qualification will be cleared for the 2018/19 audit.</p> <p>No further action required at this stage.</p>		
<p>Qualification 3 on Non-current Investments</p>	<p>Non-current investments amounting to £28.206m at 31 March 2018 (£28.620m at 31 March 2017) and reported in Note 11.2.2 represent the carrying value of SHG's ownership interest in subsidiary entities. The equity interest in the Bank of St Helena Ltd, carried on the basis of net assets of £5.963m at 31 March 2018, forms part of these non-current investments.</p> <p>Due to restricted access to the financial information and underlying records maintained by the Bank, the Chief Auditor was unable to obtain sufficient appropriate evidence about the carrying amount of</p>	<p>See response to recommendations 2 and 3 for 2017/18 below.</p>	<p>N/A</p>	<p>N/A</p>

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	SHG's investment in the Bank of St Helena Ltd as at 31 March 2018, either from management or by using alternative audit procedures, within the timetable required for reporting the audit. Consequently, he was unable to determine whether any adjustments were necessary to the amount of non-current investments reported in the Statement of Financial Position and Note 11.2.2.			
Qualification 4 on Customs Revenue	Revenues from duties levied on imported goods are managed through ASYCUDA. The revenues reported from ASYCUDA are £0.576m less than those recognised within taxation in the Statement of Financial Performance. A reconciliation has now been performed but was not completed in time for the audit reporting timetable and therefore the Chief Auditor has had to report that he is unable to secure adequate appropriate evidence regarding the completeness and accuracy of the reported revenues and his opinion on fair presentation is therefore qualified due to this limitation of scope. This reconciliation will feature as a standard control moving forward and will be performed on a monthly basis. It is anticipated that this qualification will be cleared as part of the 2018/19 work.	See response to recommendation 5 for 2017/18 below.	N/A	N/A

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Recommendation 1 2017/18 SHG Audit	The Financial Secretary should improve the presentation and disclosure of Special Funds in Note 11.15.2 by reporting separately the funds received and funds applied for each Fund rather than a simple net surplus/(deficit) for the period.	Recommendation agreed. This format change will be implemented in the preparation of the 2018/19 Financial Statements.	Financial Accountant	June 2019
Recommendation 2 2017/18 SHG Audit	SHG should introduce an express reservation within the articles of association of all controlled entities to require that the appointed auditor of any entity is approved by Chief Auditor.	This recommendation will be considered by management along with other options.	Financial Secretary	By 31 March 2020
Recommendation 3 2017/18 SHG Audit	SHG should amend the Companies Ordinance to permit the auditor of any group of companies a right of access to the financial records of any subsidiary within that group.	This is a policy matter for Legislative Council to amend the Companies legislation and will be considered by management as part of the work under recommendation 2 above.	Financial Secretary	By 31 March 2020
Recommendation 4 2017/18 SHG Audit	The Financial Secretary should ensure that essential internal accounting controls including routine bank reconciliations are completed timeously.	Recommendation agreed and implemented. This was a weaknesses at the end of 2017/18 financial year and is now being carried out on a timely basis.	Business Support Manager	Action completed.
Recommendation 5 2017/18 SHG Audit	The Financial Secretary should ensure that a routine reconciliation is performed between the customs revenues in ASYCUDA and the main accounting system.	Recommendation agreed. This new control will now form part of the routine month end processes.	Financial Accountant	May 2019
Recommendation 6 2017/18 SHG Audit	The Financial Secretary should ensure that claims for aid-funded expenditure are made on time and accompanied with adequate supporting documentation. A claims register should be maintained so as to track submission and subsequent	Recommendation agreed. This was a weaknesses at the end of 2017/18 financial year and is now being carried out on a timely basis.	Business Support Manager	Action completed.

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	settlement of claims with appropriate follow-up with the donor organisation.			
Recommendation 7 2017/18 SHG Audit	The Financial Secretary should take steps to assess and write-off the loss of income due to uncollected permits and ensure that procedures for the collection of income from all sources associated with the opening of the airport are reviewed to ensure that controls are adequate in design and effective in operation.	The collection of revenues at St Helena Airport has now been addressed and is working effectively. The write-off of loss of income will be assessed and considered.	Head of Finance Services Financial Secretary	Action completed. May 2019
Recommendation 8 2017/18 SHG Audit	The Financial Secretary should ensure that SHG audit deadlines are clearly communicated to all controlled entities. Controlled entities should prepare monthly and quarterly management accounts to help improve efficiencies and identify bottle-necks before the year-end financial preparation.	This is already being done but consideration will be given to ensure that it is done on a timelier basis.	Finance Business Manager	June 2019
Recommendation 1 2016/17 SHG Audit	The Financial Secretary should perform a technical accounting review of the Crown Forest to estimate the commercial value of the forest plantation for potential recognition of an agricultural asset under IPSAS 27.	The Financial Accountant and Head of Finance Services will conduct a technical review as part of the preparation of the 2018/19 SHG Financial Statements to determine: a) Whether the Crown Forest satisfies the recognition criteria in accordance with IPSAS 27; b) Depending on the outcome of a) determine a method with ANRD as to how to value the forest for the financial statements.	Financial Accountant	June 2019

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<p>Recommendation 2 2016/17 SHG Audit</p>	<p>The Financial Secretary should establish internal arrangements to ensure due compliance with statutory and regulatory requirements for the financial administration of St Helena.</p>	<p>Corporate Finance as part of their improvement plan established a legislative compliance management process where senior managers within Corporate Finance across all work streams report on their compliance.</p> <p>The various statutory processes are now embedded within the routine processes for Corporate Finance and there is greater awareness within the team of the provisions of the Constitution and the Public Finance Ordinance. Action completed.</p>	<p>N/A</p>	<p>N/A</p>
<p>Recommendation 3 2016/17 SHG Audit</p>	<p>The Financial Secretary should review the relevant statutory provisions for financial control and financial reporting purposes and propose legislative amendments in preparation for the implementation of accruals budgeting in 2019/20.</p>	<p>This work is still ongoing. The review will consider the benefits and challenges of cash based, modified cash based and accruals based budgeting and make a recommendation to Executive Council on the best course of action. Importantly the review will determine the recognition criteria of expenditure and revenue for budgeting purposes in accordance with the law for the recommended method. The review will also recommend the legislative and policy changes required to implement the recommended course of action.</p>	<p>Deputy Financial Secretary</p>	<p>By March 2020</p>
<p>Recommendation 4 2016/17 SHG Audit</p>	<p>SHG should develop and implement a financial management improvement programme with resource requirements to build financial management capacity and capability across Government.</p>	<p>A restructure of the central finance team including the centralisation of the finance function was approved by the Chief Secretary.</p>	<p>N/A</p>	<p>N/A</p>

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		<p>The establishment of the Financial Reporting Unit, Performance Management Unit and Business Support Unit has strengthen the team. The additional resources identified has increase the technical capacity for financial management within Corporate Finance and across the Government.</p> <p>Action completed.</p>		
<p>Recommendation 5 2016/17 SHG Audit</p>	<p>The Financial Secretary should seek to improve efficiency and accuracy in the statutory accounts production process through automation and quality assurance protocols.</p>	<p>Corporate Finance has committed to adopt the use of software to prepare the Financial Statements for 2018/19.</p> <p>However, further quality controls are being implemented as part of the preparation process including planned review dates, IPSAS compliance, and check list approach to compliance.</p>	<p>Financial Accountant</p>	<p>June 2019</p>
<p>Recommendation 6 2016/17 SHG Audit</p>	<p>The Financial Secretary should develop an action plan linked to identify resources to address outstanding Management Letter recommendations.</p>	<p>Outstanding Management Letter recommendations will be included with overall PAC recommendations and an action plan to address all recommendations will be put in place. It is recognised that we will not be able to address all recommendations immediately but that some recommendations will remain until such time as resources become available or circumstances change.</p>	<p>Deputy Financial Secretary</p>	<p>June 2019</p>