



# **St Helena Government**

## **Financial Statements**

**2015/2016**

These are the financial statements of St Helena Government laid before Legislative Council pursuant to section 109(3) of the Constitution of St Helena, Ascension and Tristan Da Cunha.

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## Financial Secretary's Report

### Introduction

The purpose of this report, which can also be referred to as a Financial Statement Discussion and Analysis, is to highlight information and provide explanations of significant items, transactions and events affecting the financial position, financial performance and cash flows of St Helena Government (SHG). It is designed to complement and enhance understanding of the financial statements and provide information useful to users for accountability and decision making purposes.

### Overview

SHG is the governing body of the Island of St Helena and is led by the Legislative Council of Elected Members and *Ex Officio* Members as defined in the Constitution. SHG is domiciled and operates within the Island of St Helena in the South Atlantic Ocean.

SHG's principle activity is the provision of essential public services, which include Health, Safeguarding, Education, Environmental and Natural Resources, Policing and Access.

SHG receives a significant proportion of its funding each year from the UK Government, through the Department for International Development (DfID). The Budget Aid Mission team (BAM), which is made up of delegates from DfID, visited in November 2015 and following a series of discussions with the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations an aid settlement for 2015/16 was agreed.

### Strategic Priorities

The Sustainable Development Plan (SDP) is SHG's highest level planning document. It sets out the strategic vision for St Helena.

Our priorities are focussed on the challenge of making St Helena ready to maximise the benefits arising from air access and to deliver key services for the community. The diagram below shows the national framework:

THE VISION		
STRENGTHENED COMMUNITY AND FAMILY LIFE THROUGH VIBRANT ECONOMIC GROWTH, WITH OPPORTUNITIES FOR ALL TO PARTICIPATE, WITHIN A FRAMEWORK OF EFFECTIVE GOVERNMENT AND LAW		
NATIONAL GOAL 1	NATIONAL GOAL 2	NATIONAL GOAL 3
A VIBRANT ECONOMY PROVIDING OPPORTUNITIES FOR ALL TO PARTICIPATE	STRONG COMMUNITY AND FAMILY LIFE	EFFECTIVE MANAGEMENT OF THE ENVIRONMENT
SUPPORTING FRAMEWORK		
EFFICIENT, EFFECTIVE AND OPEN GOVERNMENT		

SHG's annual budget is approved in March each year by Legislative Council and is developed through the Medium Term Expenditure Framework (MTEF) process. Supporting strategic priorities whilst remaining within the funding limits has involved SHG making difficult decisions to reduce or cease activity in other areas.

Appropriation Ordinance 2015, enacted by the Governor of St Helena on the advice and consent of Legislative Council set out the approved budget for Directorates in the financial year commencing 1 April 2015.

Financial performance against the approved budget is reported to Legislative Council monthly in the form of management accounts, which are in accordance with the Directorate structure under which SHG operates.

## **Financial Statements**

These financial statements are made up of the following core financial statements as well as the accompanying notes to the core financial statements.

- Statement of Financial Performance.
- Statement of Financial Position.
- Statement of Changes in Net Assets/Reserves.
- Statement of Cash Flows.
- Statement of Comparison of Budget and Actual Amounts.

The core financial statements are shown on pages 12-17, and further detailed information is presented in the notes to the core financial statements. Comparative figures for the previous financial year are provided.

These financial statements of St Helena Government (SHG) are prepared in accordance with the requirements of section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance.

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting and in accordance with section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance.

IPSAS 6 *Consolidated and Separate Financial Statements* requires SHG to prepare consolidated financial statements, which would incorporate the financial statements of other entities over which SHG has control. SHG does not comply with this requirement of the reporting framework as it was not possible to prepare consolidated financial statements by a date that would allow them to be audited alongside these financial statements. This was due mainly to the audited financial statements of some controlled entities not being available until mid-to-late November 2016.

It should be noted that the financial statements do not align to the way in which financial information is reported in the management accounts. This is due to the management accounts being prepared on a modified cash basis and the financial statements being prepared on an accruals basis. Note 8 to the financial statements sets out a reconciliation between the financial performance reported in the March 2016 management accounts and the Statement of Financial Performance.

### **Airport Infrastructure Project and the Wharf Project**

These two large infrastructure projects that will result in Saint Helena's first airport and a new wharf at Ruperts Bay were ongoing during 2015/16.

Due to the large contract values and how they are accounted for, the Airport Infrastructure and Wharf Projects have a significant impact on the financial statements and without explanation could lead to a misunderstanding of the financial performance and financial position of SHG.

The Airport Infrastructure Project and a share of the Wharf Project are funded by the UK Government. This funding is reported as revenue within the Statement of Financial Performance and totals £14,361k in 2015/16 (£36,726k in 2014/15). This means that 23% of the reported total revenue in 2015/16 (45% in 2014/15) is in relation to earmarked funding for the two projects that is not available to fund other SHG services.

The project funding is credited to the Aid Funded Infrastructure Reserve, which increases the reported value of SHG's Funds and Reserves in the Statement of Financial Position. The cumulative total funding credited to the Aid Funded Infrastructure Reserve at 31 March 2016 is £226,581k (£212,220k at 31 March 2015). SHG's total Funds and Reserves at 31 March 2016 including the Aid Funded Infrastructure Reserve is £217,997k (£210,654k at 31 March 2015).

Assets Under Construction includes the fair value of works completed on the Airport Infrastructure Project, which totalled £202,644k at 31 March 2016 (£156,256k at 31 March 2015). It also includes the carrying value of the Wharf Project, which was £14,996k at 31 March 2016 (£10,513k at 31 March 2015). This makes up over 90% of SHG's reported Property, Plant and Equipment total.

The difference between the value of payments made to the contractor by the UK Government and SHG and the carrying value of works completed on the two projects is recognised as a prepayment in the Statement of Financial Position. £14,520k of the reported prepayments total of £16,045k at 31 March 2016 was in relation to the two projects (£48,289k of the reported prepayments total of £49,740k at 31 March 2015).

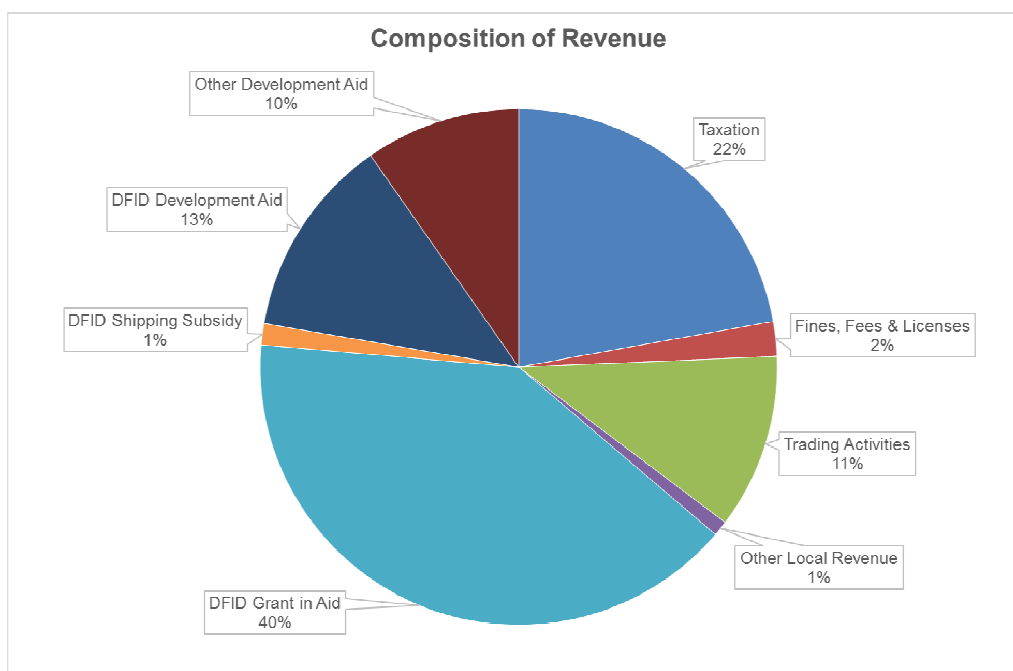
## **Statement of Financial Performance**

This statement sets out the expenditure and revenues of SHG during the financial year. It shows the expenditure incurred in the delivery of services and projects and the revenues received to fund services and projects. Notes 5 and 6 to the financial statements show a breakdown of revenue and expenditure by category.

### **Revenue**

The Statement of Financial Performance shows that total revenue in 2015/16 was £61,626k (£80,831k in 2014/15), a reduction of £19,205k from 2014/15. The statement contains a number of non-cash items in order to comply with proper accounting practice, these include the Non-exchange DfID Infrastructure Aid Funding, as well as Movements in Non-current Investments and Non-exchange Donated Asset Funding. After excluding non-cash items, total revenue in 2015/16 was £46,477k (£42,688k in 2014/15). There has been a continued increase in revenues from Taxation. DfID Grant in Aid has increased, partly due to the surplus on DfID Shipping Subsidy being transferred to Grant in Aid to support other priority areas of recurrent spend, which also explains the year on year drop in DfID Shipping Subsidy. There has also been a £5,421k reduction in DfID Development Aid in 2015/16 due to a reduction in funding recognised for the Capital Programme and the cessation of the Short Term Technical Cooperation funding in 2014/15. Other Development Aid includes £3,752k of European Development Fund grant which is an increase on the prior year due to the timing of claims.

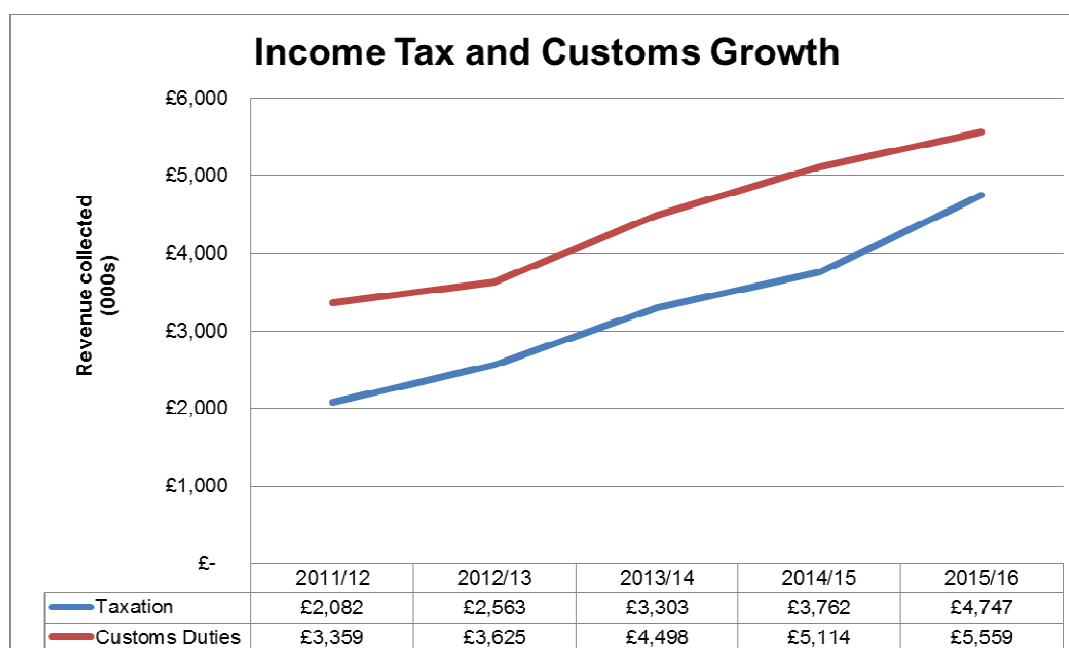
The following chart shows the proportion of revenue received from each funding source during the year (excluding the non-cash items listed above):



We have assessed the total revenue collected during the financial year (excluding non-cash items, internal sales, DfID Development Aid and Other Development Aid) against budgeted revenue. This has allowed us to assess the degree to which SHG achieved the revenue projected during the budget setting process. Our ability to deliver key services is dependent on our ability to appropriately forecast revenues. Actual revenue collected was £144k higher than the original budget for this financial year.

Revenues continued to grow during the financial year both on Taxation and Customs Duties. Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on which to estimate future tax revenues.

The following chart shows the growth in revenue from Taxation and Customs Duties over the past five years, which is due to growth in the economy and changes in tax policies during that period.



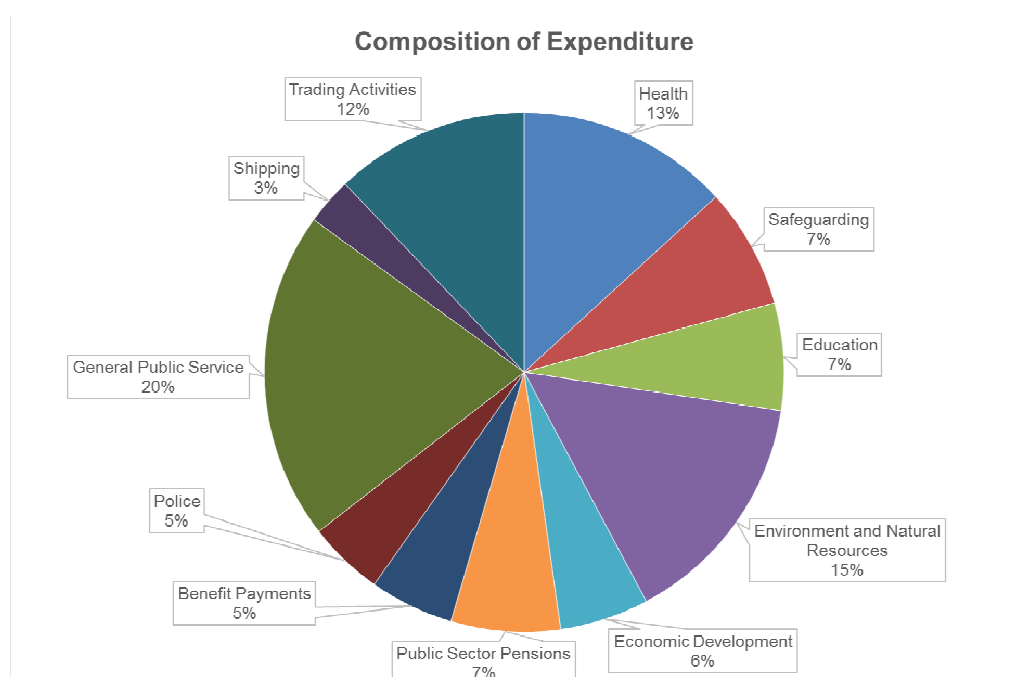
Work continues on developing changes to import duties. During this financial year we equalised the rates of duty on Petrol and Diesel.

The rates on specific duties were also increased in line with inflation as in previous years and imports by Government departments were subject to import duty. This policy change is intended to provide a 'level playing field' for local suppliers to Government who have had to pay customs duties on their imported supplies.

### Expenditure

The Statement of Financial Performance shows that total expenditure in 2015/16 was £43,267k (£42,284k in 2014/15), an increase of £983k from 2014/15.

The following chart shows how total expenditure in 2015/16 was distributed by Head of Expenditure:



The Statement of Financial Performance shows that the overall surplus (total revenue less total expenditure) reported in 2015/16 was £18,359k (£38,547k in 2014/15). After removing non-cash revenues (listed previously) the overall surplus was £3,210k in 2015/16 (£404k in 2014/15).

The overall surplus is analysed and allocated between the Consolidated Fund and Special Funds in a statement on page 58, which shows each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund and Special Funds for the year ended 31 March 2016.

### **Statement of Financial Position**

The Statement of Financial Position summarises the financial position of SHG at 31 March 2016 and shows the net worth of SHG's assets and liabilities of £217,997k. It includes Funds and Reserves, and all Assets and Liabilities employed in SHG's operations. It shows that SHG has Non-current Assets (mainly Property, Plant and Equipment and Investments) with carrying values in the accounts of £255,551k, an increase of £52,711k from 31 March 2015. This increase is mainly as a result of an increase in the fair value of works completed on the DfID funded Airport Infrastructure Project and the Wharf Project.



Current Assets have decreased in year by £32,137k. This is due largely to a net decrease in Prepayments in relation to the Airport Infrastructure and Wharf Projects (£33,769k) and a decrease in Investments (£1,801k), offset by an increase in Recoverables from Non-Exchange Transactions of £3,749k due to the timing of grant claims to the European Commission.

Current Liabilities have increased by just £710k and Non-current Liabilities have increased by £12,371k due to the increase in the Actuarial Pension Liability (see Note 20 for further details).

### **Statement of Changes in Net Assets/Reserves**

This statement sets out the movements in the Funds and Reserves of SHG. There is a statutory authority for SHG to maintain only two forms of Funds and Reserves:

- Consolidated Fund
- Special Funds

#### **Consolidated Fund**

The Consolidated Fund is analysed into six reserves and an explanation of each of the reserves along with a detailed analysis of the movements on each reserve is shown in Note 23 to the financial statements.

At the 31 March 2016 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £211,415k (£204,059k at 31 March 2015). The increase of £7,356k is mainly as a result of recognising Non-exchange DfID Infrastructure Aid Funding for the Airport Infrastructure and Wharf Projects (£14,361k). A further £6,854k has also been transferred from Special Funds to the Consolidated Fund in relation to the financing of capital expenditure. These have been offset by the movements on the Pension Reserve in relation to the increase in the Actuarial Pension Liability.

#### **Special Funds**

Special Funds are established by order and enable individual projects and trading activities to be accounted for separate to the Consolidated Fund. Special Funds are split between Projects, Trading Activities and Other Funds. A detailed analysis of the movements on each of the Special Funds can be found within Note 23 to the financial statements.

At the 31 March 2016 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £6,582k (£6,595k at 31 March 2015).

### **Statement of Cash Flows**

This statement summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes. It shows that the total of SHG's Cash and Cash Equivalents decreased by £394k in year.

### **Statement of Comparison of Budget and Actual Amounts**

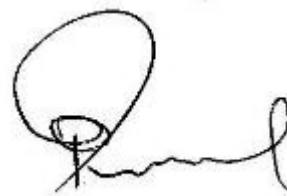
This statement shows the original budget, final budget and the expenditure and revenues of SHG services, reported in SHG's March 2016 management accounts. Note 7 to the financial statements provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and the actual expenditure and revenues reported in the March 2016 management accounts.

## **Capital Expenditure**

During the financial year SHG received financial support from external bodies, including DfID, for particular capital projects. In addition to this SHG made a commitment to draw down on Reserves to further support the capital programme.

Additions of Property, Plant and Equipment in 2015/16 totalled £3,050k (excluding Airport Infrastructure and Wharf Project additions included within Assets Under Construction). The most significant acquisition categories were Assets Under Construction (£2,007k) which largely relates to the refurbishment of the General Hospital and Plant, Machinery, Equipment and Motor Vehicles (£407k).

In closing I would like to give special thanks to the hard work of the finance team in pulling together these financial statements.

A handwritten signature in black ink, appearing to read 'Dax Richards', with a large, stylized initial 'D'.

Dax Richards  
Financial Secretary

14 December 2016



## SAINT HELENA AUDIT SERVICE External Auditors

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST HELENA GOVERNMENT**

I have audited the Financial Statements of St Helena Government for the year ended 31 March 2016 under the Public Finance Ordinance 2010. The St Helena Government Financial Statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Revenue and Expenditure upon the Consolidated Fund and Special Funds, Statement of Trust Fund Movements, and the related notes.

#### **Respective responsibilities of the Financial Secretary and the Chief Auditor**

The Financial Secretary is responsible for preparing the Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS) and being satisfied that they present fairly the financial position, financial performance, and cash flows of St Helena Government. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board (APB) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the government's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Financial Secretary; and the overall presentation of the financial statements.

I also assess whether the accounts and financial statements have been prepared in accordance with all relevant laws and policies; and whether in all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them.

I read all the financial and non-financial information published with the Financial Statements to identify material inconsistencies with the audited Financial Statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

#### **Basis for Qualified Opinion**

##### **1. Classification of reserves**

The Bulk Fuel Installation (BFI) is a trading activity of Government for which a Special Fund was established during the year ended 31 March 2016. Prior to the establishment of this Fund the BFI reserve was incorrectly classified within Special Funds in the Statement of Financial Position and Note 23 rather than within the Consolidated Fund. The impact on the Financial Statements is overstatement of the prior year comparators only for Special Funds, in the amount of £3.340m at 31 March 2015, and an understatement of the Consolidated Fund balance at 31 March 2015 to the same extent.

## **2. Infrastructure valuation**

Aid funded infrastructure amounting to £217.6m at 31 March 2016 (£166.8m at 31 March 2015) reported within Property Plant and Equipment in the Statement of Financial Position, and forming part of assets under construction in Note 16, is measured on an earned value basis. IPSAS 17, Property Plant and Equipment and IPSAS 23, Non-Exchange Transactions require that such aid funded assets are measured at replacement cost. Note 3 explains there is a high degree of estimation uncertainty associated with the valuation of the airport and wharf infrastructure.

I was unable to obtain sufficient appropriate audit evidence regarding the asset valuation by the reporting date, either from management or by using alternative audit procedures. In these circumstances, I am unable to determine whether the use of an estimate based on earned value would give rise to a material misstatement, and whether any adjustment was necessary to the reported value of Property Plant and Equipment and associated reserves.

## **3. Accuracy of social benefit payments**

Government is responsible for the payment of a social benefit in the form of Basic Island Pension. The expenditure on this social benefit, forming part of Benefit Payments in the Statement of Financial Performance, was £1.745m in 2015/16 (£1.565m in 2014/15). I was unable to obtain sufficient appropriate audit evidence about the accuracy of these pension payments because no evidence of eligibility is obtained or retained by Government. I was therefore unable to determine whether any adjustment to the reported expenditure was necessary.

## **Qualified opinion on the financial statements**

Except for:

- the understatement of the prior year comparator for the Consolidated Fund and the overstatement of the prior year comparator for Special Funds, as detailed in paragraph 1 of the Basis for qualified opinion section above; and
- the possible effects of the matters described in paragraphs 2 and 3 of the Basis for qualified opinion section above;

in my opinion, the financial statements present fairly the financial position of St Helena Government as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

## **Basis for Qualified Opinion on regularity**

Section 17 of the St Helena Pensions Ordinance provides for pensions in payment under the defined benefit pension scheme to be increased at the discretion of the Governor. When exercising this power the Governor is required to have regard to changes in the wages and salaries paid to serving public officers and employees. The information provided to the Governor in support of the decision to increase pensions by 6% with effect from 1 April 2015 contained no reference to the decision to award no pay increase to public servants for the same financial year. I have been unable to perform alternative audit procedures to obtain sufficient appropriate evidence as to whether the Governor had regard to this matter.

## **Qualified Opinion on regularity**


In my opinion, except for possible effects of the matter described in the Basis for qualified opinion on regularity paragraph above, in all material respects the expenditure and income has been applied to the purposes intended and conforms to the authorities which govern them.

**Opinion on other matter required by statute**

Section 29(1) (b) of the Public Finance Ordinance requires me to report on whether the financial statements have been prepared in accordance with all relevant laws or policies.

Section 10(1) of the Public Finance Ordinance requires the Financial Statements to be prepared in a manner consistent with the International Public Sector Accounting Standards (IPSAS). IPSAS require an explicit and unreserved statement of compliance to be made. As disclosed in Note 1, and contrary to the requirements of IPSAS 6, Consolidated and Separate Financial Statements, Government has not prepared Consolidated Financial Statements for the economic entity that incorporate the results of the entire group.

In consequence, in my opinion, the Financial Statements have not been prepared in accordance with all relevant laws or policies.

A handwritten signature in black ink, appearing to be 'PS', is centered within a light gray rectangular box.

Phil Sharman CPFA CA  
Chief Auditor for St Helena

14 December 2016

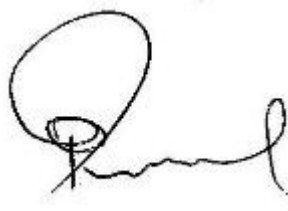
St Helena Audit Service, Jamestown, St Helena

## **Financial Secretary's Statement of Responsibilities**

The Financial Secretary is responsible for the overall management and control of St Helena Government's (SHG's) finances. This includes responsibility for preparing an annual statement of accounts and submitting them to the Chief Auditor.

In preparing these Financial Statements, the Financial Secretary is required to:

- observe the directions on the Public Finance Ordinance, including the relevant accounting and disclosure requirements, applying suitable accounting policies on a consistent basis and explaining any material non-compliance with International Public Sector Accounting Standards;
- make judgements and estimates on a reasonable basis;
- ensure that proper and adequate systems exist for bringing to account all transactions of SHG, including all revenues, expenditures, cash flows, and transfers of stores and assets;
- maintain systems of internal control to promote the efficient and economical conduct of SHG;
- be responsible for the propriety and regularity of the public expenditure and for the keeping of property and safeguarding of assets belonging to or entrusted to SHG as required by the Public Finance Ordinance; and
- prepare the accounts on a going concern basis.

A handwritten signature in black ink, appearing to read 'Dax Richards', with a large loop at the start and a trailing flourish.

Dax Richards  
Financial Secretary

14 December 2016



# Statement of Financial Performance for the year ended 31 March 2016

	Note	2015/16 £000	2014/15 (restated) £000
<b>REVENUE</b>	5		
Taxation		10,306	8,876
Fines, Fees and Licenses		1,008	966
Other Local Revenue		443	366
Trading Activities		5,086	3,449
Movements in Non-current Investments		728	1,417
DfID Grant in Aid		18,647	15,288
DfID Shipping Subsidy		624	2,275
DfID Development Aid		5,848	11,269
Other Development Aid		4,515	199
Non-exchange Donated Asset Funding		60	0
Non-exchange DfID Infrastructure Aid Funding		14,361	36,726
<b>Total Revenue</b>		<b>61,626</b>	<b>80,831</b>
<b>EXPENDITURE</b>	6		
Health		5,718	5,551
Safeguarding		3,240	1,319
Education		2,888	3,072
Environment and Natural Resources		6,416	9,072
Economic Development		2,398	3,024
Public Sector Pensions		2,943	2,020
Benefit Payments		2,266	2,013
Police		2,036	1,610
General Public Service		8,864	8,475
Shipping		1,261	2,912
Trading Activities		5,237	3,216
<b>Total Expenditure</b>		<b>43,267</b>	<b>42,284</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>18,359</b>	<b>38,547</b>



## Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 (restated) £000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	10	3,355	3,749
Investments	11	5,133	6,934
Recoverables from Non-exchange Transactions	12	4,254	505
Receivables	13	2,013	1,878
Inventories	14	1,886	2,017
Prepayments	15	16,045	49,740
		<u>32,686</u>	<u>64,823</u>
<b>Non-current Assets</b>			
Investments	11	26,107	25,404
Receivables	13	115	186
Property, Plant and Equipment	16	229,329	177,250
		<u>255,551</u>	<u>202,840</u>
<b>Total Assets</b>		<b><u>288,237</u></b>	<b><u>267,663</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	18	9,032	8,585
Provisions	19	413	0
		<u>9,445</u>	<u>8,585</u>
<b>Non-current Liabilities</b>			
Pension Liabilities	20	60,795	48,424
		<u>60,795</u>	<u>48,424</u>
<b>Total Liabilities</b>		<b><u>70,240</u></b>	<b><u>57,009</u></b>
<b>NET ASSETS</b>		<b><u>217,997</u></b>	<b><u>210,654</u></b>
<b>FUNDS AND RESERVES</b>			
Consolidated Fund	23	211,415	204,059
Special Funds	23	6,582	6,595
		<b><u>217,997</u></b>	<b><u>210,654</u></b>

**Dax Richards**  
Financial Secretary  
14 December 2016





## Statement of Changes in Net Assets/Reserves for the year ended 31 March 2016

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
<b>Balance at 1 April 2014</b>	<b>176,532</b>	<b>8,681</b>	<b>185,213</b>
<u>Changes in Net Assets/Reserves:</u>			
Surplus for the Period	37,032	401	37,433
Funds Received	0	11,279	11,279
Funds Applied	0	(10,165)	(10,165)
Use of Funds to Finance Capital Expenditure	4,162	(4,162)	0
Actuarial Losses	(13,143)	0	(13,143)
Transfers	(558)	558	0
Unrealised Gain on Current Investments	33	0	33
Other	1	3	4
<b>Balance at 31 March 2015 (restated)</b>	<b>204,059</b>	<b>6,595</b>	<b>210,654</b>
<u>Changes in Net Assets/Reserves:</u>			
Surplus for the Period	11,992	14	12,006
Funds Received	0	10,170	10,170
Funds Applied	0	(3,817)	(3,817)
Use of Funds to Finance Capital Expenditure	6,854	(6,854)	0
Actuarial Losses	(11,001)	0	(11,001)
Transfers	(474)	474	0
Unrealised Loss on Current Investments	(15)	0	(15)
<b>Balance at 31 March 2016</b>	<b>211,415</b>	<b>6,582</b>	<b>217,997</b>



## Statement of Cash Flows for the year ended 31 March 2016

	Note	2015/16 £000	2014/15 (restated) £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the Period		18,359	38,547
Interest Received		(79)	(116)
<u>Non Cash Movements</u>			
Recognition of Non-exchange DfID Infrastructure Aid Funding	5	(14,361)	(36,726)
Depreciation	6	1,688	1,522
Impairment of Non-current Assets	6	93	0
Gain on Disposal of Non-current Assets	5	(98)	(80)
Share of Profit of Subsidiaries	5	(728)	(1,417)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	20	1,370	661
Movements in Working Capital	24	(2,900)	3,085
<b>Net Cash Flows from Operating Activities</b>		<b>3,344</b>	<b>5,476</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend Received		25	25
Interest Received		83	118
Capital Expenditure		(5,743)	(4,484)
Proceeds from the Sale of Non-current Assets		111	80
Decrease in Investments		1,786	72
<b>Net Cash Flows from Investing Activities</b>		<b>(3,738)</b>	<b>(4,189)</b>
<b>NET CASH FLOW FOR THE FINANCIAL YEAR</b>		<b>(394)</b>	<b>1,287</b>
<b>Cash &amp; Cash Equivalents at 1 April</b>		<b>3,749</b>	<b>2,462</b>
Net Cash Flows		(394)	1,287
<b>Cash &amp; Cash Equivalents at 31 March</b>		<b>3,355</b>	<b>3,749</b>

There was no interest paid in the current or comparative year.



## Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016

This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis. The actual expenditure and revenue of SHG's services as reported in the March 2016 management accounts, which is on a comparable basis to the budget is shown below.

	Expenditure			Revenue		
	Original	Final	Actual	Original	Final	Actual
	Budget	Budget		Budget	Budget	
	£000	£000	£000	£000	£000	£000
Corporate Support, Policy and Planning	1,238	1,374	1,358	208	208	242
Human Resources	7,143	7,621	7,594	0	0	0
Police	1,199	1,237	1,257	271	271	339
Corporate Finance	3,785	3,880	3,954	27,312	27,312	27,602
Economic Development	1,100	1,100	1,100	0	0	0
Pensions and Benefits *	3,515	3,515	3,409	0	0	0
Shipping	2,684	1,687	625	2,684	2,684	2,680
Education	2,544	2,591	2,525	257	257	266
Health	3,316	4,079	3,922	704	704	658
Environment and Natural Resources	2,938	3,119	3,119	557	557	673
Safeguarding	2,615	2,754	2,915	84	84	76
	<b>32,077</b>	<b>32,957</b>	<b>31,778</b>	<b>32,077</b>	<b>32,077</b>	<b>32,536</b>
				<b>Surplus</b>		<b>758</b>

\* The budgets for Pensions and Benefits is not appropriated from the Consolidated Fund. The Pensions and Social Security Ordinances state that expenditure can be charged directly to the Consolidated Fund, rather than budget being appropriated.

The budget is approved on a modified cash basis by functional classification. The approved budget covers the financial year from 1 April 2015 to 31 March 2016.

Appropriation Ordinance, 2015, enacted by the Governor of St Helena with the advice and consent of Legislative Council provided for the services of Government in the financial year. The Appropriation Ordinance makes up the original budget and was enacted on 1 April 2015. Supplementary Appropriations, Withdrawal Warrants and Special Warrants have been issued in the year and these amendments, added to the original budget, make up the final budget.

The budget and the accounting bases are different. The budget is prepared on a modified cash basis and the financial statements are prepared on the accrual basis.

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2016 is presented below.

	<b>Operating £000</b>	<b>Investing £000</b>	<b>Net Cash Flow £000</b>
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	691	67	758
Basis Differences	(4,005)	1,643	(2,362)
Timing Differences	0	0	0
Entity Differences	6,226	(5,016)	1,210
Actual Amount in the Statement of Cash Flows	2,912	(3,306)	(394)

The financial statements and budget are prepared for the same period and so there are no timing differences. There are entity differences: the budget is prepared for the revenue and expenditure generated and incurred by SHG through normal government business, which excludes funds received and applied in relation to Special Funds. The financial statements also include SHG's share of the profit/loss of subsidiaries, which do not form part of the budget. There is also a basis difference: the budget is prepared on a modified cash basis and the financial statements are prepared on the accrual basis.

Note 7 provides an explanation of the reasons for changes between the original and final budget and an explanation of the material differences between the final budget and actual expenditure and revenue.

## Note 1 - Basis of Preparation

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting and in accordance with section 109(1)(a) of the Constitution for St Helena and section 10(1) of the Public Finance Ordinance. The financial statements have been prepared on the historical cost basis with the exception of those specific assets and liabilities described below.

The financial statements are prepared in Saint Helena Pounds which equate to GBP and are rounded to the nearest thousand.

The financial statements have been prepared on the going concern basis, which assumes that SHG has adequate resources to continue in operational existence for the foreseeable future. All accounting policies have been applied consistently throughout the period.

IPSAS 6 *Consolidated and Separate Financial Statements* requires SHG to prepare consolidated financial statements, which would incorporate the financial statements of other entities over which SHG has control. SHG does not comply with this requirement of the reporting framework.

These financial statements report the fifth year of adoption of the accruals basis of accounting. SHG has used transitional provisions available within IPSAS for organisations that have recently adopted this financial reporting framework. The standards containing transitional provisions are IPSAS 13 *Leases*, IPSAS 17 *Property, Plant and Equipment* and IPSAS 23 *Revenue from Non-Exchange Transactions*. The specific effect that the transitional provisions will have on the disclosures and presentation of the financial statements is detailed within the individual accounting policies.

## Note 2 - Principal Accounting Policies

### a) Property, Plant and Equipment

Property, Plant and Equipment are tangible items that (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes: and (b) are expected to be used during more than one reporting period.

In accordance with the transitional provisions of IPSAS 17 *Property, Plant and Equipment*, SHG is not required to recognise the initial value of Property, Plant, and Equipment for reporting periods up to five years following the date of first adoption of accrual accounting (1 April 2011). SHG has opted not to recognise expenditure incurred before 1 April 2011 on the following classes of assets in the financial statements:

- Land & Buildings;
- Infrastructure
- Infrastructure - Roads; and
- RMS St Helena.

The decision has been made by SHG due to the inability to establish reliable fair values.

## Recognition

Property, Plant and Equipment of SHG is disclosed in the Statement of Financial Position. The capitalisation threshold used during the financial year is £5,000 or above per stand-alone item or total expected value of a project. When a number of the same stand-alone items are purchased at the same time, it is the value of each individual item that is assessed against the £5,000 threshold.

Expenditure associated with the construction of a new asset or the improvement, enhancement or extension of an existing asset is capital expenditure and will be added to the carrying value of the relevant asset. Expenditure associated with the repair, maintenance, renovation or refurbishment of an existing asset is current expenditure and will be charged to the Statement of Financial Performance.

A capital project enhances the value of the existing asset, either by contributing substantially to an increase in its useful economic life, boosting its productivity or expanding its capacity. A capital project is not undertaken on a recurring basis.

The existence and condition of all assets is verified on an annual basis.

Gains or losses arising from the disposal of an item of Property, Plant and Equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Any gain or loss on disposal is credited or charged to the Statement of Financial Performance.

### Measurement

Save for the application of transitional provisions of IPSAS 17 *Property, Plant and Equipment* in relation to asset classes not currently recognised, assets are initially measured at cost, comprising the purchase price plus any costs associated with bringing the asset into use. The measurement of an asset acquired other than through purchase is deemed to be its fair value at the recognition date.

### Depreciation

Depreciation is calculated on a straight line basis, based on the useful economic life of each asset and is charged to the Statement of Financial Performance. Each component of an asset with a cost that is significant in relation to the total cost of the item is depreciated separately.

The following table shows the range of estimated useful economic lives of each class of asset disclosed in the financial statements:

<b>Class of Asset</b>	<b>Estimated Useful Economic Life (Years)</b>
Land & Buildings (Land element not subject to Depreciation)	20-30
Infrastructure	25
Infrastructure - Roads	25
Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings	5-10
Computer Hardware and Software	5-10

Capital expenditure on the RMS St Helena incurred after 1 April 2011 is subject to depreciation over the ship's remaining life (due to be decommissioned by the end of the 2016/17 financial year).

### Revaluations

Revaluations apply to the following classes of assets:

- Land & Buildings
- Infrastructure

The frequency of revaluations depends upon the changes in the fair values of the items of Property, Plant and Equipment being revalued but will not usually exceed 5 years.

Revaluation increases are credited directly to a revaluation reserve. However, any increase is first recognised in surplus/deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus/deficit. Revaluation decreases are first charged to the revaluation reserve to the extent that any previous revaluation surpluses for that class of assets remain and thereafter to surplus/deficit.

### **Impairments**

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Assets are reviewed annually for any impairment loss and where an impairment loss occurs this is recognised immediately in surplus/deficit for the period.

### **Cash Generating Assets**

Assets held by SHG are predominantly held for public benefit or are mixed use assets. As such, all assets are deemed to be non-cash generating.

### **Assets Under Construction**

Assets Under Construction are classified separately within Property, Plant and Equipment and are not subject to depreciation. These assets, once completed are transferred to the relevant class of completed assets.

Assets Under Construction acquired through an exchange transaction, as defined under IPSAS 9 *Revenue from Exchange Transactions*, are valued at the cost of completed works as at the reporting date.

Assets Under Construction acquired through a non-exchange transaction, as defined under IPSAS 23 *Revenue from Non-Exchange Transactions*, are initially measured at fair value as at the date of acquisition.

Where an asset is acquired through both an exchange and non-exchange transaction, the proportion of the asset acquired through each component transaction is initially recognised at cost and fair value respectively.

#### **b) Inventories**

Inventories are assets in the form of materials or supplies that will be consumed in the provision of services or sold or distributed as part of SHG's ordinary business. Inventories are valued at the lower of cost and net realisable value except for:

- Pharmacy inventory, which is measured at the lower of cost and current replacement cost as it is distributed at no charge or for a nominal charge; and
- Stamps inventory, which is measured at the lower of printing cost and face value.

Cost is measured on a weighted average basis.

#### **c) Cash and Cash Equivalents**

Cash and Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents comprise the funds held with Bank of Saint Helena, Crown Agents Bank and Crown Agents Investment Management Ltd.

**d) Current Investments**

The investments held at Crown Agents Investment Management Ltd, including amounts invested in Floating-Rate Notes are classed as Current Investments. The maturity dates of these investments vary and may be more than 12 months from the reporting date but as they are readily convertible to cash they are classed as Current investments.

**e) Non-current Investments**

Non-current Investments represent SHG's ownership interests in subsidiaries. Where SHG has an ownership interest in a controlled entity, an investment is recognised on the Statement of Financial Position. All controlled entities, including those in which SHG has no ownership interest are disclosed in Note 26. Investments in subsidiaries are measured using the direct equity method whereby the investment is initially recognised at cost and subsequently adjusted to recognise the profit/loss and other equity movements of the underlying entity based on the latest available financial statements of the subsidiary.

**f) Financial Instruments**

A financial instrument, as defined by IPSAS 28 *Financial Instruments: Presentation* is "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". Although this covers a wide range of items, for SHG, the financial assets and liabilities comprise Trade Receivables, Trade Payables, Housing and House Purchase Loans, Current Investments and Cash and Cash Equivalents held in respect of all public funds of SHG. In each case, one party's contractual right to receive (or obligation to pay) cash is matched by the other party's corresponding obligation to pay (or right to receive).

**Recognition and basis of measurement**

Loans and Receivables

Trade and Other Receivables (excluding those arising under legislation) and Housing and House Purchase Loans are deemed to be loans and receivables. As such they are initially recognised and subsequently measured at amortised cost.

Trade Receivables are initially recognised at their original invoice amount. An appropriate allowance is made for doubtful receivables based on an assessment of all outstanding amounts at the reporting date. Debts that are considered doubtful have been provided for in full through the Statement of Financial Performance. Bad debts are written off when identified. No adjustments are made to discount the receivable to present value as it has been concluded that the effect would not be material based on the short payment terms relating to these balances.

Housing and House Purchase Loans are initially recognised at their principal amounts and interest accrues on the balance using the effective interest rate. An allowance is made for doubtful loan balances based on an assessment of all outstanding loans at the reporting date.

Available for Sale Financial Assets

Deposits and investments held with Bank of Saint Helena, Barclays Bank, Crown Agents Bank and Crown Agents Investment Management Ltd are designated to be available for sale financial assets and as such are measured at fair value. The fair value of bank deposits and other cash equivalents is the amount receivable on demand at the reporting date. Funds managed by Crown Agents Investment Management Ltd are measured at market value.



	Fair value measurement at the end of the reporting period using:			
	31 March	Level 1	Level 2	Level 3
	£000	£000	£000	£000
<u>Available for Sale Financial Assets</u>				
2015/16	5,133	5,133	0	0
2014/15	6,934	6,934	0	0

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices)

**Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The unrealised movement in market value (the gain/loss) at the reporting date is recognised directly in Net Assets/Reserves through the Statement of Changes in Net Assets/Reserves, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in Net Assets/Reserves shall be recognised in surplus/deficit through the Statement of Financial Performance. Interest earned on these funds is recognised in the Consolidated Fund through the Statement of Financial Performance.

#### Financial Liabilities

Trade Payables are initially recognised and subsequently held at amortised cost. No adjustments are made to discount the payable to present value as it has been concluded that the effect would not be material based on the short settlement times associated with these balances.

SHG has no borrowings or other financial liabilities.

The carrying value of financial assets and liabilities held at amortised cost is considered to be a reasonable approximation of their fair value.

#### **g) Provisions for Liabilities and Charges**

Provisions are recognised when SHG has a present obligation (legal or constructive) as a result of a past event, it is probable that SHG will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. The unwinding of any such discount is recognised as a finance cost in the Statement of Financial Performance in the period it arises.

#### **h) Staff Leave Liability**

An accrual is made for the cost of accumulated deferred annual leave owing to employees at the reporting date. The value of the accrual is based on the number of days of deferred leave accrued by each employee, across the public service, multiplied by the rate of pay for a working day. In addition an adjustment is made to account for any difference in leave taken and leave accrued in the current holiday year as at 31 March.

The Staff Benefits accrual is released when an employee takes a portion or all of their deferred leave entitlement. This occurs either when the employee takes leave during the year above their

annual entitlement, when an employee leaves the public service or where they are paid their deferred leave.

**i) Pension and Retirement Benefits**

SHG manages and operates two pension schemes for employees, the Defined Benefit Pension Scheme and the Defined Contribution Pension Scheme.

Defined Benefit Pension Scheme (DBPS)

The DBPS is an unfunded scheme. Pensions and retirement benefits of eligible employees who started on or before the 31 March 2010 are non-contributory and are paid to employees in accordance with the Pensions Ordinance, CAP 150.

The cost of retirement benefits are recognised in the Statement of Financial Performance when they are earned by the employees rather than when they are paid as pensions.

The liabilities of the scheme are included in the Statement of Financial Position on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees. The liability is discounted to present value using an assumed discount rate. Details of assumptions applied can be found in Note 3 Key Estimation Assumptions.

The change in the Pension Liability is analysed into the following components:

Service Cost (recognised in the Statement of Financial Performance) comprising:

- Current Service Cost – the increase in liabilities resulting from employee service in the current period.
- Past Service Cost – the change in liabilities as a result of a scheme amendment whose effect relates to years of service earned in earlier years. Curtailments are also considered to be negative past service costs.

Interest Cost - the increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement.

Actuarial Gains and Losses – changes in the defined benefit obligation that arise because events have not coincided with assumptions made at the last actuarial valuation. These are recognised directly in Net Assets/Reserves immediately in the period in which they occur.

Defined Contribution Pension Scheme (DCPS)

Employees commencing employment on or after 1 April 2010, who were eligible for adoption into the scheme, were adopted into the DCPS in accordance with the Trust Deed 2010 under which the scheme was created. The scheme was wound up on 31 March 2016.

Pension contributions paid into the DCPS scheme by SHG and charged to the Consolidated Fund have been transferred to individual pension accounts under the MiSaint Pension Scheme administered by Solomon & Company Plc. Any contributions not paid over to MiSaint at the reporting date are held temporarily by SHG and recorded as a payable. Eligible employees continue to receive the benefit of pension contributions, which in future periods will be paid directly to MiSaint pension accounts by SHG as the charge to the Consolidated Fund arises.

**j) Funds and Reserves**

There is a statutory authority for SHG to maintain only two forms of Funds and Reserves; the Consolidated Fund and Special Funds. The Consolidated Fund is divided into six reserves (see Note 23 for further information). All revenue and expenditure generated and incurred by SHG through normal “day to day” government business is channelled through the General Reserve within the Consolidated Fund. Whenever SHG receives money provided by any Government or International Body outside St Helena, on terms or conditions that such money may only be used for purposes specified by the donor, the Governor may, by Order, establish a Special Fund for the purpose of receiving, managing, disbursing and accounting for such money.

**k) Revenue and Expenditure Recognition**

Revenue and expenditure is accounted for on the accrual basis meaning that revenue is recognised when goods and services are supplied or rendered by SHG. Expenditure is recognised when it is incurred, upon delivery of goods or when services are employed.

Revenue generated during the financial year but not received by the year end has been recognised as Accrued Income. Monies received in this financial year which relate to the next financial year have been recognised as Income Received in Advance.

The transitional provision of IPSAS 23 *Revenue from Non Exchange Transactions* has been adopted in relation to income tax (comprising Pay As You Earn, self employed and corporation taxes) and service tax revenues. These revenue streams are recognised in the period in which the related return is submitted to SHG and not accrued into the financial year to which it relates. The transitional period is up to five years from the initial adoption of IPSAS. All revenues are then required to be recognised in the period in which they are generated.

In accordance with IPSAS 23 *Revenue from Non Exchange Transactions*, revenue is recognised equal to the inflow of resources from a non-exchange transaction recognised as an asset. Therefore, an amount equal to the estimated replacement cost of the airport, the estimated replacement cost of the element of the wharf project funded by the UK Government and the payments made in advance by DfID to Basil Read for forward funding have been recognised as revenue within the Statement of Financial Performance. The revenue is credited to the Aid Funded Infrastructure Reserve and following completion will be written off over the useful economic life of each asset.

The fair value of Non-current Assets donated to SHG are recognised as revenue in the Statement of Financial Performance.

Goods and services paid for during the financial year but not yet received at the year-end have been accounted for as Prepayments. Goods and services received during the year that have not been paid for by the reporting date have been accounted for as Accrued Expenses.

**l) Internal Recharges**

During the normal course of business, Government directorates provide services to each other e.g. transport services. Internal sales during the year are eliminated in the financial statements. The directorate providing such services recognises those sales within their cost centre at the predetermined transfer price, which is subsequently netted out with the originating expenditure within their cost centre. The receiving directorate then recognises the expenditure for the service received. The cost of service provision is then accounted for as a transfer between reserves in the Statement of Financial Position.

**m) Translation of Foreign Currencies**

These accounts are presented in St Helena Pounds (SHP) being the functional currency of St Helena and at par with the Pound Sterling. Revenue and expenditure earned or incurred are translated into SHP at the rate of exchange prevailing on the date the transaction occurred.

Exchange differences are recognised in the Statement of Financial Performance in the period in which they arise.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rate of exchange prevailing at that date.

**n) Standards, amendments and interpretations in issue but not yet effective or adopted**

IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure in respect of new IPSASs, amendments and interpretations that are, or will be, applicable after the accounting period. There are a number of IPSASs and amendments issued by the IPSAS Board that are effective after this accounting period. The following standards and amendments have not been adopted early in these financial statements and SHG has no plan to early adopt any of these standards.

<b>Standard, amendment or interpretation</b>	<b>Period effective</b>
IPSAS 33, First Time Adoption of Accruals Basis IPSASs	2017/18
IPSAS 34, Separate Financial Statements	2017/18
IPSAS 35, Consolidated Financial Statements	2017/18
IPSAS 36, Investments in Associates and Joint Ventures	2017/18
IPSAS 37, Joint Arrangements	2017/18
IPSAS 38, Disclosure of Interests in Other Entities	2017/18
IPSAS 39, Employee Benefits	2018/19

None of these new standards are currently anticipated to have future material impact on the financial statements of SHG.

### Note 3 - Key Estimation Assumptions

Key assumptions about the future and other key sources of estimation uncertainty that have a significant likelihood of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

#### Defined Benefit Pension Scheme - Actuarial Pension Liability

The UK Government Actuary's Department was engaged to provide SHG with expert advice about the assumptions to be applied and to calculate an estimate of the Actuarial Pension Liability as at 31 March. A full actuarial valuation of the scheme liabilities was performed as at 31 March 2016.

IPSAS 25 Employee Benefits requires that financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The use of financial assumptions derived from current market conditions may lead to volatility in the results from one period to the next.

The financial assumptions relate to future increases in pensionable salary due to general inflation, incremental and promotional increases, pension increases (both in payment and deferment), and the rate of interest (or notional investment return) used to calculate the discounted value of the benefits payable. However, more important are the assumptions relating to the differences between the rate of notional investment return and the rates of salary increases, pension increases and revaluation of deferred pensions respectively. These are known as the real rates of return in excess of earnings and in excess of pension increases.

The following table summarises the financial assumptions adopted for the valuation as at 31 March 2016:

Assumption	31 March 2016	31 March 2015
	% a year	% a year
Rate of Return (Discount Rate)	2.2	2.2
Rate of Pension Increases	3.5	2.5
Rate of Pay Inflation	3.5	2.5
Rate of Return in excess of:		
Pension Increases	-1.3	-0.3
General Pay Increases	-1.3	-0.3

The discount rate used in calculating the Pension Liability is the rate on the FTSE Actuaries UK Gilts Index (20 year duration). The discount rate is the annualised yield on this index as at 31 March 2016 (2.2% pa).

The assumed rates of pension increase and pay inflation have been increased relative to those assumed for the previous valuation. Both are discretionary in nature but are regarded as a prudent assumption reflective of recent practice in respect of pension increases and changes to the award of pay increases.

The assumed rate of pay inflation reflects a general increase in earnings of around 2.0% per annum, changes to the award of pay increases of 1.0% per annum and a small allowance for some progression to higher pay scales and promotional increases.

The assumed rate of pension increases is currently expected to be broadly in line with increases in the Basic Island Pension. Basic Island Pension is reviewed on an annual basis and adjusted in

accordance with Minimum Income Standard policy that is based on the price inflation of a specific basket of goods.

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The approximate effects on the actuarial liability of changes to the main actuarial assumptions are as follows:

- A rate of return  $\frac{1}{2}\%$  in excess of salary increases would increase the liability by £1.600m.
- A rate of return  $\frac{1}{2}\%$  in excess of pension increases, and revaluation in deferment would increase the liability by £5.620m.

The following table shows the remaining life expectancy of current pensioners at age 60:

Life expectancy at age 60	As at 31 March 2016		As at 31 March 2015	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	24.7	28.4	25.9	30.1
Future Pensioners*	26.3	29.9	27.6	31.8

\*The life expectancy from age 60 of active and deferred members will depend on their current age. The table shows the life expectancy at age 60 for active members currently aged 45.

The carrying value of the Actuarial Pension Liability as at 31 March 2016 is £60,795k (31 March 2015: £48,424k). Full details of movements in the liability can be found in Note 20. It is anticipated that the next full valuation will be obtained no earlier than March 2019.

## Provisions

A sufficiently reliable estimate of the obligations has been determined by assessing a range of possible outcomes. Each case has been assessed individually.

### Provision for Doubtful Debts

SHG reassess its Provision for Doubtful Debts at each reporting date. Trade Receivables are provided against on the basis of age. Significant arrears on loans and advances are provided for where arrears are significant the loan is provided against in full. Debts which have been authorised by the Financial Secretary to be written off following the reporting period are provided for in full at the reporting date. Details of the provision held for doubtful debts can be found in Note 13.

### Provision for Slow Moving and Obsolete Inventories

A provision is made against the carrying value of Inventories where inventory obsolescence is identified during inventory count procedures performed at the end of the financial period. For pharmaceutical items any items identified as being past or close to its use by date are provided against until removed from the inventory system. Additionally, any spare parts held in transport inventories that are identified as being faulty, rusted or damaged are also provided for in full until removed from the inventory system. The assessment as to the condition of these items is performed by relevant supervisors experienced in that area of operations. The provision for inventory obsolescence can be found in Note 14.

## **Useful lives of Property, Plant and Equipment**

These are based on management's experience of the lifespan of similar assets and are reconsidered each year. Due to the long life of many assets and the uncertainty of future events, the allocated useful economic lives remain an estimate only.

### **Airport Infrastructure Project**

Construction of an international airport on St Helena commenced in late 2011 and is not expected to be completed until the 2016/17 financial year. The project is a tri-partite arrangement funded by the UK Government but with the resulting asset vesting with SHG. Management have determined that the airport has been acquired through a non-exchange transaction and has therefore initially measured it at fair value.

Recognising the airport on this basis leads to an estimation uncertainty due to the difficulty in assessing the fair value of the asset acquired through a non-exchange transaction.

In the absence of a professional valuation or recently observable market prices, its fair value is measured using the depreciated replacement cost method, which, with the asset not yet brought into use, is replacement cost.

In determining the appropriateness of using the current contract price as an estimate for replacement cost, management has applied judgement in assessing subjective estimates around the potential impact of inflation and movements in exchange rates on a hypothetical tender price.

To do this a number of general assumptions have been made, including:

- The specification of a replacement airport would not differ from the current airport.
- The location of a replacement airport would not differ from the current airport, as supported by feasibility studies performed during the design of the current airport.
- The hypothetical contractor of the replacement airport would be based in South Africa (for exchange rate estimation purposes as the current contractor is based in South Africa).
- No allowance for a lower replacement cost due to the potential for a lower risk allowance in the hypothetical contract.

Although they have been considered, it is management's judgement that it is impracticable to fully estimate the extent of the possible effect of movements in exchange rates and inflation. Management has therefore judged the existing airport contract price to be the most reliable proxy for fair value.

A further management judgement is required to determine how much of the contract price should be recognised at each reporting date during the period of construction.

Works undertaken by the contractor are certified as complete and compliant by the project management unit run by Halcrow (an independent engineering consultancy company). As at each reporting date, a model maintained by Halcrow is used to determine an 'earned value' of the works completed or part completed under the contract. Management deems this to be the best available information to determine the certified value of contracted works complete at the reporting date.

The estimated carrying value of the airport as at the reporting date, reported within Assets Under Construction, is £202.6m (31 March 2015: £156.3m).

A professional valuation will be obtained once the asset is fully operational. The valuation will be on a depreciated replacement cost basis. It is reasonably possible based on existing knowledge that upon obtaining a professional valuation of the airport, differences in the assumptions applied may result in a material adjustment to the carrying amount of the airport in a future period. As the

airport is not expected to be completed until the 2016/17 financial year, management does not anticipate that any such material adjustment would be recognised until at least 2016/17.

### **Wharf Project**

Work commenced on Ruperts Permanent Wharf in 2014/15. The project is jointly funded by the UK Government by way of funding channelled through DfID and by SHG through the use of European Development Funds (EDF). Payments funded by the UK Government are made directly by DfID to the contractor. Payments funded by EDF are made by SHG to the contractor.

Management have determined that the Wharf Project includes two distinct transactions. A transaction between DfID and the contractor and a transaction between SHG and the contractor.

The UK Government funded element of the project meets the criteria for a non-exchange transaction, as defined under IPSAS 23 *Revenue from Non-Exchange Transactions* and has therefore been initially measured at fair value.

The payments made by SHG to the contractor, which are funded through the use of EDF is deemed to be an exchange transaction and this element has initially been valued at cost.

Recognising the wharf on this basis leads to an estimation uncertainty due to the difficulty in assessing the fair value of the asset acquired through a non-exchange transaction i.e. the element of the wharf funded by DfID. In the absence of a professional valuation, the percentage completion of the project reported by the contractor is used as a basis of cost and as a proxy for fair value.

The percentage completion of the project reported by the contractor has been used to determine that £0.5m of the total cumulative payments made to the contractor (£15.5m) is a prepayment as at the reporting date that represents forward funding in the contract.

The estimated carrying value of the wharf as at the reporting date, reported within Assets Under Construction, is £15.0m (31 March 2015: £10.5m).

A professional valuation will be obtained once the asset is fully operational. The wharf as a whole, including the exchange and non-exchange components, will be revalued. The valuation will be on a depreciated replacement cost basis. This may result in a material adjustment to the carrying value of the wharf in a future reporting period.



#### **Note 4 - Restatement of Prior Period Figures**

The comparative figures for the prior period within these financial statements have been revised, as described below, to be comparable with changes in classification in the current year and to correct prior period errors.

##### **Reclassification of Pension Contributions Payable**

The Defined Contribution Pension Scheme is a Trust Fund established by SHG. The bank balance and related liability is disclosed in the Statement of Financial Position. The scheme was wound up on 31 March 2016 and funds paid to SHG pending transfer to an approved pension scheme account for each member. The liability is now classified as a payable rather than a pension liability and for consistency of comparative information the liability as at 31 March 2015 (£51k) has also been reclassified to Other Payables.

##### **Reclassification of Expenditure**

The comparative period in the Statement of Financial Performance has been amended to reflect that Health and Social Welfare has been split into two separate directorates; Health and Safeguarding.

##### **Investments in Subsidiaries**

Restatements to the Share of Profit of Subsidiaries in Note 5 and SHG's total investment in Solomon & Company Plc in Note 11 were required to reflect Solomon & Company Plc restating the 2014/15 comparative figures within their audited 2015/16 financial statements.

##### **Main Wharf Works (Jamestown)**

The Balance at 1 April 2014 in Note 16 has been restated to reflect the transfer from Assets Under Construction of assets under the Main Wharf Works Project. These assets, which include the Freight Terminal, Customs and Passenger Terminal, Footbridge and Main Wharf in Jamestown were all completed and became operational in prior periods. The Statement of Financial Performance has also been restated in 2014/15 to reflect depreciation charges on the above assets.

##### **Other Presentational Changes**

A restatement of Note 13 was required to reclassify staff loan agreements and training bonds from Staff Advances to Trade and Other Receivables. These balances were also reclassified between amounts falling due within one year and amounts falling due after one year. Housing Loans and House Purchase Loans have been merged in Note 13.

The Airport Infrastructure Reserve and Wharf Reserve have been merged in Note 23 into a single Aid Funded Infrastructure Reserve. The related DfID Airport Infrastructure Funding and DfID Wharf Funding previously shown separately in the Statement of Financial Performance and Note 5 have also been merged into Non-exchange DfID Infrastructure Aid Funding.

No restatements have been made for changes in accounting policy. Where immaterial prior period errors were identified in the preparation of these financial statements, these corrections have been recorded within 2015/16.

**Note 5 - Revenue by Category**

	2015/16 £000	2014/15 (restated) £000
<u>Taxation</u>		
Income Tax (PAYE)	3,245	2,484
Self Employed	329	251
Corporation Tax	717	598
Service Tax	413	364
Withholding Tax	43	65
Customs Duty - Alcohol	1,227	1,196
Customs Duty - Tobacco	782	1,128
Customs Duty - Petrol	349	334
Customs Duty - Diesel	487	338
Other Customs Duties	2,714	2,118
	<u>10,306</u>	<u>8,876</u>
<u>Fines, Fees and Licences</u>		
Stamp Duty	38	43
Immigration Fees	134	68
Planning Fees	23	12
Other Fines, Fees & Licences	813	843
	<u>1,008</u>	<u>966</u>
<u>Other Local Revenue</u>		
Earnings Government Departments	68	70
Interest Received	67	94
Other Treasury Receipts	1	84
Profit on Disposal of Non-current Assets	111	80
Other Income Received	196	38
	<u>443</u>	<u>366</u>
<u>Trading Activities</u>		
Operating Revenue	2,959	3,427
Interest Received	12	22
DfID Development Aid	2,115	0
	<u>5,086</u>	<u>3,449</u>
<u>Movements in Non-current Investments</u>		
Share of Profit of Subsidiaries	728	1,417
	<u>728</u>	<u>1,417</u>
DfID Grant in Aid	18,647	15,288
DfID Shipping Subsidy	624	2,275
DfID Development Aid	5,848	11,269
Other Development Aid	4,515	199
Non-exchange Donated Asset Funding	60	0
Non-exchange DfID Infrastructure Aid Funding	14,361	36,726
	<u>44,055</u>	<u>65,757</u>
<b>Total Revenue</b>	<b><u>61,626</u></b>	<b><u>80,831</u></b>

Shipping Subsidy initially committed by DfID in 2015/16 was £2,680k (2014/15: £4,013k). Following increased passenger numbers and improved cost efficiencies, the actual subsidy required was £624k (2014/15: £2,275k). Excess funding has been transferred to Grant in Aid (£1,762k) and DfID Development Aid within Trading Activities (£294k) to support other priority areas of recurrent spend under the provisions of the budgetary aid agreement.

## Note 6 - Expenditure by Category

	2015/16 £000	2014/15 (restated) £000
Employee Costs	16,860	14,114
Property Costs	1,017	743
Transport & Plant Costs	130	131
Supplies & Services Costs	7,029	7,112
Administration Costs	863	1,015
Payments to Other Agencies, Bodies or Persons	8,425	12,417
Other Expenditure	2,608	1,790
Payment to Contractors	3,999	3,347
Finance and Other	436	60
Depreciation	1,688	1,522
Impairment of Non-current Assets	93	0
Loss on Disposal of Non-current Assets	13	0
Provision for Doubtful Debts	106	33
<b>Total Expenditure</b>	<b>43,267</b>	<b>42,284</b>

The fee for the audit of the 2015/16 financial statements is expected to be £59,500 (2014/15: £59,500). St Helena Audit Service is a trading activity of SHG, the revenues and expenditures of which being included within these financial statements. As such, no accrual for the audit fee is included in these financial statements and an appropriation from the Consolidated Fund to the St Helena Audit Service Special Fund will be made in the financial period in which the costs of the audit are incurred.

Total expenditure on Benefit Payments is disclosed within the Statement of Financial Performance and included in the total of Payments to Other Agencies, Bodies or Persons above. A breakdown of expenditure on Benefit Payments is disclosed separately below to enhance the understanding of the financial statements.

	2015/16 £000	2014/15 £000
Benefit Payments:		
Basic Island Pension	1,745	1,566
Disabled Allowance	125	87
Social Benefits	389	353
Unemployment Benefits	7	7
	<u>2,266</u>	<u>2,013</u>

## Note 7 - Comparison of Budget and Actual Amounts

The following table provides an analysis and explanation of the reasons for changes between the original and final budgets appropriated from the Consolidated Fund.

	<b>Original Budget £000</b>	<b>Supple- mentary Approp- riations £000</b>	<b>With- drawal War- rants £000</b>	<b>Special War- rants £000</b>	<b>Final Budget £000</b>
Corporate Support, Policy and Planning	1,238	136	0	0	1,374
Human Resources	7,143	478	0	0	7,621
Police	1,199	38	0	0	1,237
Corporate Finance	3,785	0	(123)	218	3,880
Economic Development	1,100	0	0	0	1,100
Pensions and Benefits	3,515	0	0	0	3,515
Shipping	2,684	0	(997)	0	1,687
Education	2,544	47	0	0	2,591
Health	3,316	763	0	0	4,079
Environment and Natural Resources	2,938	181	0	0	3,119
Safeguarding	2,615	139	0	0	2,754
	<b>32,077</b>	<b>1,782</b>	<b>(1,120)</b>	<b>218</b>	<b>32,957</b>

The Supplementary Appropriations increase the 2015/16 budgets approved by Legislative Council in March 2015 for the respective directorate based on the latest available forecast.

The Withdrawal Warrants used to finance the above Supplementary Appropriations were in relation to funding held centrally for market forces supplements, in year salary revisions, new posts and performance increments (£123k) and an under spend in shipping subsidy payments (£997k).

Where there is an urgent and unforeseen call on the Consolidated Fund and there is no budget for it, a Special Warrant is requested as the most appropriate means of authorising the expenditure. Special Warrants were in relation to additional funding required for working capital to support St Helena Fisheries Corporation (£120k), payments in connection with the settlement of an employment dispute and legal costs (£98k).

The following table provides an analysis and explanation of the material differences between the final budget and actual expenditure and revenues reported in SHG's March 2016 management accounts.

**Note 7 - Comparison of Budget and Actual Amounts (continued)**

	Expenditure			Revenue		
	Final	Actual	Var-	Final	Actual	Var-
	Budget		iation	Budget		iation
	£000	£000	£000	£000	£000	£000
Corporate Support, Policy and Planning	1,374	1,358	16	208	242	34
Human Resources	7,621	7,594	27	0	0	0
Police	1,237	1,257	(20)	271	339	68
Corporate Finance	3,880	3,954	(74)	27,312	27,602	290
Economic Development	1,100	1,100	0	0	0	0
Pensions and Benefits	3,515	3,409	106	0	0	0
Shipping	1,687	625	1,062	2,684	2,680	(4)
Education	2,591	2,525	66	257	266	9
Health	4,079	3,922	157	704	658	(46)
Environment and Natural Resources	3,119	3,119	0	557	673	116
Safeguarding	2,754	2,915	(161)	84	76	(8)
	<b>32,957</b>	<b>31,778</b>	<b>1,179</b>	<b>32,077</b>	<b>32,536</b>	<b>459</b>

The reasons for the material differences between the final budget and actual figures are as follows:

Expenditure

There was an under spend in shipping subsidy payments during the year as a result of favourable variances on revenue and running costs. This amounted to an overall saving of over £1 million. The under spend in Health is in relation to the overseas medical referrals budget where it was forecasted that a higher level of funding would be required. An over spend has occurred on the Safeguarding budget which in the main relates to Social Services and the Safeguarding Project.

Revenue

There was a significant positive variance on the collection of Taxation. This is primarily due to collecting more Self Employed and PAYE Income Tax revenue than was budgeted for.

## Note 8 - Segment Reporting

Inter-segment transfers are priced on the basis of full cost recovery. Where transport costs are recharged, an allowance is added for the cost of replacement capital assets. Non-exchange revenues for customs recharges are calculated in accordance with the Customs Ordinance. Inter-segment transactions are not eliminated when financial performance is reported to management.

Other Services includes the Police and Economic Development directorates.

### 2015/16

	Education	Health and Safeguarding	Environment and Natural Resources	Shipping	Corporate Services	Other Services	Management Accounts	Not included in Management Accounts but included in Financial Statements	Included in Management Accounts but not included in Financial Statements	Unallocated Assets and Liabilities	Financial Statements
<b>SEGMENT REVENUE</b>											
Revenue from External Sources	17	323	404	2,680	27,580	339	<b>31,343</b>	30,283	0		<b>61,626</b>
Inter-segment Transfers	249	411	269	0	264	0	<b>1,193</b>	0	(1,193)		<b>0</b>
Total Segment Revenue	266	734	673	2,680	27,844	339	<b>32,536</b>	30,283	(1,193)		<b>61,626</b>
Total Segment Expenditure	2,525	6,837	3,119	625	16,315	2,357	<b>31,778</b>	12,682	(1,193)		<b>43,267</b>
Surplus/(Deficit) for the Period	(2,259)	(6,103)	(2,446)	2,055	11,529	(2,018)	<b>758</b>	17,601	0		<b>18,359</b>
<b>OTHER INFORMATION</b>											
Segment Assets	0	1,588	4,066	386	603	555				281,039	<b>288,237</b>
Segment Liabilities	0	0	0	0	0	0				70,240	<b>70,240</b>
Costs to acquire Segment Assets	0	102	304	0	217	448				52,802	<b>53,873</b>

**Note 8 - Segment Reporting (continued)**

**2014/15 (restated)**

	Education	Health and Safeguarding	Environment and Natural Resources	Shipping	Corporate Services	Other Services	Management Accounts	Not included in Management Accounts but included in Financial Statements	Included in Management Accounts but not included in Financial Statements	Unallocated Assets and Liabilities	Financial Statements
<b>SEGMENT REVENUE</b>											
Revenue from External Sources	20	341	260	4,013	23,220	277	<b>28,131</b>	52,700	0		<b>80,831</b>
Inter-segment Transfers	362	382	296	0	306	0	<b>1,346</b>	0	(1,346)		<b>0</b>
Total Segment Revenue	382	723	556	4,013	23,526	277	<b>29,477</b>	52,700	(1,346)		<b>80,831</b>
Total Segment Expenditure	2,798	5,141	2,604	2,274	13,412	2,157	<b>28,386</b>	15,244	(1,346)		<b>42,284</b>
Surplus/(Deficit) for the Period	(2,416)	(4,418)	(2,048)	1,739	10,114	(1,880)	<b>1,091</b>	37,456	0		<b>38,547</b>
<b>OTHER INFORMATION</b>											
Segment Assets	0	1,486	4,390	1,023	550	129				260,085	<b>267,663</b>
Segment Liabilities	0	0	0	0	0	0				57,009	<b>57,009</b>
Costs to acquire Segment Assets	0	205	561	0	365	0				63,495	<b>64,626</b>

## Note 9 - Termination Benefits

The costs of termination payments relating to two employees recognised in 2015/16 totalled £60k (three employees totalling £18k in 2014/15).

## Note 10 - Cash and Cash Equivalents

	31 March 2016 £000	31 March 2015 £000
Bank Deposits	999	1,807
Overseas Call/Current Accounts	2,450	2,673
Overdraft - Bank of Saint Helena	(1,029)	(1,711)
Cash	935	980
	<b>3,355</b>	<b>3,749</b>

Cash and Cash Equivalents includes £739k (31 March 2015: £524k) held on behalf of the St Helena Currency Fund and £63k (31 March 2015: £51k) of pension contributions under the Defined Contribution Pension Scheme held on behalf of employees prior to transfer to the MiSaint Pension Scheme. These funds are not available for use by SHG.

SHG also administers a number of trust funds. However these assets are not disclosed within SHG's Statement of Financial Position. Details of balances and movements on trust funds are provided separately on page 59.

## Note 11 - Investments

### Current Investments

	31 March 2016 £000	31 March 2015 £000
Certificates of Deposits	5,133	6,934
	<b>5,133</b>	<b>6,934</b>

### Non-current Investments

Non-current Investments represent SHG's ownership interest in subsidiaries. Investments in subsidiaries are measured on a direct equity basis.

	2015/16 £000	2014/15 (restated) £000
Balance at 1 April	25,404	23,882
Acquisitions in year	0	130
Share of Profit of Subsidiaries	728	1,417
Disbursements Received	(25)	(25)
<b>Balance at 31 March</b>	<b>26,107</b>	<b>25,404</b>



At the 31 March, SHG's total investment in subsidiaries was made up as follows:

	<b>31 March 2016 £000</b>	<b>31 March 2015 (restated) £000</b>
Bank of St Helena Ltd	5,512	5,225
Connect St Helena Ltd	15,423	15,207
Solomon & Company Plc	5,171	4,971
St Helena Line Ltd	1	1
	<b><u>26,107</u></b>	<b><u>25,404</u></b>

These investments are measured on the basis of the latest available financial statements of each entity.

During 2014/15, £130,000 previously held in the New Generator Replacement Fund was transferred to Connect St Helena Ltd in exchange for 130,000 £1 ordinary shares.

In 2014/15 St Helena Hotel Development Ltd was established to develop and operate a hotel in Jamestown. SHG acquired 1 ordinary share in the company with a nominal value of £1. As at 31 March 2016, the company had made a cumulative loss of £12,647. SHG has recognised a loss only to the extent of the value of the initial investment and therefore further losses of £12,646 have not been recognised in accordance with IPSAS 7 *Investments in Associates*.

Further details of SHG's investments in subsidiaries and other controlled entities is provided in Note 26.

## Note 12 - Recoverables from Non-exchange Transactions

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Income Tax Debtors	227	10
Other Taxes and Duties	250	235
Grant Funding	3,777	260
	<b><u>4,254</u></b>	<b><u>505</u></b>

Grant funding above as at 31 March 2016 includes £3,725k of funding accrued from the European Development Fund. All conditions of the funding were met and the application made during 2015/16, however the funds were not received until May 2016.

## Note 13 - Receivables

### Amounts falling due within one year

	31 March 2016 £000	31 March (restated) 2015 £000
Receivables:		
Trade and Other Receivables	1,627	1,450
Government Landlord Housing	46	46
Bulk Fuel Installation	352	339
	<u>2,025</u>	<u>1,835</u>
Accrued Income:		
Interest	15	19
Other	25	58
	<u>40</u>	<u>77</u>
Loans:		
Housing and House Purchase Loans	113	133
Staff Advances	77	61
Other Advances	77	43
	<u>267</u>	<u>237</u>
	<u>2,332</u>	<u>2,149</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(215)	(137)
Housing and House Purchase Loans	(81)	(111)
Other Advances	(23)	(23)
	<u>(319)</u>	<u>(271)</u>
	<u><b>2,013</b></u>	<u><b>1,878</b></u>

### Amounts falling due after one year

	31 March 2016 £000	31 March 2015 (restated) £000
Trade and Other Receivables	9	19
Housing and House Purchase Loans	167	197
	<u>176</u>	<u>216</u>
Less: Provision for Doubtful Debts:		
Trade and Other Receivables	(2)	0
Housing and House Purchase Loans	(59)	(30)
	<u>(61)</u>	<u>(30)</u>
	<u><b>115</b></u>	<u><b>186</b></u>

During 2015/16 the Financial Secretary approved the write off of £12,000 of training bonds. These were previously provided in full and the write off therefore has no impact on the financial performance reported for 2015/16. A further £1,618 was written off in respect of government landlord rents.

#### Note 14 - Inventories

	31 March 2016 £000	31 March 2015 £000
Consolidated Fund:		
Pharmacy	192	223
Stamps	47	42
Other	146	128
	<u>385</u>	<u>393</u>
Special Funds:		
Information Technology	83	68
Transport	512	452
Bulk Fuel Installation	1,150	1,363
	<u>1,745</u>	<u>1,883</u>
	<u>2,130</u>	<u>2,276</u>
Less Provision for Slow Moving and Obsolete Inventories:		
Consolidated Fund	(50)	(50)
Special Funds	(194)	(209)
	<u>(244)</u>	<u>(259)</u>
	<u><b>1,886</b></u>	<u><b>2,017</b></u>

Inventories recognised in expenditure:

	2015/16 £000	2014/15 £000
Pharmacy	532	396
Stamps	15	19
Other	58	38
Information Technology	47	42
Transport	58	89
	<u><b>710</b></u>	<u><b>584</b></u>

#### Note 15 - Prepayments

	31 March 2016 £000	31 March 2015 £000
Other Prepayments	1,525	1,451
DfID Funded Airport Project	13,985	46,429
Wharf Project	535	1,860
	<u><b>16,045</b></u>	<u><b>49,740</b></u>

## Note 16 - Property, Plant and Equipment

2015/16

	Land & Buildings £000	Infra-structure £000	Infra-structure - Roads £000	Computer Hardware and Software £000	RMS St Helena £000	Other * £000	Assets Under Construction £000	Totals £000
<b>Cost</b>								
Balance at 1 April 2015	2,479	2,058	499	589	2,566	9,998	168,359	<b>186,548</b>
Transferred to completed assets	120	0	0	0	0	0	(120)	<b>0</b>
Additions	455	187	0	181	0	407	52,643	<b>53,873</b>
Disposals	0	0	0	0	0	(75)	0	<b>(75)</b>
Balance at 31 March 2016	3,054	2,245	499	770	2,566	10,330	220,882	<b>240,346</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
Balance at 1 April 2015	53	1,273	79	113	1,543	6,237	0	<b>9,298</b>
Charge for year	85	166	16	133	637	651	0	<b>1,688</b>
Impairments	0	0	0	0	0	93	0	<b>93</b>
Disposals	0	0	0	0	0	(62)	0	<b>(62)</b>
Balance at 31 March 2016	138	1,439	95	246	2,180	6,919	0	<b>11,017</b>
<b>Net Book Value at 31 March 2016</b>	<b>2,916</b>	<b>806</b>	<b>404</b>	<b>524</b>	<b>386</b>	<b>3,411</b>	<b>220,882</b>	<b>229,329</b>

\* Other includes Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings

- Depreciable assets with a historic cost of £138k were fully depreciated in the current year.
- The depreciation charge on these assets amounted to £6k for the financial year.
- Depreciable assets with a historic cost of £3,547k were fully depreciated in prior financial years.

**Note 16 - Property, Plant and Equipment (continued)**

**2014/15 (restated)**

	Land & Buildings £000	Infra- structure £000	Infra- structure - Roads £000	Computer Hardware and Software £000	RMS St Helena £000	Other * £000	Assets Under Const- ruction £000	Totals £000
<u>Cost</u>								
Balance at 1 April 2014 as previously reported	180	1,470	406	204	2,565	9,158	107,985	<b>121,968</b>
Prior Period Adjustments	320	588	37	0	0	0	(960)	<b>(15)</b>
Balance at 1 April 2014 restated	500	2,058	443	204	2,565	9,158	107,025	<b>121,953</b>
Transferred to completed assets	1,979	0	0	0	0	0	(1,979)	<b>0</b>
Additions	0	0	56	385	0	872	63,313	<b>64,626</b>
Disposals	0	0	0	0	0	(35)	0	<b>(35)</b>
Other	0	0	0	0	1	3	0	<b>4</b>
Balance at 31 March 2015	<b>2,479</b>	<b>2,058</b>	<b>499</b>	<b>589</b>	<b>2,566</b>	<b>9,998</b>	<b>168,359</b>	<b>186,548</b>
<u>Accumulated Depreciation &amp; Impairment</u>								
Balance at 1 April 2014 as previously reported	3	1,069	60	48	905	5,662	0	<b>7,747</b>
Prior Period Adjustments	15	45	3	0	0	0	0	<b>63</b>
Balance at 1 April 2014 restated	18	1,114	63	48	905	5,662	0	<b>7,810</b>
Charge for year	35	159	16	65	637	610	0	<b>1,522</b>
Disposals	0	0	0	0	0	(35)	0	<b>(35)</b>
Other	0	0	0	0	1	0	0	<b>1</b>
Balance at 31 March 2015	<b>53</b>	<b>1,273</b>	<b>79</b>	<b>113</b>	<b>1,543</b>	<b>6,237</b>	<b>0</b>	<b>9,298</b>
<b>Net Book Value at 31 March 2015</b>	<b>2,426</b>	<b>785</b>	<b>420</b>	<b>476</b>	<b>1,023</b>	<b>3,761</b>	<b>168,359</b>	<b>177,250</b>

\* Other includes Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings

- Depreciable assets with a historic cost of £274k were fully depreciated in the comparative year.
- The depreciation charge on these assets amounted to £10k for the financial year.
- Depreciable assets with a historic cost of £3,272k were fully depreciated in prior financial years.

## Note 17 - Impairments

Following an impairment testing exercise it was determined that five assets were impaired and the carrying value of these assets has been reduced by a total of £93k.

The impairments were due to four items of Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings no longer being in working order and one being involved in a road traffic accident. An impairment of £4k has been charged to General Public Service and an impairment of £89k has been charged to Environment and Natural Resources within the Statement of Financial Performance.

There were no impairments to the carrying values of Property, Plant and Equipment during 2014/15.

## Note 18 - Payables

	31 March 2016 £000	31 March 2015 £000
Payables:		
Trade Payables	565	582
Other Payables	76	60
	<u>641</u>	<u>642</u>
Deposits:		
Currency Fund	739	525
Other	65	75
	<u>804</u>	<u>600</u>
Accruals:		
Staff Benefits	976	948
Other	2,312	2,464
	<u>3,288</u>	<u>3,412</u>
Income Received in Advance:		
Income Tax	583	711
Grant Funding	3,707	3,213
Other	9	7
	<u>4,299</u>	<u>3,931</u>
	<u><b>9,032</b></u>	<u><b>8,585</b></u>

## Note 19 - Provisions

	2015/16 £000
Balance at 1 April 2015	0
Provisions recognised	413
Provision released	0
<b>Balance at 31 March 2016</b>	<u><b>413</b></u>

Provisions include five instances of outstanding litigation relating to; the settlement on termination of employment, the settlement of an employment dispute and related legal costs and also cases relating to medical negligence claims.

All related cash outflows are expected to occur within 12 months of the reporting date.

## Note 20 - Pensions

SHG operates both a Defined Contribution Pension Scheme and a wholly unfunded Defined Benefit Pension Scheme for its employees.

### Defined Contribution Pension Scheme (DCPS)

SHG provides employees who are not members of the Defined Benefit Pension Scheme with a contribution towards a defined contribution pension. Staff members are required to establish individual accounts with the MiSaint Pension Scheme offered by Solomon & Company Plc. Contributions are paid directly to the scheme.

The amount of employer contributions recognised as an expense and charged to the Consolidated Fund in 2015/16 was £253k (2014/15: £190k). As at 31 March 2016 SHG held £63k of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2015: £51k). This liability is recorded in Other Payables.

### Defined Benefit Pension Scheme (DBPS)

	2015/16 £000	2014/15 £000
Actuarial Pension Liability:		
Balance at 1 April	48,424	34,620
Movement in the year due to:		
Current Service Cost	951	660
Past Service Cost	670	0
Interest Cost	1,062	1,169
Expense for year	2,683	1,829
Pension Benefits Paid	(1,313)	(1,168)
Actuarial (Gains)/ Losses	11,001	13,143
Balance at 31 March	<b>60,795</b>	<b>48,424</b>

SHG recognises Actuarial Gains and Losses immediately in reserves in the period in which they arise. As such, there is no difference between the fair value of the defined benefit obligation and the carrying amount of the obligation recorded in these financial statements.

A total expense of £2,683k has been recorded within Public Sector Pensions in the Statement of Financial Performance. This consists of:

	2015/16 £000	2014/15 £000
Current Service Cost	951	660
Past Service Cost	670	0
Interest Cost	1,062	1,169
Total Charge to Statement of Financial Performance	<b>2,683</b>	<b>1,829</b>

The UK Government Actuary's Department was contracted by SHG to perform an assessment of the Pension Liability of the DBPS for this set of financial statements.

A full valuation of the Actuarial Pension Liability was obtained as at 31 March 2016. A summary of the financial assumptions used to calculate the Actuarial Pension Liability is detailed in Note 3. Amounts recognised for the current and previous periods in relation to the DBPS are as follows. The Actuarial Pension Liability was first valued as at 31 March 2012 and therefore no experience gains or losses on scheme liabilities arise before 2012/13.

	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Statement of Financial Position:					
Actuarial Pension Liability	60,795	48,424	34,620	38,278	35,166
Statement of Changes in Net Assets:					
Experience (Gains)/Losses Arising on Scheme Liabilities	3,145	(161)	141	1	n/a
Changes in Actuarial Assumptions	7,856	13,304	(4,421)	2,287	n/a
Net Actuarial (Gain)/Loss on Scheme Liabilities	11,001	13,143	(4,280)	2,288	n/a

## Note 21 - Leases

No items of Property, Plant and Equipment disclosed within Non-current Assets in the financial statements are held on a lease basis.

SHG is the lessor of a number of Land & Building assets. SHG has not made any disclosures on these leased assets on the basis that transitional provisions of IPSAS 13 *Leases* and IPSAS 17 *Property, Plant and Equipment* have been adopted.

## Note 22 - Nature and Extent of Risks arising from Financial Instruments

SHG's activities expose it to certain financial risks, the main relevant risks are:

**Credit risk** – the possibility that other parties might fail to pay amounts due.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to SHG's customers. This risk is minimised by ensuring that deposits are not made with financial institutions unless they meet minimum investment criteria. SHG's Investment Strategy includes a policy that limits credit risk exposure by restricting authorised investments to the following criteria.

Deposits may only be placed:

- with credit institutions with a minimum short-term credit rating of A-2 as determined by Standard and Poor's or P-2 as determined by Moody's;
- with institutions authorised and regulated by the UK's Financial Conduct Authority or equivalent authority in the EEA or United States of America;
- in Treasury Bills, fixed rate, inflation index-linked and zero coupon bonds issued or guaranteed by the Government of the United Kingdom; and
- for a maximum maturity of 10 years.

SHG's maximum exposure to credit risk in relation to its deposits in banks and financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the deposit or principal sum will be specific to each individual institution. There was no evidence at the reporting date that such entities would be unable to meet their commitments.



SHG generally allows 30 days credit for its Trade Receivables. At the reporting date the carrying value of Trade and Other Receivables outstanding was £1,419k. At the reporting date the carrying value of Housing and House Purchase Loans was £140k. The terms and conditions of the loans vary in terms of interest rate applied and the length of each individual loan.

The following table provides an aging analysis for Trade and Other Receivables and loans past due but not impaired and separately identified amounts individually impaired on the basis of recoverability. In determining whether a receivable is impaired, SHG considers the age of the debt and the historic repayment record.

	Receivables £000	Income Tax £000	Loans £000
<b>Amounts not impaired</b>			
Not yet due	1,296	181	271
Up to 30 days	94	0	0
31 - 60 days	152	0	0
Over 60 days	275	46	0
	1,817	227	271
<b>Amounts individually impaired</b>	217	0	163
<b>Total</b>	<b>2,034</b>	<b>227</b>	<b>434</b>

**Liquidity risk** – the possibility that SHG might not have funds available to meet its commitments to make payments.

The Constitution requires SHG to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. Sufficient cash balances are also maintained throughout the year and SHG has no borrowings. There is therefore no significant risk that SHG will be unable to meet its commitments.

**Interest rate risk** – the risk that actual interest rates obtained on investments might be lower than expected.

Cash surpluses are deposited as a mix of fixed rate and floating rate investments. As at 31 March 2016, the value of investments held as Floating Rate Note deposits was £4,862k. Total interest earned by SHG on cash surpluses during 2015/16 was £79k. As this is not a significant element of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

## Note 23 - Funds and Reserves

The reserves of SHG are presented below. There is a statutory authority for SHG to maintain only two forms of reserve funds:

- The Consolidated Fund
- The Special Funds

### The Consolidated Fund

The Consolidated Fund comprises six reserves.

	31 March 2016 £000	31 March 2015 (restated) £000
General Reserve	3,098	3,875
Capital Reserve	16,314	10,916
Pension Reserve	(60,795)	(48,424)
Investments in Subsidiaries Reserve	26,107	25,404
Aid Funded Infrastructure Reserve	226,581	212,220
Donated Asset Reserve	110	68
	<b>211,415</b>	<b>204,059</b>

An analysis of the movements on each of the reserves is shown below:

### General Reserve

This is the primary government fund in which all revenues are received and from which all expenditures are funded save for those separately provided in law.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>3,875</b>	<b>3,722</b>
Surplus for the Period	1,153	2,089
Use of General Reserve to Finance Payment of Pension Benefits	(1,313)	(1,168)
Use of General Reserve to Finance Capital Expenditure	(153)	(140)
Transfers	(474)	(558)
Gain/(Loss) on Financial Assets	(15)	33
Transfer of Working Capital to Subsidiary	0	(130)
Disbursements Received	25	25
Other	0	2
<b>Balance at 31 March</b>	<b>3,098</b>	<b>3,875</b>

## Note 23 - Funds and Reserves (continued)

### Capital Reserve

This reserve was created upon initial recognition of Property, Plant and Equipment within the Statement of Financial Position. Funds will be transferred to the Capital Reserve to reflect expenditure on assets and an amount equivalent to depreciation will be charged to the reserve over the useful life of assets.

	2015/16 £000	2014/15 (restated) £000
<b>Balance as at 1 April as previously reported</b>		<b>8,052</b>
Prior Period Adjustments		(78)
<b>Balance as at 1 April restated</b>	<b>10,916</b>	<b>7,974</b>
Use of General Reserve to Finance Capital Expenditure	153	140
Use of Special Funds to Finance Capital Expenditure	6,854	4,162
Depreciation	(1,508)	(1,362)
Impairments	(93)	0
Disposal of Non-current Assets	(8)	0
Other	0	2
<b>Balance at 31 March</b>	<b>16,314</b>	<b>10,916</b>

### Pension Reserve

This reserve represents the negative balance arising from the unfunded liability on the Defined Benefit Pension Scheme.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(48,424)</b>	<b>(34,620)</b>
Current Service Cost	(951)	(660)
Past Service Cost	(670)	0
Interest Cost	(1,062)	(1,169)
Use of General Reserve to Finance Payment of Pension Benefits	1,313	1,168
Actuarial Losses	(11,001)	(13,143)
<b>Balance at 31 March</b>	<b>(60,795)</b>	<b>(48,424)</b>

## Note 23 - Funds and Reserves (continued)

### Investments in Subsidiaries Reserve

This reserve was created upon initial recognition of investments in subsidiaries within the Statement of Financial Position. Funds are transferred to this reserve to reflect the investment of funds in a subsidiary organisation, those funds therefore not being available for the provision of services. When returns on investments are realised, either through sale of shares or distribution of profits, funds are transferred back to the General Reserve.

	2015/16 £000	2014/15 (restated) £000
<b>Balance at 1 April</b>	<b>25,404</b>	<b>23,882</b>
Share of Profit of Subsidiaries	728	1,417
Investments funded from the General Reserve	0	130
Disbursements Received	(25)	(25)
<b>Balance at 31 March</b>	<b>26,107</b>	<b>25,404</b>

### Aid Funded Infrastructure Reserve

This reserve was established to represent aid funded infrastructure assets acquired through non-exchange transactions, which are shown within Assets Under Construction and Prepayments. Following completion of the assets, an amount equivalent to depreciation will be charged to the reserve over the useful life of the assets.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>212,220</b>	<b>175,496</b>
DfID Infrastructure Aid Funding	14,361	36,726
Other	0	(2)
<b>Balance at 31 March</b>	<b>226,581</b>	<b>212,220</b>

### Donated Asset Reserve

This reserve was created to represent the assets donated to SHG. The fund balance is adjusted each year for new donated assets received and to reflect the change in value of those assets.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>68</b>	<b>78</b>
Non-Exchange Donated Asset Funding	60	0
Depreciation	(13)	(9)
Disposal of Non-current Assets	(5)	0
Other	0	(1)
<b>Balance at 31 March</b>	<b>110</b>	<b>68</b>

**Note 23 - Funds and Reserves (continued)**

Special Funds are established by order and enable individual projects and trading activities to be accounted for separate to the Consolidated Fund.

Special Funds – Projects

	DfID Projects £000	DfID Technical Cooperation £000	DfID Infrastructure £000	DfID Funded ST Technical Cooperation £000	EDF Projects £000	Locally Funded Projects £000	UNDP Projects £000	Total £000
Balance as at 1 April 2014	(3,456)	(231)	3,807	18	3,824	204	4	4,170
Funds Received	3,441	0	6,100	1,738	0	0	0	11,279
Funds Applied	(3,406)	0	(4,402)	(1,737)	(620)	0	0	(10,165)
Funds Applied to Finance Capital	(16)	0	(2,801)	0	(1,201)	0	0	(4,018)
Expenditure								
Transfers	(5)	0	572	1	(1)	0	0	567
Other	0	1	0	0	(1)	0	0	0
Balance as at 31 March 2015 (restated)	(3,442)	(230)	3,276	20	2,001	204	4	1,833
Funds Received	2,034	0	3,673	143	4,288	0	32	10,170
Funds Applied	(1,672)	0	(1,995)	(46)	(57)	(10)	(37)	(3,817)
Funds Applied to Finance Capital	(366)	0	(2,168)	0	(4,054)	(147)	0	(6,735)
Expenditure								
Transfers	170	0	(195)	(55)	0	400	20	340
Balance as at 31 March 2016	(3,276)	(230)	2,591	62	2,178	447	19	1,791

**Note 23 - Funds and Reserves (continued)**

Special Funds - Trading Accounts

	IT Trading Account £000	Transport Trading Account £000	Unallocated Stores Trading Account £000	St Helena Audit Service Trading Account £000	Housing Service Trading Account £000	Bulk Fuel Installation Trading Account £000	Total £000
Balance as at 31 March 2014	80	229	(119)	1	1	3,610	3,802
Surplus for the Period	69	27	0	41	76	20	233
Funds Applied to Finance Capital	(10)	(134)	0	0	0	0	(144)
Expenditure							
Transfers	(5)	292	0	0	(5)	(291)	(9)
Other	0	1	0	0	0	1	2
Balance as at 31 March 2015	134	415	(119)	42	72	3,340	3,884
Surplus/(Deficit) for the Period	57	45	0	16	(71)	(198)	(151)
Funds Applied to Finance Capital	0	(108)	0	0	0	0	(108)
Expenditure							
Transfers	41	422	0	(1)	(5)	77	534
Balance as at 31 March 2016	232	774	(119)	57	(4)	3,219	4,159

**Note 23 - Funds and Reserves (continued)**

Special Funds – Other Funds

	Government Landlord Housing Capital Fund £000	Improvements and New Construction Revolving Fund £000	Environmental Management Projects Fund £000	Capital Receipts Fund £000	Animal Husbandry Fund £000	Total £000
Balance as at 1 April 2014	335	368	0	0	6	709
Surplus for the Period	0	29	57	79	3	168
Other	0	0	1	0	0	1
Balance as at 31 March 2015	335	397	58	79	9	878
Surplus/(Deficit) for the Period	53	24	(75)	158	5	165
Funds Applied to Finance Capital Expenditure	0	0	(11)	0	0	(11)
Transfers	0	(400)	0	0	0	(400)
Balance as at 31 March 2016	388	21	(28)	237	14	632

## Note 24 - Statement of Cash Flows – Movements in Working Capital

	Note	2015/16 £000	2014/15 £000
(Increase)/Decrease in Receivables	12, 13	(3,817)	1,223
(Increase)/Decrease in Inventories	14	131	(472)
(Increase)/Decrease in Prepayments	15	(74)	(1,384)
Increase/(Decrease) in Payables	18	447	3,910
Increase/(Decrease) in Provisions	19	413	(192)
		<b>(2,900)</b>	<b>3,085</b>

## Note 25 - Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related party relationships may arise when an individual is part of the key management personnel of a reporting entity. Related party relationships may also arise through external operating relationships between SHG and the related party. The definition of related party also includes entities owned by key management personnel or close family members of such individuals of SHG and where a reporting entity is economically dependent on another entity.

Disclosure of certain related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes, and enables users to better understand the financial statements of the reporting entity because:

- related party relationships can influence the way in which an entity operates with other entities in achieving its individual objectives, and the way in which it co-operates with other entities in achieving common or collective objectives;
- related party relationships might expose an entity to risks, or provide opportunities that would not have existed in the absence of the relationship; and
- related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties.

## Central Government (UK)

Saint Helena is an Overseas British Territory and receives funding each year from the UK Government, through the Department for International Development (DfID). DfID Grant in Aid and DfID Shipping Subsidy received in 2015/16 totalled £18.8 million, which equated to 62% of SHG's total revenue (excluding DfID and Other Development Aid, Movements in Non-current Investments, Non-exchange DfID Infrastructure Aid Funding and Non-exchange Donated Asset Funding).

## Key Management Personnel

### Remuneration

The key management personnel of SHG (as defined by IPSAS 20 Related Party Disclosures) are the Elected Members of Legislative Council, who together constitute the governing body of SHG. The Ex Officio Members (Attorney General, Chief Secretary and Financial Secretary) are also determined to be key management personnel of SHG as they also have responsibility for planning, directing and controlling the activities of SHG.



The aggregate remuneration of Elected Members of Legislative Council and the number of individuals determined on a full-time equivalent basis receiving remuneration from SHG are:

Aggregate remuneration	£160,419 (2014/15: £159,334)
Number of persons	12 persons (2014/15: 12 persons)

Elected members do not accrue pension contributions.

The aggregate remuneration of Ex Officio Members and the number of individuals determined on a full-time equivalent basis receiving remuneration from SHG are:

Aggregate remuneration	£264,582 (2014/15 restated: £271,172)
Other remuneration/compensation	£58,017 (2014/15: nil)
Number of persons	3 persons (2014/15: 3 persons)

Aggregate remuneration for Ex Officio Members above includes pension contributions of £18,400 (2014/15: £16,125).

The comparative remuneration of Ex Officio Members has been restated to include only salary and pension contributions. Ex Officio Members are also entitled to a number of allowances, however these are considered to be the reimbursement of expenses and not remuneration.

#### Declarations of Interests

SHG requires key management personnel to complete Declaration of Interest Forms at the beginning of each financial year or earlier if circumstances change. Circumstances, existing or prospective, which may throw into question their professional independence or present a possible conflict of interest are required to be declared.

In respect of the 2015/16 financial year, a number of key management personnel declared interests in organisations (other than the controlled entities listed below) that SHG transact with. However, these were not deemed to be significant interests that would lead to a related party transaction.

## **Controlled Entities**

SHG has a controlling interest in the following reporting entities as at 31 March 2016:

Bank of Saint Helena Ltd, St Helena Currency Fund, St Helena Fisheries Corporation, Enterprise St Helena (ESH), Solomon & Company (St Helena) Plc., Connect St Helena Ltd, St Helena Hotel Development Ltd and St Helena Line Ltd.

Note 26 sets out the nature of SHG's controlling interest in each of the controlled entities.

A number of SHG's key management personnel have declared interests in the controlled entities listed above, including shareholdings in Solomon & Company (St Helena) Plc. and board membership of Enterprise St Helena, St Helena Fisheries Corporation and Connect St Helena Ltd.

Although SHG has transacted with the controlled entities in the financial year, in the main the transactions occurred within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect SHG would have adopted if dealing with the entities at arm's length in the same circumstances. Therefore, further information on these transactions has not been disclosed. The exceptions to this are that:

- St Helena Fisheries Corporation receives a rebate of duties paid on fuel from the Bulk Fuel Installation for sale to fishermen. The total rebate to St Helena Fisheries Corporation in 2015/16 was £19k (2014/15: £15k) of which £14k remained payable at year end (2014/15: £5k). In 2015/16, SHG also provided St Helena Fisheries Corporation with a £120k working capital contribution.
- SHG holds current accounts (see Note 10) with the Bank of Saint Helena for which no interest is payable or receivable. No interest is payable or receivable on the Bank's cash deposits held by SHG.
- SHG provided ESH with a subsidy in order to assist with the daily operations of the entity (£950k, 2014/15: £1,211k). SHG also funded the employment of specialist staff in ESH via the Technical Cooperation fund (£331k, 2014/15: £418k).
- ESH holds a lease with SHG for the Jamestown Market, which expires on 1 June 2016. A nominal rental fee is paid.
- SHG provided Connect St Helena Ltd with a subsidy to support the operations of £777k (2014/15: £578k). In addition, Connect St Helena Ltd received a £809k rebate of customs duties paid on fuel (2014/15: £583k), of which £74k was still to be paid at 31 March 2016 (£99k as at March 2015).
- Connect St Helena is responsible for a number of DfID funded utilities infrastructure development projects on behalf of SHG. The total value of project expenditure claims made by Connect St Helena in 2015/16 was £1,036k (2014/15: £3,245k) of which £345k remained payable at 31 March 2016 (31 March 2015: nil).
- St Helena Line Ltd receive a subsidy each year from SHG. In 2015/16 this amounted to £624k (2014/15: £2,275k).
- St Helena Currency Fund is set up under Currency Ordinance CAP 124, and is administered by the Currency Commissioners and Currency Officers who are all employees of SHG. SHG provide a number of services to the St Helena Currency Fund at no cost. These services include staff salaries for the keeping of accounting records, the preparation of financial statements and the issuing and ordering of notes and coins. In addition to these services, SHG Treasury also provide a cash holding facility for the Currency Fund.

## Note 26 - Controlled Entities

SHG controls, from an accounting perspective, a number of private and public sector entities. SHG's interest in these entities is summarised in the table below. Figures have been obtained from the latest audited financial statements. No adjustments have been made for transactions between entities.

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
Entities in which SHG holds an ownership interest			31 March 2016 £000	31 March 2015 (restated) £000	2015/16 £000	2014/15 (restated) £000
Bank of Saint Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102.	5,512	5,225	287	266
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	15,424	15,208	216	355
St Helena Hotel Development Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	(13)	(5)	(7)	(5)
Solomon & Company (St Helena) Plc	Majority shareholder (62.9%)	Financial Reporting Standard 102.	5,171	4,971	225	796
St Helena Line Ltd	Majority shareholder (99%)	Financial Reporting Standards for Smaller Entities - accruals basis.	1	1	0	0
Other entities controlled by SHG						
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards.	1,560	1,509	51	193
St Helena Fisheries Corporation	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	37	82	(45)	(99)
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis.	1,602	1,657	(55)	54
Total			29,294	28,648	672	1,560

1. Where subsidiary bodies have restated the results of the comparative period, the comparative information has been updated within this table.

2. SHG through Great Peter Nominees Limited, holds 124,100 (2015: 124,100) shares, being 62.9% (2015: 62.9%) of paid up share capital in Solomon & Company (St Helena) Plc. and 99% of paid up share capital in St Helena Line Ltd (2015: 99%). Figures quoted above therefore represent SHG's share of Net Assets and Net Profit/(Loss) in these entities.

## **Note 27 - Events after the Reporting Date**

The financial statements were authorised for issue on 14 December 2016 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

Material events, which occurred after the reporting date but it cannot be shown that the conditions existed before the reporting date are non-adjusting events. The material non-adjusting events after the reporting date are detailed below:

In May 2016, following approval by Legislative Council, SHG entered into a guarantee with the Bank of St Helena for the purposes of providing a loan to St Helena Hotel Development Ltd (SHHDL), a wholly owned subsidiary of SHG. The guarantee is limited to £1.0 million plus interest and costs incurred by the bank in enforcing the guarantee. It is anticipated that this will give rise to a contingent liability in SHG's financial statements from 2016/17 onwards.

On 1 July 2016 four parcels of land in Jamestown with a total value of £0.6 million, which are the site of the new hotel development, were transferred to SHHDL. On 27 May 2016 a Supplementary Appropriation Ordinance was enacted which provided for £1.5 million of financial support to SHHDL from the Consolidated Fund. As consideration for both the land and financial support, SHG received 2,100,000 ordinary shares in the company at a nominal value of £1 per share in November 2016.

## **Note 28 - Capital Commitments**

### Airport Infrastructure Project

The November 2011 contract with Basil Read (PTY) Ltd for the construction of an Airport for St Helena is ongoing. The contract was signed in the amount of £201.5 million for construction, with the provision of an additional £10.0 million in shared risk contingency that the contractor may claim against in the event of certain pre-specified risks materialising. Contract milestone payments as at 31 March 2016 totalled £199.9 million (31 March 2015 £188.42 million).

### Wharf Project

Supplemental Agreement No. 7 which amends the main airport design, build and operate contract in relation to Rupert's Permanent Wharf was signed on 13 November 2013. The value of the contract was £15.3 million (excluding variation orders, risk share payments and overhaul payments). The amounts contracted for but not provided in the financial statements amounted to £0.9 million.

### Jamestown Hospital Project

The contract in relation to the Jamestown Hospital Project was signed on 25 March 2015. The GBP equivalent value of the contract was £2.8 million. The amounts contracted for but not provided in the financial statements amounted to £0.2 million.



**Statement showing each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund and Special Funds for the year ended 31 March 2016**

	<b>Consolidated Fund £000</b>	<b>Special Funds £000</b>	<b>Total £000</b>
<b>REVENUE</b>			
Taxation	10,306	0	10,306
Fines, Fees and Licenses	1,008	0	1,008
Other Local Revenue	202	241	443
Trading Activities	0	5,086	5,086
Movements in Non-current Investments	728	0	728
DfID Grant in Aid	18,647	0	18,647
DfID Shipping Subsidy	624	0	624
DfID Development Aid	0	5,848	5,848
Other Development Aid	10	4,505	4,515
Non-exchange Donated Asset Funding	60	0	60
Non-exchange DfID Infrastructure Aid Funding	14,361	0	14,361
<b>Total Revenue</b>	<b>45,946</b>	<b>15,680</b>	<b>61,626</b>
<b>EXPENDITURE</b>			
Health	5,676	42	5,718
Safeguarding	3,176	64	3,240
Education	2,888	0	2,888
Environment and Natural Resources	4,010	2,406	6,416
Economic Development	1,423	975	2,398
Public Sector Pensions	2,943	0	2,943
Benefit Payments	2,266	0	2,266
Police	2,034	2	2,036
General Public Service	8,277	587	8,864
Shipping	1,261	0	1,261
Trading Activities	0	5,237	5,237
<b>Total Expenditure</b>	<b>33,954</b>	<b>9,313</b>	<b>43,267</b>
<b>SURPLUS FOR THE PERIOD</b>	<b>11,992</b>	<b>6,367</b>	<b>18,359</b>



## Statement of Trust Fund Movements for the year ended 31 March 2016

	Balance at 1 April 2014 £	Receipts in year £	Payments in year £	Balance at 31 March 2015 £	Receipts in year £	Payments in year £	Balance at 31 March 2016 £
Alexander Bequest Fund	1,402	13	(11)	1,404	7	(11)	1,400
Arnold Memorial Xmas Gift Fund	511	5	0	516	3	0	519
Arnold Memorial Hospital Trust Fund	6,648	285	0	6,933	97	(24)	7,006
Bain Gray Prize Trust Fund	1,371	12	0	1,383	8	0	1,391
Bovell Trust Fund	1,239	12	(22)	1,229	7	(12)	1,224
Leslie & Ted Moss Trust Fund	2,552	23	0	2,575	13	0	2,588
Solomon's Trust Fund	13,889	139	(264)	13,764	84	(230)	13,618
	27,612	489	(297)	27,804	219	(277)	27,746
Defined Contribution Pension Scheme*	29,815	189,906	(168,945)	50,776	254,321	(305,097)	0
Eliza Mary Lloyd Trust Fund	3,561	194	0	3,755	319	(203)	3,871
<b>Total</b>	<b>60,988</b>	<b>190,589</b>	<b>(169,242)</b>	<b>82,335</b>	<b>254,859</b>	<b>(305,577)</b>	<b>31,617</b>

\* The Defined Contribution Pension Scheme is a Trust Fund established by SHG. The bank balance and related liability is disclosed in the Statement of Financial Position. The scheme was wound up on 31 March 2016 and funds paid to SHG pending transfer to an approved pension scheme account for each member.

Disclosure of the operation of the Trust Funds with the financial statements is made in accordance with the Public Finance Ordinance 10(1)(c). These funds are not owned by SHG and therefore do not form part of the Consolidated Fund. Fund balances are held with Bank of Saint Helena.

SHG through the trust deeds of each Trust Fund is designated as the trustees of these Funds. Funds are managed in accordance with the details outlined in the trust deeds and can only be used for the intended purposes stated in the trust deeds.



# St Helena Government Annual Governance Statement 2015/16

## Introduction

The Chief Secretary, in his/her capacity as Head of the Public Service for St Helena Government (SHG) requires Directors/Accounting Officers to give him/her assurance about the stewardship of their Directorates.

The Governance Statement records the stewardship of SHG to supplement the accounts. It should give a sense of how successfully it has coped with the challenges it faced and achievements gained for the financial year 2015/16. This statement aims to draw together position statements and evidence on governance, risk management and control and to provide a more coherent and consistent reporting mechanism on the governance framework of SHG.

Governance comprises the systems and processes, and cultures and values by which SHG is directed and controlled and through which it is accountable for. Good governance is about ensuring an organisation is doing the right things, in the right way, for the right people, in a timely open and accountable manner. There is a strong correlation between effective governance and effective service delivery.

The final draft of the Statement was scheduled to be considered at the Audit Committee on 22 June 2016, following endorsement by the SHG Business Delivery Group and, separately, by the Financial Secretary and Chief Secretary. However, since that meeting did not take place, the Statement has been circulated to Audit Committee Members who have not raised any adverse comments. The statement will be formally considered by the Committee at its next scheduled meeting on 21 September or before if the June meeting can be rearranged.

The St Helena Audit Service as SHG's external auditors will review the statement alongside of the Statement of Accounts, report on inconsistencies between information reported in the Statement and provide recommendations for improvement.

## **ANNUAL GOVERNANCE STATEMENT 2015/16**

### **1. Scope of Responsibility**

St Helena Government (SHG) is responsible for ensuring that its business is conducted in accordance with the law, approved policies, procedures and standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. SHG also has a duty to make arrangements to secure continuous improvement in the way in which its functions are carried out.

In discharging this overall responsibility, SHG is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

As at 31 March 2016 SHG had spent £29.8m <sup>1</sup>(recurrent and capital expenditure from the Consolidated Fund) and had a workforce of 809 staff.

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<sup>1</sup> SHG Audited Financial Statements 2015-2016.



During 2014/15 SHG reviewed the portfolio of the Health and Social Services Directorate and concluded that in order to improve service delivery to the public, the directorate should be split into two separate directorates, Health and Safeguarding.

The following directorates delivered services during the financial year 2015/16:

**Education Directorate** – responsible for educating all compulsory school age children on St Helena and for providing a life-long learning programme for adults. This is done through the following services:

- Provision of primary and secondary sector education for pupils, including tailor made programmes for special needs pupils;
- Provision of a life-long learning through appropriately structured programmes developed by the Lifelong Learning Service, including an examination centre for international professional and technical examinations; and
- Provision of the Island's Public Library.

**Health Directorate** – responsible for delivering primary and secondary care level of health and social welfare to the population of St Helena. This is done through the following services:

- Community care services which provides primary health care to the public;
- Medical and nursing services which provides the secondary health care to the public;
- Pharmacy and Laboratory services which also includes commercial laboratory testing;
- Dental services to the public;
- Environmental health services including pest control and sanitary services; and
- Mental Health services.

**Safeguarding Directorate** – responsible for safeguarding and promoting the welfare of all vulnerable people in St Helena by further developing professional social services and establishing inter-agency co-operation and collaboration. This is done through the following services:

- Older persons services;
- Adults and disability services;
- Children and family services;
- Residential care; and
- Home care.

**Environment and Natural Resources Directorate** – brings together the roles concerned with the management, conservation and regulation of the natural and man-made environment and includes Lands, Buildings, Transport, Infrastructure, Agriculture and Environment. The services provided are:

- Agriculture production support, including biosecurity, pest management and veterinary services;
- Forestry production support including firewood harvesting, tree surgery and grounds maintenance;
- Conservation and sustainable management of the Island's terrestrial, freshwater and marine resources;
- Environmental risk management and education;
- Endemic plant species and habitat management and restoration;
- Land disposal and registration;
- GIS services;
- Building Regulations control;
- Land planning and development applications; and
- Provision and maintenance of St Helena's road network.

**Police Directorate** – responsible for the protection/preservation of life and property and to promote a safe and secure environment. This is done through:

- Reducing crime, including provision of a prison and probation service
- Improving public safety, through delivering community beat, rehabilitation programmes, traffic management and vehicle testing.
- Emergency services and disaster management including fire and sea rescue response; and
- Immigration and emigration, including processing visas, boarding ships etc.

**Corporate Services** – to support the Chief Secretary in ensuring the smooth running of the Public Service and delivery of SHG provided services. This is done through:

- Information and Information Technology management;
- Financial Management; including St Helena Revenue Management and Postal Services;
- Human Resource Management;
- Government/Council Support;
- Public Relations and Communications;
- Strategic Planning and Performance Management, including Risk Management;
- Policy Coordination and Management;
- Quality Standards provision and management; and
- Assurance services.

## **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which SHG is directed and controlled - and its activities through which it accounts to, engages with and leads the community. It enables SHG to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SHG's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact if realised, and to manage them efficiently, effectively and economically.

A Corporate Governance, Roles and Responsibilities paper was finalised in January 2014 which sought to "clarify the corporate governance arrangements and the roles and responsibilities of the various constituent parts of St Helena Government". It sets out SHG's intentions on its structure, how it should formulate policy, make decisions, communicate with its stakeholders and monitor the impact of decisions made. This paper remains an accurate reflection of corporate governance within SHG but should be reviewed and updated as necessary in 2016/17.

## **3. The Governance Framework**

SHG is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Senior Officers and Directors, who are responsible for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also comments made by the external auditors.

## **Strategic Management Team**

The overarching management is the responsibility of the Strategic Management Team (SMT). The role of SMT is to:

- Guide SHG strategy and policy priorities;
- Communicate the vision, direction and priorities of SHG to staff and stakeholders;
- Ensure the effective allocation and management of SHG staff and financial resources;
- Monitor and improve SHG's performance, with emphasis on risk management;
- Maintain a system of prudent and effective controls to ensure accountability, consistency, propriety and regularity; and
- Lead the process of change and continuous improvement to maximise efficiency and effectiveness and to enhance capacity to deliver services with value for money.

SMT met every two weeks and consisted of the Chief Secretary as Chair, the Deputy Chief Secretary, Financial Secretary, the Directors of Strategic Policy Planning, Health, Safeguarding, Education and Employment and Environment and Natural Resources and the Chief Executive for Economic Development.

## **Supporting Senior Management Team – Corporate Management Team**

The Corporate Management Team (CMT) was a consultation group for SMT. It is used for:

- Sharing information and expertise;
- Considering actions required for cross-cutting issues;
- Joint problem solving; and
- Building and encouraging corporate behaviour.

CMT met on a six weekly basis and consisted of SMT (above) and other senior managers such as the Directors of Human Resources, Agriculture and Natural Resources, Environmental Management, Police, Corporate Procurement and Internal Audit.

In November 2015 the governance and management arrangements were reviewed and a decision was made to discontinue the SMT and CMT in its current form and to establish a Core Leadership Group and Business Delivery Group:

## **Core Leadership Group**

The Core Leadership Group was established to ensure alignment of St Helena Government's priorities and activities with the St Helena Sustainable Development Plan.

The Core Leadership Group meetings facilitate discussion and decision making on initiatives and issues with the purpose of determining the strategic and operational direction for SHG.

The group met twice per month and the membership consisted of, Chief Secretary, Financial Secretary, Assistant Chief Secretary (Support), Assistant Chief Secretary (Performance), Director of Education and Head of Organisational Development & Improvement.

## **Business Delivery Group**

The Business Delivery Group was established to effectively share information between Business Units about their performance, identify areas of common interest and share good practice.

The Business Delivery Group meetings focused on monitoring performance against the objectives within the Sustainable Development Plan and general information sharing with a focus on discussion of impact.

The group met once per month and consisted of, Assistant Chief Secretary (Performance), Assistant Financial Secretary, Change Manager, Chief of Police, Director of Education & Employment, Director of ENRD, Director of Health, Director of Safeguarding, Corporate Services Executive Manager, Head of Human Resources, Head of Internal Audit and ESH representative.

### **Audit Committee**

The Audit Committee is responsible for assisting the Governor in fulfilling the constitutional responsibility for ensuring strength and best practice within the governance framework, in particular:

- The effectiveness of the SHG's Internal Control system;
- The effectiveness of SHG's approach to Risk Management; and
- Ethical principles – concerning compliance with legal and regulatory requirements and anti-fraud and corruption.

The Audit Committee also provides oversight of the Internal Audit Office. The Audit Committee meets a minimum of 4 times annually to consider the reports presented by Internal Audit, and other issues relating to governance and the SHG control framework. It consists of the Head of Governor's Office as Chairman and 5 other members, including members with Finance, HR and operational experience. 3 of the current members do not work within SHG. As at 31 March 2016 the Committee was carrying one vacancy which it was hoped would be filled by someone with a legal background.

### **Council Committees**

Whilst the Council Committees are constituted in their own right under the Constitution, they also have responsibility for governance arrangements and strategic monitoring/scrutiny of Directorates under the Public Service. This includes:

- Identifying, examining and endorsing policy formulation;
- Ensuring the agreed strategic priorities are adequately catered for within Directorate Strategic Plans and appropriate resources are allocated;
- Evaluating Directorates' progress against agreed performance indicators, their performance in terms of value for money and budget management;
- Examining specific outputs and decisions from the Directorates, Specialists and Assurance Bodies such as the Internal and External Auditors; and
- Examining the implementation and impact of legislation and major policy initiatives to determine their effectiveness and make recommendations for improvement.

During the period under review there were five Council Committees and they comprised of Elected Members:

**Economic Development Committee** – Subject to the Governor's Special Responsibilities under Section 44 of the 2009 Constitution, to provide leadership\*, strategic direction and policy initiation and endorsement for Government Business concerning economic development, economic/financial structures and their regulation, utilities regulation, investment, tourism, communications (including media and telecommunications) and port management.

**Education Committee** – To provide leadership, strategic direction and policy initiation and endorsement for Government Business concerning education, including, schools, skills and lifelong learning as established by the Education Ordinance 2008 and playgrounds.

**Environment & Natural Resources Committee** – To provide leadership, strategic direction and policy initiation and endorsement for Government Business concerning the Environment and Natural Resources Directorate including infrastructure management, road building and

maintenance, environmental management, lands (including Crown Estate), land use planning, development control, agriculture, fishing and forestry.

**Public Health Committee** – To provide leadership, strategic direction and policy initiation and endorsement for Government Business concerning Health, including health services, preventive health services and public health.

**Social and Community Development Committee** – Subject to the Governor's Special Responsibilities under Section 44 of the 2009 Constitution, to provide leadership, strategic direction and policy initiation and endorsement for Government Business concerning the Safeguarding Directorate, social security; government landlord housing; prison; civil society; community centres; culture and built heritage; leisure, sports and recreation; human rights and employment rights.

There is also a Children's Safeguarding Board. The purpose of the St Helena Safeguarding Children's and Young People's Board is to provide direction and leadership across St Helena Government to ensure that that SHG agencies are working together to safeguard children and young people on the Island.

The Board is chaired independently and reports directly to the Governor. Membership includes the Children's Champion, representatives from Health, Safeguarding, Education, the police and non-governmental organisations.

The Board meets every six weeks and when urgently needed. Its priorities for the year under review were:

- To ensure agencies are working together.
- To facilitate training for all who work with children and young people.
- To facilitate more in depth and targeted training for front line services.
- To ensure that historic cases are reviewed, action taken when needed and lessons learned.
- To ensure that the agencies involved in safeguarding our community are adequately resourced and supported so they can do their jobs effectively

## **Legislative Programme**

The Attorney General monitors current and anticipated future demands from Directorates for new legislation, and reports periodically (as necessary) to the Governor in Council. If demands exceed capacity, the Governor in Council determines the prioritisation of work.

During 2015/16, 11 Ordinances and 31 Legal Notices were issued. The 11 new pieces of legislation included the Environmental Protection Ordinance, the Commission for Equality and Human Rights Ordinance and the Mental Health and Mental Capacity Ordinance. The new subsidiary legislation included aviation related Regulations as well as new Regulations to regulate Adoptions (under the Welfare of Children Ordinance) and Regulations dealing with inquests/investigations and related matters (under the Coroners and Presumption of Death Ordinance).

The rest of the legislation was amendments to Ordinances or Regulations (such as Appropriation and Supplementary Appropriation Ordinances).

## **Policy Management**

Following the launch of the Policy Making Process, once an issue has been identified, the Corporate Policy and Planning Unit should be informed and support is given through the appraisal and public consultation processes. After Economic, Financial, Social and Environmental Impact Assessors sign off the policy, the policy is then sent to the Executive Council (ExCo) or other

appropriate authority for approval. Once a policy has been approved it is implemented and a maintenance plan (to ensure its relevance) is put in place.

For 2015/16 a total of 4 policies (included revised policies) were approved by ExCo.

## **Risk Management**

In 2015/16 Directorates continued to produce a Directorate Risk Register during the Strategic Planning cycle. The risks were based on the Strategic Objectives that Directorates planned to achieve for the year. A Strategic Risk Register was also derived from the Director's workshop which monitors high level risks to the Island. Directorates completed their risk mitigation plans, and these were monitored by the Business Delivery Group which was established during this year to evaluate and revise mitigation plans as circumstances change. These risks will be reported on at the end of the financial year.

Risks now form part of the Monthly Corporate Performance Report. The new report was used in 2015/16 and was discussed at BDG meetings on a monthly basis.

Risk management continues to develop within SHG. The Business Delivery Group currently reviews the Corporate Risk Register on a quarterly basis and the Risk Management Team will also be giving a presentation to the Audit Committee in September 2016.

Internal Audit continues to work with the Risk Management team and will be carrying out a formal audit within 2016/17 in order to jointly identify steps to further develop the process in order to ensure that risk management becomes truly embedded within SHG management practices and processes.

The key risks reported as part of the Annual Governance Statement surveys completed by directors and senior officers overwhelmingly identified the staff shortages (including retention and recruitment issues) as the single key risk currently facing their specific areas of responsibility.

Respondents were also asked to identify the top 3 risks facing SHG as a whole. In this case, the top 3 risks identified for the whole organisation were:

1. Shortages of suitably qualified and experienced staff;
2. Lack of (or delay to) air access; and
3. Lack of funding.

## **Performance Management**

The 2015/16 Directorate Strategic plans were linked directly to the Sustainable Development Plan 2014 – 2017. Key Performance Indicators (KPIs) derived from the Directorate Strategic Plans were reported on monthly, with the remaining Directorate Strategic Plan indicators being reported on quarterly. The Monthly Corporate Performance Report was discussed at Corporate Management Team meetings. A full Corporate Performance Report for 2015/16 will also be compiled and published. A new monitoring system was developed and piloted during this year and will be used in 2016/17. The new systems incorporate KPIs (corporate indicators identified by the Strategic Management Team) Key Corporate Risks and performance indicators identified during the annual DAPM.

32% of indicators (including KPIs) gained a green rating, 18% an amber rating and 50% a red rating. For the first quarter of the reporting period for 2015/16, overall KPI performance showed slow progress, although it was being maintained throughout it was early stages to be able to assess what directions we were moving towards. There was also some difficulty in obtaining monthly/half yearly updates, which resulted in reports being finalised after the agreed deadlines.

The performance report that was used in 2015/16 had 38 indicators (including KPIs), which is a reduction of 19 from 2012/13. It is therefore anticipated that response rates should now be better and the system should be more manageable.

## **Budget Management**

At the start of the year, Directors (Accounting Officers) who have the overall responsibility for their Directorate budgets were required to produce phased budgets against their approved budget allocations. That is forecasting how they plan to spend the money throughout the year and indicate when revenue would be received. This was provided to Finance who has the overall responsibility of monitoring SHG's expenditure and revenue. Regular monitoring of expenditure is essential; not just to verify expenditure against targets but also to identify changing patterns or circumstances that need corrective action. Each month Finance produced a set of Management Accounts that compared budget with actual expenditure/revenue and to explain any material variances. There are no set parameters for obtaining material variances; it depends on the correlation of the total value of the budget to the value of the variance. The monthly Management Accounts is presented on a monthly basis to the Business Delivery Group, to the Department for International Development (DFID), sent to all Elected Members and published on the SHG website.

During the preparation of September's Management Accounts, Directorates were also required to review their forecast figures for periods October to March 2016. This provided SHG with an early indication of what is the potential yearend financial position. It also allowed SHG to reallocate monies from functions with a planned under-spend to functions that would overspend. Provision for this was made in the Supplementary Appropriation Bill that was approved/ enacted in February 2016.

To ensure accurate information was being reported, Directorates' submissions were reviewed and challenged by Finance where the explanation for variances warranted more detail. More accurate forecasting of budgets and a better understanding of what has been submitted as phased budgets under accruals accounting is needed by all directorates. Directorates are encouraged to come forward to Finance for assistance, when there is uncertainty with the process.

## **Main Accounting System Process**

The Main Accounting System is set up to record SHG's expenditure and revenue as well as capturing all assets and liabilities of SHG. The data processed from this system is reflected in the SHG Management Accounts, which provides the Income and Expenditure and Balance Sheet for SHG for the month end. For 2015/16 SHG used the accounting software package Access Dimensions to manage the System.

The System incorporates various financial modules i.e. Sales (Debtors), Purchases (Creditors) and the Nominal (i.e. Fixed Assets, Suspense Accounts and Control Accounts, Accruals and Prepayments). Each month the Finance Directorate performed various checks and reconciliations on these modules to ensure records and figures agreed; and, used a month-end checklist as confirmation. For example; the 'Age Creditors Report' (list of suppliers' statement balances) was checked against the Nominal Balance for trade creditors to confirm that both ledgers agree and to identify variances. Cash book balances within the System are checked against the statements provided by Bank of St Helena and Crown Agents.

The month-end reconciliations and checks were carried out during 2015/16. Improvement is needed to ensure the checklists are complete, which provides audit trails of processes. The Fixed Assets Register within Asset Manager System was updated during 2015/16 and going forward this will be updated on a quarterly basis.

Internal Audit carried out a review of the Main Accounting System as part of the 2015/16 Internal Audit plan which resulted in **substantial assurance** being given.

#### 4. Review of Effectiveness

##### Management Review

Assurance was sought from the Directors regarding the effectiveness of the key controls within their areas of operation. The assurances are obtained via an 'Annual Governance Statement – Self Assessment Survey' which is required to be completed in full and with due diligence by each Director and other key senior managers. In 2015/16, this was done using an online survey. A fuller and more robust annual assurance process will be developed for the 2016/17 statement.

The self-assessment survey required directors and others to outline key challenges, assurance levels and sources of assurance as well as the key risks facing both their specific areas and SHG as a whole.

Respondents were asked to report the key objectives for their areas of responsibility, the assurance level they would give to those objectives being met, and the source of that assurance. We have summarised the responses received below.

The assurance levels are those reported by respondents and have not been independently assessed or verified. It is intended that a challenge process will be incorporated into the process for 2016/17 in order to give greater robustness and comparability to these assessments.

Similarly the sources of assurance cited have not been tested. However, having reviewed the responses given, we are content that these sources are generally reasonable. As above, the process being developed for 2016/17 will provide a greater level of testing and consistency for these sources of assurance.

**The responses summarised below give an apparently positive picture but this should be viewed with some scepticism due to the subjective and untested nature of the responses.**

Respondents were asked to identify the biggest 3 challenges faced within their area in 2015/16 and also the biggest 3 challenges foreseen for 2016/17.

Although there was some difference between years, there was a very large amount of ongoing challenges being carried over from one year to the next. Notably, a very large proportion of the challenges identified related to the recruitment and retention of staff. Internal Audit is scheduled to work with HR in 2016/17 in respect of both workforce planning and local recruitment and the concerns raised in this exercise will be reviewed as a part of that work.



Area	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
Education & Employment	Improving student attainment	Expanding opportunities for lifelong learning through the new Community College	Ensuring an inclusive approach in education focused on meeting children's needs, including a focus on safeguarding	Providing a more focused, effective and efficient education system based on accurate data, clear policies and shared strategic direction	Improving the quality of teaching in St Helena through providing high quality, accredited training for new and serving teachers
ENRD	Safe & efficient management of property & infrastructure	Increasing the ability of the island to feed itself	Securing the unique natural heritage of the island on which its ecosystem services, community and economy depend	Supporting sustainable economic development	Creating a dynamic working environment that encourages information sharing and problem solving
Health	overseas medical referrals - future arrangements	appropriately skilled and qualified staff	increasing accessibility to primary care services	suitable, safe facilities	increasing the level of self-sufficiency
Police	Reducing overall crime	Improving trust and confidence in the services provided by the Directorate	Working with partners, volunteers and stakeholders to improve public safety and protect children and those most vulnerable within our community.	Develop our response to major emergencies	<i>Only 4 priorities reported</i>
Safeguarding	Vulnerable people -child and adult protection	independent living through assessed support/elderly care	dignity and respect of clients	staff training and empowerment	facilities and equipment that is fit for purpose
Corporate Finance	Completion of the Annual Budget process ensuring a balanced budget is approved	Recovering the backlog of Annual Audited Financial Statements for SHG	Ensuring compliance with Financial Regulations across SHG	Effective financial management of SHG	Efficient and effective collection of revenues
Corporate Support/ Corporate Services	Supporting the Executive and Legislative Councils	Keeping the public informed via the Press Office	Information management	Providing robust IT network and support service	Providing general accounts service to Corporate Services
HR	Pay & Grading Review	Talent Management & Succession Planning	Performance Management	Improved Recruitment	HR Improvement Plan
IT	Staff Development	Staff Retention	Maintaining strong and effective work relationships	Strategic Planning	Staff Recognition
Legal	Preventing legal issues arising -- supporting the directorates to avoid legal risk	improving administration of justice through dealing quickly with legal issues	advising promptly the directorates when they request for a legal opinion	developing legal talent that will stay on SH long term	improving internal record keeping systems

### Key

Full assurance	Substantial	Moderate	Partial	No assurance
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## Internal Audit

The Annual Internal Audit plan of work is agreed by the Audit Committee and shared with the Business Delivery Group and senior SHG officials. The plan was created following a review of the previous year's work, the annual risk assessment and issues raised by Senior Officials. Internal Audit provides a report to each meeting of the Audit Committee on the progress of agreed recommendations.

An Annual Assurance Letter is drawn up at the year-end based on the work undertaken. This letter includes a formal opinion on the adequacy and effectiveness of risk management, control and governance systems within SHG as follows:

<b>MODERATE</b>	There is a risk that the system will fail to meet its objectives. Improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.
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In giving this opinion, the Head of Internal Audit highlighted the following points:

- **Governance** – A key Internal Audit recommendation from December 2012 that all SHG Committees should have agreed Terms of Reference “in line with their strategic and political obligations to [the relevant] Directorates” remains outstanding.
- **Capital Programme** – The Internal Audit report carried out in the 2015/16 internal audit plan found a number of fundamental underlying issues affecting the delivery of the programme and resulted in a *Partial* assurance. Also, within 2015/16, DfID carried out an infrastructure review which raised similar issues, amongst others and has resulted in SHG being subject to a Capital Programme Performance Improvement Plan.
- **Procurement** – During 2015/16, some significant issues were brought to the Head of Internal Audit's attention by the Financial Secretary. Although mitigation has been put in place in relation to the specific issues, it is nonetheless to reflect them as governance weaknesses within 2015/16.
- **IT Security** – It was found during 2015/16 that there are significant weaknesses relating to the secure use of IT within SHG. It was further found that a significant contributory factor to this was the current IT infrastructure which does not support compliance with SHG's own *Information Security Policy*.
- **Implementation of recommendations and agreed actions** – Actions arising from Internal Audit work are intended to strengthen the overall control framework and generally improve control and governance within SHG. The number of outstanding recommendations/ actions has increased in 2015/16 from 15 to 45 – an increase of 200%.

The table below shows the internal audit work for 2015/16 on which this opinion was primarily based.

Audit Area	Audit Opinion*	Total Recommendations	By Recommendation Priority			
			Fundamental	Significant	Desirable	Merits Attention
Finalised Audit Reports						
Pharmacy	None given	7 <sup>3</sup>				
Payroll	Substantial	5		1	3	1
TC Contracts	Substantial	3		1	2	
ENRD Budget Management	Partial <sup>4</sup>	7	1	4	2	
Use of SHG Vehicles	Moderate	10	1	5	4	
Customer Service Centre	Partial	8	4	4		
Main Accounting System	Substantial	2		2		
Capital Programme	Partial	6	3	3		
Audit Letters <sup>5</sup>						
CCTV and Crime Statistics	N/A	2				
Relocation	N/A	3				
Procurement Issues	N/A	11				
Medical Evacuation Criteria	N/A	-				
Safeguarding Finance	N/A	2				
2016 Population and Housing Census	N/A	-				
Use of SHG IT Passwords	N/A	5				
HM Customs	N/A	-				

## 5. Significant Governance Issues

<sup>3</sup> The original Pharmacy report contained 20 detailed recommendations which were summarised into the 7 recommendations reported here.

<sup>4</sup> Partial Assurance given overall with **limited** assurance given in relation to the role of Corporate Finance

<sup>5</sup> Audit letters do not include a formal audit opinion and nor are the recommendations prioritised in the same way as in Audit Reports.

Several governance issues have been identified through Directorates, Self- Assessments, summary work and Internal Audit.

The Business Delivery Group (BDG) will consider these issues and agree an action plan (including actions already ongoing). Progress on addressing these issues will be monitored by Internal Audit and reported regularly to the Audit Committee. A summary of this progress will also be included in the 2016/17 Annual Governance Statement together with a review of the governance issues still outstanding at that time.

The key governance issues to be addressed are:

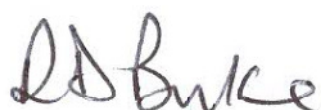
- Shortage of suitably qualified and experienced staff
- Unnecessarily complicated and opaque processes increasing risk of non-compliance, decreased value-for-money and loss of reputation.
- Inadequate and potentially failing IT infrastructure;
- Lack of agreed formal governance relating to information management.
- Lack of transparency and clarity relating to formal and informal governance structures.

Over the coming year, BDG will take steps on behalf of SHG to address the above issues to further enhance its governance arrangements and will monitor their implementation as part of the next annual review.

## 6. Certification

The Governance Framework as described above was in place in the Government of St Helena for the year ended 31 March 2016. Whilst this statement was originally signed by the Acting Chief Secretary in September 2016, it has been updated and reissued to coincide with the date of approval of the Financial Statements.

**Signed**



**Roy Burke**

Chief Secretary/ Head of the Public Service  
St Helena Government

28 November 2016

**Date**